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Ground Rents against Populist Historiography: Mid-Atlantic Land Tenure, 1750–1820

As part of his reinterpretation of America's early national economic development, Wood attacked large landlords as a moneyed "gentry" who opposed economic growth because their "static proprietary wealth" was "vulnerable to inflation." In other words, those gentlemen "represented much more the old aristocratic order than they did the capitalist future." In a similar vein, Sloan questioned the economic efficiency of Alexander Hamilton's financial system, implying that "rentiers" used the bulk of the interest that serviced the United States' debt merely to "take on an additional footman and a scullery maid or two." Similar populist sentiments pervade historiography. Indeed, even many economic historians emphasize the so-called "real sectors"—agriculture, industry, and trade—and tend to describe finance and financiers as, at best, necessary evils that played little role in economic development. However, financial historians have countered with strong arguments and evidence that finance played a crucial role in America's economic development.[1]

Although the studies and recent gains in the stock market have softened attitudes toward finance somewhat, historians seem

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1 Gordon S. Wood, "The Illusions of Power in the Awkward Age of Federalism," paper presented at the Philadelphia Center for Early American Studies, January, 1996; *idem,* "The Enemy Is Us: Democratic Capitalism in the Early Republic," *Journal of the Early Republic,* XVI (1996), 293–308; Herbert E. Sloan, *Principle and Interest: Thomas Jefferson and the Problem of Debt* (New York, 1995), 112–124. For examples of the new financial history, see Richard Sylla, Jack W. Wilson, and Charles P. Jones, "U.S. Financial Markets and Long-Term Economic Growth, 1790–1989," in Thomas Weiss and Donald Schaefer (eds.), *American Economic Development in Historical Perspective* (Stanford, 1994), 28–52; Wright, "The First Phase of the Empire State's 'Triple Transition': Banks, the Market Democracy, and Federalism in New York, 1776–1838," *Social Science History,* XXI (1997), 521–558.

not yet ready to challenge the populist notion that rentiers, persons who put their money out to interest, impeded our nation's economic growth. Rather than expose the weaknesses of the populists' assumptions by explaining the tenets of supply-side theory or recounting materials well known to most economist and business historians, the goal of this article is to refute the populist view by analyzing the little-known institution of ground rents in late colonial and early national Pennsylvania. A potentially useful byproduct of this research is the creation of a set of interest-rate data points that can be used to augment the sparse early interest-rate series.[2]

Ground rents were contracts for the conveyance of land in *fee simple* in return for a perpetual annual rent. Backed by common, statutory, and case law, ground rents gave the grantor (seller or ground rent landlord) a secure income stream while allowing the grantee (buyer or ground tenant) to acquire full ownership without stripping him of his capital base. Though of feudal origin, ground rent deeds were fully capitalist in nature by 1750. They were, in other words, "win-win" contracts—an exchange of equivalents, differing immensely from the manorial leases of New York's Hudson Valley, the contracts that populists usually cite as an example of aristocratic or landed oppression in the New World.[3]

An analysis of 1,000 land contracts made between 1700 and 1820 proves that ground rent contracts protected recipients of the rent (grantors or their heirs or assigns) from currency depreciation. Since standard market factors protected the grantors from infla-

2 The best work about early American interest rates remains Sylla and Sidney Homer, *A History of Interest Rates* (New Brunswick, 1996; rev. 3d ed.), 274–326, esp. 286–288. Currently under construction, but still more than a year from completion, is a weekly series of United States securities yields from 1790 to 1830, reported in Sylla, Jack Wilson, and Wright, "America's First Securities Markets, 1790–1830: Emergence, Development and Integration," paper presented at the thirty-seventh annual cliometrics conference, University of Toronto, May 16–18, 1997.

3 Richard M. Cadwalader, *A Practical Treatise on the Law of Ground Rents in Pennsylvania* (Philadelphia, 1879), 134. Vincent D. Nicholson, *A Treatise on the Law Relating to Real Estate in Pennsylvania* (Philadelphia, 1929), 61. The nature of manorial leases is much debated. The best recent historiographical review argues that the leases impeded market development. Martin Bruegel, "Unrest: Manorial Society and the Market in the Hudson Valley, 1780–1850," *Journal of American History,* LXXXIII (1996), 1393–1424. For the contrasts between the New York and Pennsylvania contracts, see Edward Allinson and Boies Penrose, *Ground Rents in Philadelphia* (Philadelphia, 1888), 18.

tion, Wood's first hypothesis, that rentiers actively sought to slow economic growth in order to protect their incomes, is highly dubious. The same data disprove Wood's second notion, namely, that landlords were more "aristocratic" than "capitalist." Ground rent incomes, the stream of annual payments that the deeds created, were traded in the open market like the more widely studied financial securities. Ground rents also freed capital for use in the commercial sector. As historians often point out, early banks did not lend much on real security. Few of these historians realize that ground rent financing greatly decreased the need for such mortgage loans, allowing commercial banks to concentrate on financing trade, a type of business in which they were much more efficient. A large percentage of ground rent purchasers were artisanal businessmen who benefited enormously from this supposedly "feudal" form of finance. Ground rents fueled economic growth by granting artisans and other middling groups easy and secure access to important land.[4]

From the founding of the province to the present day, investigators have considered ground rents to have been engines of development. In the words of Shippen to Hamilton in 1769, "The easie rents of Lots at first in York Reading and Carlisle were the only means of their being so well Settled as they are." According to one student of the early twentieth century, ground rents were "of great value in the rapid development of the city" of Philadelphia. Three distinguished late nineteenth-century jurists thought likewise. One of the few recent scholars to study ground rents also concluded that the institution "encouraged entry into the real estate market of small scale entrepreneurs, notably building trademen." As the works of Doerflinger and Lindstrom show, Philadelphia's domestic or internal economy, of which ground rents were a sizable component, was at least as important a developmental component as the region's foreign trade. Recent students of other colonies and states have also noted the importance of land contracts to economic development. According to Coclanis, for instance, legal changes in South Carolina that improved the

4 Philadelphia County Deedbooks, 1770–1820, Historical Society of Pennsylvania, Philadelphia (hereinafter HSP). As used here, artisans were makers of things. For a list of typical artisanal occupations, see Charles S. Olton, *Artisans for Independence: Philadelphia Mechanics and the American Revolution* (Syracuse, 1975), 4–5.

security of land titles helped to create an "incipient capital market based on land mortgages."[5]

Although modern historians have tended either to ignore ground rents or to misrepresent them, ground rent contracts were an extremely large component of Philadelphia's early economy. Sources suggest that ground rents played similar roles in Lancaster and other county seats in Pennsylvania; Wilmington, Delaware; and Baltimore, Maryland. Although long-relegated to obscure footnotes, the institution demands much more study.[6]

LEGAL BACKGROUND AND QUALITATIVE CONTEXT The roots of American ground rents lie in European feudal law. The British statute of *Quia Emptores* quashed the basis of the institution in England and the royal colonies. In proprietary colonies like Pennsylvania—technically, feudal fiefdoms—the basic concept survived but underwent a legal transformation too complex to be described in this context. Suffice it to say, feudal law contained the notions of rent service and rent charge. These notions underlay ground rent contracts. Quia Emptores abolished these charges, hence impeding the development of ground rents wherever it reached.[7]

5 Edward Shippen to James Hamilton, Lancaster, 9 March 1769, Edward Shippen Letterbooks, American Philosophical Society, Philadelphia; Nicholson, *Treatise on Real Estate,* 62; Allinson and Penrose, "Ground Rents in Philadelphia," 3–6; Cadwalader, *Practical Treatise,* 109 n.; Donna J. Rilling, "Building Philadelphia: Real Estate Development in the City of Homes, 1790 to 1837," unpub. Ph.D. diss. (Univ. of Pennsylvania, 1993), 7, 14, 38–54; Peter A. Coclanis, *The Shadow of a Dream: Economic Life and Death in the South Carolina Low Country, 1670–1920* (New York, 1989), 102–103; Thomas M. Doerflinger, *A Vigorous Spirit of Enterprise: Merchants and Economic Development in Revolutionary Philadelphia* (Chapel Hill, 1986); Diane Lindstrom, *Economic Development in the Philadelphia Region, 1810–1850* (New York, 1978).

6 In an otherwise excellent article, Mary Schweitzer misconstrued ground rents as ninety-nine year leases "calculated at one-tenth the value of the land" ("The Spatial Organization of Federalist Philadelphia, 1790," *Journal of Interdisciplinary History,* XXIV [1993], 48–49, n. 14). Jerome H. Wood, "The Town Proprietors of Lancaster, 1730–1790," *Pennsylvania Magazine of History and Biography,* XCIV (1972), 346–368. According to a 1796 court case cited in Cadwalader, *Practical Treatise,* 6–7, 71, "much valuable property [was] held in the city of Philadelphia under a yearly rent charge, and this [was] the case in general in most of the county towns in this State." Allinson and Penrose, "Ground Rents in Philadelphia," 3–6. Baltimore *Whig,* 2 Jan. 1811, listed forty-one ground rents for sale within the city of Baltimore. For secondary studies, see Beverley W. Bond, Jr., *The Quit-Rent System in the American Colonies* (New Haven, 1919), 219; Lewis Mayer, *Ground Rents in Maryland* (Baltimore, 1883); Cadwalader, *Practical Treatise,* 108 n.; Russell Menard, "Economy and Society in Early Colonial Maryland," unpub. Ph.D. diss. (Univ. of Iowa, 1975), 75–76.

7 Ground rents, for example, were unknown in Massachusetts. James Sullivan, *The History of Land Titles in Massachusetts* (Boston, 1801), 66. For a technical analysis of ground rents, see

In a typical "straight sale" deed, the seller or grantor conveys all or part of his or her rights in a certain lot or tract of land in return for valuable consideration that the buyer or grantee pays all at once. Most residential homes today are transferred by a straight sale mechanism: The buyers' mortgage company pays the seller the full price of the home, and the buyer repays the mortgage company over a specified number of years. Occasionally, today's sellers will "hold the mortgage" and allow buyers to pay for the home in installments. In these circumstances, sellers earns interest as well as the price of the house. Regardless of the type of financing employed, most sales today are in fee simple; sellers give buyers the right to alter, divide, devise, lease, or sell the property at the buyers' will.

In most points, ground rent contracts were almost identical to straight sale deeds. Ground rent contracts, after all, granted land in fee simple. The grant was conditioned, however, on the payment of an annual rent or the payment of a specific principal sum. The ratio between the rent and the principal sum (ground rent extinguishment value) was an implicit rate of interest. The ratio, expressed as an interest rate, was most often 6 percent (sixteen years' purchase)—the legal rate of interest in Pennsylvania—although some were contracted at 5 percent (twenty years' purchase). Occasionally, the buyer had a certain term of years, typically seven, in which to extinguish the ground rent by paying the principal sum. Moreover, the contracts often detailed the grantor's rights to collect the rent and specified which party was to pay the property taxes.[8]

Ground rent contracts were beneficial to both grantors and grantees. A perpetual lien on the real estate and a right to seize the personal property of the owner in case of default made ground rents relatively safe investments. To ensure that there was something to seize for payment, as well as to increase the value of surrounding lots, ground rent sellers often included a deed clause forcing purchasers to build improvements within a few years. To protect against currency depreciation, though not true inflation, virtually all of the deeds stipulated that if purchasers could not

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Allinson and Penrose, "Ground Rents in Philadelphia," 3–6; Cadwalader, *Practical Treatise, passim*.

8 Allinson and Penrose, "Ground Rents in Philadelphia," 9.

procure the specified type of coin, they could tender other types of money, so long as the type tendered was sufficient to buy the stipulated amount and type of specie. Ground rent landlords (the recipients of the ground rent), not ground tenants (the owners of the land), made the decision. If so inclined, landlords could refuse such legal-tender notes as Continentals, Greenbacks, and national bank notes. Similarly, ground rents contracted in sterling protected landlords from fluctuations in exchange rates. Thus, the recipients of ground rent streams remained invulnerable to currency depreciation. Ground rent incomes were more liquid than the land itself. Ground rent landlords could sell or mortgage their right to receive the ground rent stream. With the low rates of inflation that prevailed in colonial and early national America, it took decades for ground rents to lose buying power.[9]

At least one scholar has argued that ground rent purchasers benefited more than sellers. Holding the property in fee simple meant that, unlike tenants, they could divide, devise, or sell it at will. It also meant that they could not be "evicted," even for nonpayment, and did not have to worry about new lease terms. Ground rent landlords could distrain the personal property of the ground rent tenants, but could reclaim title only in the unlikely event that the delinquents had no personal property for the sheriff to seize. Though the deed terms ensured that purchasers could not meet their obligations with depreciated currency, the ground rent rate was not linked to any price or interest-rate index. Hence, as price levels and interest rates rose, the fixed annual payment decreased in real terms. Moreover, if purchasers wished to remove the perpetual liens and payments, many deeds stipulated that they could do so by paying sixteen to twenty times the ground rent—representing an interest charge of 6 percent and 5 percent, respectively—to the ground rent landlord within seven to ten years from date of purchase. Regardless of the original contract, purchasers or interested later parties could, and did, make separate contracts to "extinguish" the ground rent, often after it had sunk to a nuisance level in real terms. Interestingly, many early Philadelphia

9 Shippen to Hamilton, Lancaster, August 28, 1773, Edward Shippen Letterbook. The letter nicely summarizes twenty years of Shippen's ground rent collection practices regarding sterling exchange rates. For technical discussions of the reliability of ground rents, see Cadwalader, *Practical Treatise,* 157ff., 198–199; Nicholson, *Treatise on Real Estate,* 65, 71; Allinson and Penrose, "Ground Rents in Philadelphia," 10.

ground rents continued to be paid until at least the Great Depression, and many Lancasterians continued to pay ground rents to the estate of James Hamilton until at least the 1960s.[10]

There is little practical difference between purchasing real estate by ground rent or by bank mortgage. They are simply different ways of financing fee simple ownership. In fact, Doerflinger, in *Vigorous Spirit of Enterprise,* referred to ground rents as "perpetual mortgages." Both kinds of financing grant purchasers full ownership without eliminating their capital base—permitting them to make improvements on the lot and to purchase tools or stock—and force them to economize, the better to meet the periodic payments and thereby increase the efficiency of the macroeconomy. There was little practical difference between the mortgagee's lien and the ground rent landlord's lien.[11]

Perhaps most important, either party could assign ground rent contracts. Ground tenants did so by selling the land. They had several options, the most common being to sell the land for a single lump sum and to obtain the new owner's agreement to continue to make the ground rent payments. The lump sum represented the increase in the property's market value. The ground tenant could also sell the land and use some portion of the price to extinguish the ground rent, or sell the land for a ground rent, thereby attaching two ground rents to it. Since the law was not clear about such complications, dual ground rents were rare, and triple ground rents rarer still.

The creation of a ground rent in no way hindered the divisibility of the land. Those who wished to purchase part of a lot merely contracted to pay an equitable portion of the ground rent. Ground rent landlords benefited by such divisions because they could sue any one of the ground tenants for all arrears. The ground tenant sued then had to recover from his fellow ground tenants.[12]

Likewise, the original grantor could assign, sell, or divide his right to receive the ground rent. The ratio between the price of the sale of the right and the ground rent once again implies an

10 Nicholson, *Treatise on Real Estate,* 62, 77; J. H. Wood, "Town Proprietors of Lancaster," 346–368.
11 Cadwalader, *Practical Treatise,* 62–63; Doerflinger, *Vigorous Spirit,* 385; Nicholson, *Treatise on Real Estate,* 65.
12 *Ibid.,* 70.

interest rate. Rates from such sales varied much more than those contracts that created ground rents. (They form the bulk of the interest-rate data provided herein.) Unfortunately, the extent to which ground rent incomes were sold cannot be known with certainty; the law might not have required them to be recorded. Qualitative evidence, however, suggests that Pennsylvanians bought and sold ground rent incomes informally as needed. Ground rents were such solid investments that even public charitable organizations like the Pennsylvania Hospital invested in them. By the 1880s, if not sooner, ground rents dating from the eighteenth century were traded as "gilt-edged" securities, commanding "a considerable premium at auction by reason of their permanent character."[13]

Pennsylvania's preeminent businessmen—William Allen, James Hamilton, the Pembertons, Thomas Willing, and Robert Morris—made extensive use of ground rent contracts. They tended to have more cash than they could easily invest in trade. Rather than let their lands stand idle for want of buyers, or sell lots for large sums that might not be readily employed profitably, these men, and others like them, sold land on ground rent to create reliable income streams. The ground rent payments served the same portfolio needs as government securities and corporate equities.[14]

13 It is also not clear whether extinguishments had to be recorded. In the following example, from deedbook IC9:81, both types of contracts were mentioned in the deed, but the original indentures seem not to have been included:

> This Indenture made the Sixth day of January in the year of our Lord One Thousand Eight hundred and ten Between Isaac W. Morris of the City of Philadelphia Brewer and Sarah his wife of the one part and Edward Burd of the said City of the other part Witnesseth that the said Isaac W. Morris and Sarah his Wife for and in Consideration of the sum of four thousand one hundred and forty dollars lawfull money of the United States to them paid by the said Edward Burd at the time of the Execution hereof the receipt whereof is hereby acknowledged have granted bargained sold assigned transferred and set over and by these presents do grant bargain sell assign transfer and set over unto the said Edward Burd his Heirs and assigns all that certain yearly rent or sum of two hundred and seventy six silver milled dollars lawful money of the United States of America Clear of Taxes Charged upon and half yearly Issuing out of all that Certain Lot or piece of ground Situate on the westwardly side of Dock Street.

Pennsylvania Gazette, 16 Sept. 1789. Much data about how wealthy Philadelphians invested in ground rents during the late antebellum period can be found in the Granville John Penn Estate Papers, HSP. Allinson and Penrose, "Ground Rents in Philadelphia," 17; Cadwalader, *Practical Treatise,* 79 fn.

14 For Allen and Hamilton, see Craig W. Horle, Joseph S. Foster, and Jeffrey L. Scheib (eds.), *Lawmaking and Legislators: A Biographical Dictionary* (Philadelphia, 1997), II. For the Pembertons, see the Pemberton Papers, 42:137, HSP. For Willing and Morris, see Wright,

Had these men—all of them important politicians—wanted to become aristocrats, they would have been better served by making short- and medium-term leases, the precariousness of which would have been likely to put tenants under their political control. Moreover, as lease landlords, they would have been able to change the terms of contracts every few years to meet present economic contingencies, as well as reap the gains of real-estate appreciation. That these businessmen usually opted for ground rent contracts instead of leases shows that they were neither aristocrats nor rentiers; they were nothing short of capitalists—a term in wide use in America before the War of 1812.[15]

It is important to note that, despite the claims of some historians, capitalists are not profit maximizers but optimizers. In other words, capitalists seek the most efficient risk-adjusted and opportunity costs return on capital, not the largest possible return. Maximizers place all of their capital and credit into the most lucrative endeavors, regardless of risk, time, or trouble. Optimizers spread their risks with a diversified portfolio and seek a balance between the rate of return and the amount of work. Ground rent contracts, like government securities and corporate equities, appealed to the optimizing nature of capitalists. Though hardly the most profitable investments available, ground rent income streams were generally reliable, whereas leases could lead to losses if a property remained unleased or land values sank, as often occurred in eighteenth- and early nineteenth-century Pennsylvania.

DEED ANALYSIS One thousand deeds recorded in Philadelphia County between 1780 and 1820 were sampled, the first 200 for each of the deedbooks D3 (1780), D26 (1790), D78 (1800), IC9

"Thomas Willing (1731–1821): Philadelphia Financier and Forgotten Founding Father," *Pennsylvania History,* DXIII (1996), 525–560. According to James L. Sturm, "The United States developed as a pre-eminently capitalist nation and the behavior of the investing classes mu[st] have been crucial" ("Investing in the United States, 1798–1893: Upper Wealth-Holders in a Market Economy," unpub. Ph.D. diss. [Univ. of Wisconsin, 1969]).

15 For use of the term *capitalist,* see Alexander Hamilton to Theophile Cazenove, Philadelphia, April 26, 1791, *Papers of Alexander Hamilton* (New York, 1979), 26:609: Isaac Bronson to Elkanah Watson, New York, February 26, 1803, Papers of Elkanah Watson, New York State Library, Albany; Benjamin Davies, "The Bank Torpedo; or, Bank notes proved to be a robbery on the public, and the real cause of the distresses of the poor. By a friend to common honesty" (New York, 1810); *New York Political Bulletin & Miscellaneous Repository,* 29 Dec. 1810.

(1810), and IW6 (1820)—roughly 2 percent of all the deeds recorded in the county, which included the city of Philadelphia, between 1780 and 1820. Dates of indenture, the actual dates of the contracts, ranged from 1700 to 1820, though most were after 1750. Not all deeds were recorded, and many were recorded years, decades, and, in some cases, even a century late. The fact that each deedbook contained deeds from previous years, for reasons largely exogenous to the state of the economy, adds to the randomness of the sample.[16]

Straight-sale deeds account for almost half of the deeds recorded in Philadelphia County between 1780 and 1820 (see Table 1 for details). Ground rents formed some part of nearly one-third of all recorded deeds. More than half of the deeds that included ground rents—almost 20 percent of the total sample—were straight sales that continued ground rents previously made. The other ground rent deeds created new ground rents, transferred ownership of the ground rent income, or, occasionally, extinguished existing ground rents. Sheriff's sales, gifts, quitclaims, tripartite indentures, articles of agreement, mortgages, and miscellaneous documents composed the remaining 20 percent of the total deed sample. Since the sample includes the rural areas of Philadelphia County, where, for reasons not yet fully understood, ground rents were rarely used, these findings underestimate the importance of ground rents in the city of Philadelphia.

The analysis of deeds presented here gives a rough idea of the importance of ground rent contracts in Philadelphia throughout almost a century. A much more detailed statistical description of the importance of ground rents in the late colonial period can be obtained by a close analysis of the provincial tax of 1767.

TAX STATISTICS For taxpayers who owned enumerated property, the rolls of the provincial tax of 1767 provide two assessments, the "physical assessment" and the "adjusted assessment." The physical assessment was simply a list of enumerated property—real estate, rental income, ground rents received, cows, horses, pigs, sheep, servants, and slaves. Non-real property, including human chattel, was assessed equally according to class. For

16 Officials completed 167 deedbooks between 1780 and 1820—the final 75 books of series D, 33 of series EF, 30 of series IC, 23 of series MR, and the first 6 of series IW. At roughly 300 deeds per book, Pennsylvanians recorded approximately 50,100 deeds in the period.

Table 1 Types of Deed Recorded in Philadelphia County, Pennsylvania, 1770–1820

TYPE OF DEED	NUMBER	PERCENTAGE OF TOTAL
Straight sale (land for specified sum of principal money paid at closing)	450	45%
Ground rent (creation)	85	8.5%
Ground rent sale (landlord selling right to receive annual payment)	46	4.6%
Ground rent extinguishment (landlord forgiving annual payment)	6	.6%
Mixed (straight sale of a lot with a pre-existing ground rent)	191	19.1%
Ground rent subtotal (328)		(32.8%)
Trust	47	4.7%
Quitclaim (release, partition, etc.)	39	3.9%
Gift (value given for no marketable consideration)	35	3.5%
Deed poll (sheriff's sale)	29	2.9%
Tripartite (three, four, or more transactions in one deed)	27	2.7%
Miscellaneous (sale of ships, personal property, etc.)	19	1.9%
Articles of agreement (general contract, contract to build, leases)	16	1.6%
Mortgage	10	1.0%
Others subtotal (222)		(22.2%)
Totals	1000	100%

example, all sheep were rated at 1 *s.*, all horses over a certain age were rated the same, etc. The assessor calculated the total rating of real property, multiplying it by 60 percent to determine the assessment. De facto rental income was reduced by 40 percent. Ground rent receipts, however, were rated fully at one to one. In other words, a rent of £10 created a tax liability of only £6, but a ground rent of like amount created a tax liability of £10.[17]

17 Philadelphia Provincial Tax Rolls, 1767, Van Pelt Library, University of Pennsylvania.

Those who paid ground rents were able to subtract the full yearly value of the ground rent from their physical assessment (see Table 2 for an example). The number at the left in Table 2 was the adjusted assessment, which was multiplied by *x* pence to determine the tax to be paid. It was adjusted upward if the taxpayer held an office, had a professional occupation, or was deemed "rich." It was adjusted downward if the taxpayer was a widow or widower, "sickly," burdened with "many children," or, interestingly enough, if he or she was "Incumbred" or "In Debt." For most taxpayers, the adjusted assessment was merely a simplification of their physical assessment; for instance, £19 6 *s.* 3 *d.* became £19.

Three points seem clear: First, whether intentional or not, colonial Pennsylvania encouraged people to go into debt by decreasing their tax burden. Almost all of those listed as in debt were fairly prosperous, extensively engaged in mortgaging property, which they subsequently leased. A good example was Michael Hillegas, the future continental treasurer. Second, ground rents were unlikely to be underreported because ground rent payers wanted to make sure that they received proper credit. Third, the province favored ground rent payers not only over ground rent recipients but also over rent payers. Although tenants did not pay taxes on the real estate that they rented, they were not able to deduct rent payments from their physical assessment.

Table 2 Fictitious Example of the Provincial Tax of Pennsylvania, 1767

40	John Doe	
	£20 of John Roe	£12
	Gd. Rent of John Moe	£10
	tenement & 200 acres £100	£60
	20 sheep	£1
		£83
	Gd. Rent paid to John Zoe	£23
		£60
	In Debt	

Furthermore, none of the records explicitly mentions an assessment decreased because of high rent or anything of the sort.

Despite the fact that ground rent recipients had a harder time hiding their incomes than lessors did, the tax laws were more sympathetic to ground rent contracts than to leases. At first glance, landowners without any rental income at all might seem to have been in the best position, since their estates were rated at 60 percent of their value. However, ground rents received were counted as only a portion of (the interest from) an estate. Hence, for a lot of land worth £100, an owner paid tax on £60, but a ground rent recipient paid tax on only £6 (or whatever the ground rent on the estate was).

In Philadelphia and its immediate suburbs (Southwark, Moyamensing, and the Northern Liberties), 4,302 persons paid taxes. Among them were 380 single men with no enumerated property who paid only the head tax. The small but undetermined number of single men who paid the head tax and owned physical property but received no explicit adjusted assessment are herein treated like head-of-household taxpayers; that is, they are assigned an adjusted assessment to round off their physical assessment. Hence, the total number of propertied taxpayers was 3,922. This number was used to calculate the data in Table 3. Income from leases composed almost 50 percent of the taxable property in the city of Philadelphia, whereas ground rents accounted for only about 10 percent. Lease landlords collected more than 3,000 rents; ground rent recipients collected only about 1,400 ground rents. However, only slightly more than 1,000 persons collected rents; 945 persons collected ground rents. On average, each lease landlord collected rent from more persons than the average ground rent landlord.[18]

The average rent exceeded £25; the average ground rent was between £7 and £8. There are several reasons for the difference. First, leases tend to be short-term, thus representing contracts made within a few years of 1767. Since ground rents could have originated anytime after the formation of the colony in the 1680s, they could have reflected the lower prices of earlier years. Moreover, being much less risky than leases, ground rent contracts were

18 This treatment of single men with physical property but no adjusted assessment did not distort the data to any significant extent, because there were so few of them and because most taxpayers' adjusted assessments were merely a rounding off of their physical assessments.

Table 3 Relative Importance of Ground Rents to Leases in the City of Philadelphia, 1767 (in Pennsylvania Currency)

Total physical assessment = £89,176

(Total physical assessment plus abated ground rents = £98,124)[a]

Average physical assessment = £22.74

Total adjusted assessment = £94,058

Average adjusted assessment = £23.98

Total rental income = £76,932 (×.6) = £46,160

Number of rents collected = 3,023

Average rent = £25.45

Number of persons receiving rental income = 1,061

Percentage of physical assessment plus ground rents abated (£98,124/£46,160) from rental incomes = 47%

Total ground rent income = £11,216

Number of ground rents received = 1,409

Average ground rent received = £7.96

Number of persons receiving ground rent income = 945

Percentage of physical assessment due to ground rents = (98,124/11,216) = 11%

Total Ground Rent Abatement (Paid) = £8,948[b]

Number of ground rents paid = 1,259

Average ground rent paid = £7.11

Number of persons paying ground rents = 1,063

[a] Ground rents paid were added to the physical adjustment before the percentage of contribution of rents and ground rents received was determined, because ground rents both added to the tax base and reduced the tax base, as discussed in the text. Theoretically, a region, or an individual, with high ground rents could avoid paying taxes altogether.

[b] Ground rental income and ground rents paid are not equal for two reasons: (1) it was not a closed system, and (2) many ground rents were paid to tax-free institutions like churches, which were not separately tracked.

cheaper anyway. The importance of ground rents must be judged on the number of people who collected them, not simply on their aggregate contribution to the tax base.

Interestingly, ground rent recipients tended to be ground rent payers themselves. The total number of people who clearly benefitted from Philadelphia's rental system—that is, those who received at least one rent, received at least one ground rent, or paid one or more ground rents—was 1,490, or 33.3 percent of the city's 4,474 household heads. Although the exact number of ground tenants cannot be determined from the rent rolls, because taxpayers received no credit for paying rent, the large number of rents collected (just over 3,000) suggests that 67 percent of families held one piece of real estate or more. Although there was overlap in the groups, it seems that about one-third of the city's household heads were primarily landlords and the remaining two-thirds were primarily leasees. The landlords tended to collect rents from leases, and they both paid and received ground rents.[19]

OCCUPATIONS OF GROUND RENT CONTRACT PARTIES That a full third of household heads were landlords goes a long way toward showing that a small group of gentlemen rentiers did not dominate late colonial Philadelphia. Unfortunately, the 1767 tax rolls rarely indicate the occupations of landlords. However, since the deed-books almost invariably do, it is possible to estimate the occupational distribution of ground rent landlords and recipients. Of those who received the new ground rents recorded between 1770 and 1820, 35 percent were artisans. Of those who purchased ground rents in that same group of deeds, 72 percent were artisans. These findings, combined with those of late nineteenth-century analysts, strongly suggest that artisans could, and did, diversify their investment portfolios by creating ground rents and that they helped to finance their operations by purchasing lots on ground rent. Thus, the institution of ground rents played a large, but hitherto little-noticed, role in the economic development of Philadelphia.[20]

19 The figure of 4,474 is generally considered accurate for heads of households in 1769. For discussions about the tricky question of colonial Philadelphia's population, see William S. Sachs, "The Business Outlook in the Northern Colonies, 1750–1775," unpub. Ph.D. diss. (Columbia Univ., 1957); John K. Alexander, *Render Them Submissive: Responses to Poverty in Philadelphia, 1760–1800* (Amherst, 1980), 26; Gary B. Nash and Billy G. Smith, "The Population of Eighteenth-Century Philadelphia," XCIX, *Pennsylvania Magazine of History and Biography* (1975), 362–368; Sharon W. Salinger and Charles Wetherell, "A Note on the Population of Pre-Revolutionary Philadelphia," CIX, *Pennsylvania Magazine of History and Biography* (1985), 369–386.

20 Allinson and Penrose, "Ground Rents in Philadelphia," 11, 16–17. Note that artisans were skilled tradesmen and businessmen, not unskilled laborers. See Olton, *Artisans for Independence;* Howard Rock, *Artisans of the New Republic: The Tradesmen of New York City in the Age of Jefferson* (New York, 1984), 23.

A specific example will illustrate these points further. Between 1759 and 1764, Willing—the future president of the Bank of North America and the Bank of the United States—sold nine lots in Philadelphia by ground rent deed; seven of them went to artisans or mechanics. The average yearly rent was 8.56 pistoles, a payment that artisans could meet fairly easily. The average lot size was 1,764 square feet, big enough for a home shop. Between 1767 and 1788, Willing sold eight lots with an average size of 3,469 square feet by ground rent deed, artisans or mechanics buying five of them. The average rent was $35.75, a modest sum for a lot large enough for a substantial manufactory. Between 1792 and 1809, Willing made forty-three recorded sales by ground rent deed, thirty-four to mechanics, artisans, farmers, or laborers. The average purchaser annually paid $23 for a 2,244 square-foot lot—about $1 per 100 square feet per year.[21]

INTEREST RATE DATA Deeds creating new ground rents almost always contained implicit interest-rate data. Unfortunately, the interest usually calculates to exactly the legal rate of interest in Pennsylvania during the period of study, 6 percent. Since no details of deed negotiation have been found, we can only guess what the procedure was like. Grantors and grantees could have agreed about the fair price of a lot, and then haggled about the interest rate. The occasional contracts for interest rates less than 6 percent were assumed to reflect real market rates (as recorded in Table 4). The predominant rates of exactly 6 percent were probably concocted by adjusting the price of the land upward. For example, when grantors wanted an interest rate of 12 percent, they charged $6 ground rent for a $50 piece of land, attempting to convince the grantee that the land was worth $100. Presumably, there was a limit to this principal fixing, because the grantee would have to pay the full $100 to extinguish the ground rent. Because of a dearth of early land-price series, the test of this scenario—the comparison of "straight sale" prices with ground rent principal prices of similar lots—would require the completion of a large, separate study.

Luckily, the sale of existing ground rent streams—that is, the assignment of the right to receive ground rents to a new land-

21 Wright, "Thomas Willing," 525–560.

Table 4 Ground Rent Interest-Rate Data

DATE[A]	GROUND RENT INTEREST RATE	COMPARATIVE INTEREST RATE	DATE	GROUND RENT INTEREST RATE	COMPARATIVE INTEREST RATE
1761.0723	5.0000	5.0000	1796.1103	5.9925	6.0000
1770.0901	5.0000	5.0000	1799.0426	7.4074	7.4200
1771.0503	6.2500	6.0000	1799.0705	6.7000	6.6667
1777.0717	5.0000	—	1799.1115	6.9237	6.9400
1783.0723	5.0000	—	1799.1211	7.1429	7.3400
1784.0501	5.0000	—	1800.0120	5.6250	6.1538
1784.0524	6.6667	—	1800.0206	5.9816	6.1017
1784.0818	5.5427	—	1800.0211	5.6583	6.0000
1786.0623	9.0000	—	1810.0106	6.6667	6.4625
1787.0517	7.4074	—	1810.0307	6.2500	5.9406
1789.0420	6.6250	—	1810.0320	5.9982	5.9406
1790.0217	8.3334	—	1817.0124	5.8823	5.8600
1790.0329	5.0000	—	1817.0923	6.6750	5.9406
1790.0330	10.0000	—	1819.0608	8.3250	6.0606
1790.0401	8.3334	—	1819.0731	5.2980	5.3072
1790.0810	8.0006	—	1819.1105	6.2857	5.9701
1790.0820	6.7873	—	1819.1118	6.2223	5.9406
1790.0820	7.7465	—	1819.1229	6.6507	5.9406
1790.1102	11.0938	8.5714	1820.0112	8.3334	5.9406
1790.1115	7.8185	8.5714	1820.0203	6.2500	5.9406
1790.1115	8.3334	8.5714	1820.0205	7.2728	5.9406
1791.0103	8.3334	7.0073	1820.0221	6.1881	5.9406
1791.0226	7.6923	6.9565	1820.0702	5.6667	5.1800
1795.0421	5.1725	5.1798	1820.0813	7.1429	5.9406

NOTES Dates are given in a format whereby the notation, 1760.0417, for example, represents 17 April 1760. Comparative interest rates are from Richard Sylla and Sidney Homer, *A History of Interest Rates* (New Brunswick, 1996; rev. 3d ed.), 279, 286. Current yields on United States sixes, threes, or Bank of North America (Philadelphia) shares were computed by Jack Wilson based on a data set currently under construction. For a description, see Sylla, Wilson, and Wright, "America's First Securities Markets, 1790–1830: Emergence, Development and Integration," paper presented at the thirty-seventh annual cliometrics conference, University of Toronto, May 16–18, 1997. Given the sporadic nature of early interest-rate data, quotations are rarely from the same day, but most of the post-Revolutionary quotations are within two weeks of each other. Since the money and securities markets were chaotic from the Revolution until Alexander Hamilton's fiscal reforms in 1790, no comparative interest rates have been listed for those years. Although scholars of early America often must place strong reliance on the legal interest rate (see Peter A. Coclanis, *Shadow of a Dream: Economic Life and Death in the South Carolina Low Country, 1670–1920* [Chapel Hill, 1986], 105–106, 141), colonial Pennsylvania occasionally issued public bonds, the current yields of which, checked against Sylla and Homer's data, form the basis of the colonial comparative interest rates. For a brief description of Pennsylvania's colonial bond issues, see Wright, "Thomas Willing (1731–1821): Philadelphia Financier and Forgotten Founding Father," *Pennsylvania History,* DXIII (1996), 525–560.

lord—for some reason often escaped the purview of usury strictures. Most of the interest-rate data points in Table 4 come from such transactions. The consideration given for the income stream is the principal, and the ground rent payment is the interest. Most ground rents in the period under study were payable annually; some were payable semiannually and quarterly. Only 5 percent of the recorded deeds yield useful interest-rate information. If all 50,000 deeds are analyzed, about 2,500 data points of interest rates in Philadelphia before 1820 will be procured.[22]

Whether these interest rates are "pure," or reflect real-estate-market expectations or other risk factors is not clear. Landowners may have sought to sell lots on ground rent at the outset of real-estate recessions in order to "lock in" a higher principal price. Similarly, they would appear to have had little incentive to sell on ground rent or by straight sale if real-estate prices were expected to increase in the near future. Indeed, in 1762, John Penn advised Thomas Penn to rent rather than sell his land near Sunbury, Pennsylvania, because he thought that "the value of land [would] greatly increase in a number of years."[23]

Nonetheless, ground rent landlords largely dictated the extinguishment sum, thereby usurping some appreciation. In 1858, the estate of John Granville Penn extinguished a ground rent of $.37 for $7.41! In the early twentieth century, when many old ground rents were finally extinguished, landlords often sought extinguishment based on a 3 percent interest rate instead of a 6 percent rate, effectively doubling the principal, arguing that they should reap the benefit of land-value appreciation. It should be noted that such considerations did not apply to data derived from landlord-to-landlord transactions—the bulk of Table 4—because neither purchasers nor sellers had any choice in the type of

22 For an example of a typical contract, see note 13. Some have suggested that such transactions should be solved as a present value of annuities. Unfortunately, solving for a present or future value requires specifying a length of time or a number of periods, which is impossible for ground rents because they were perpetual. By the 1870s, most newer ground rents in Pennsylvania were annual rents "payable semiannually." Cadwalader, *Practical Treatise,* 63.

23 John Penn to Thomas Penn, Sunbury, September 9, 1762, Penn Private Correspondence, HSP.

contract being transferred. Such transactions were payments of lump sums for annuities.[24]

It is also difficult to ascertain whether the interest rates reflected the short-, medium-, or long-term investment market. Qualitative evidence suggests that ground rents were viewed as high-grade, long-term private securities, although they do not appear to have been traded as actively as government debt securities or corporate equities, and evidently they were not frequently hypothecated with banks to secure loans. Given the paucity of available interest-rate data, however, the effort of collecting the data points might be worthwhile.

Despite the excellent efforts of economic historians, like Lamoreaux, to explain the importance of supply-side factors in the economic development of the United States, some historians continue to espouse the overly simplistic, populist view that the broad segment of middle America—epitomized by men like William Manning, a Massachusetts yeoman—had to overcome the obstacles that the wealthy created before they could drive the nation's economy forward. Such a view is rather like congratulating an ox for plowing a field and forgetting about the farmer. Men like Manning existed in America and elsewhere for centuries. Only when and where leaders and institutions steered them in the right direction was progress made. Banks, government securities, and courts of law, among others, were the very kinds of institution that aroused the masses from centuries of agricultural stagnation.[25]

Ground rents played an important role in the economic transformation of the former proprietary colonies of the Mid-Atlantic region. As rooted in feudal law and redolent of aristocracy, however, they would seem liable to the criticisms of populist historians. However, a close study of the legal and economic effects of ground rents presents a different picture. Far from helping a wealthy few to oppress the masses, ground rents aided both grantees and grantors. Moreover, a large segment of the

24 Granville John Penn Estate Papers, HSP; Nicholson, *Treatise on Real Estate,* 67.

25 Naomi Lamoreaux, *Insider Lending: Banks, Personal Connection, and Economic Development in Industrial New England* (New York, 1994); Michael Merrill and Sean Wilentz (eds.), *The Key of Liberty: The Life and Democratic Writings of William Manning, "A Laborer," 1747–1814* (Cambridge, 1993).

population collected them. Ground rents gave artisans and nascent manufacturers an affordable way to finance a large capital component of their operations. Typically much lower than lease rents, they allowed ground tenants much greater security and flexibility than leaseholds. As owners of land in fee simple, ground tenants were just as politically and economically independent as any "yeoman."[26]

26 Horle, Foster, and Scheib (eds.), *Lawmaking and Legislators in Pennsylvania*.