Exposed! The Wrecking Boomer

By J. Charles Laue

Philip H. Cornick, consultant on suburban development of the Institute of Public Administration, in a monumental report of 346 pages to the New York State Planning Council, "Problems Created by Premature Subdivision of Urban Lands in Selected Metropolitan Districts" (Division of State Planning, Albany, New York, $1, paperbound; authorized reprint, Institute of Public Administration, 302 East 35th Street, New York, $1, paper, $1.50 cloth), reveals that the real estate tax dilemma confronting New York City and other cities in the State is traceable to the enormous expenditures for streets, sewers and other costs of municipal government.

He relates spectacular instances of early subdivision books and their consequences from diaries written in the boomer's heydey (1828-1851).

As the result of the 1836 land boom and the subdivision of farms, the expenditures entailed for street improvements in the City of New York—which in 1830 stood at $200,000 or about 40% of the sums appropriated for all other expenses of government—by 1836 had increased to $805,000 or 80% of the costs of government. In the following year, after the boom's collapse the expenditures increased to $1,140,000 or a figure in excess of 90%. Sixteen years passed, characterized by a phenomenal increase in population, before New York could afford a similar subsidy to the land developers. The rate of growth in population was such that the lapse of a relatively brief period of time was alone sufficient to effect a cure of the blight.

The speculative fever spread to the inland cities. In Auburn, N. Y., hardly any scheme was too visionary to enlist adherents willing to embark their fortunes in it.

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The most important and widespread of these intervening booms came between the end of the Civil War and the depression of 1873. Edward Dana Durand in describing the activities of the notorious Tweed Ring emphasizes the great number of new streets which were opened between 1868 and 1871, and the great volume of debt incurred for opening, widening and improving streets. The increase during the boom the author estimated at $22,000,000.

In 1873, the American Union consisted of 26 states and two organized territories. Of this number 19 states and one territory had adopted the policy of borrowing either for the construction of canals, railroads, or turnpikes, or for the establishment of banks designed to provide easy credit for the promoters and speculators. By 1842, seven states and one territory found their receivers inadequate to the support of their debts, and suspended payments for considerable periods. When the states amended their constitution to prohibit the loaning of state credit to private corporations, such as railroads, the legislatures then authorized subordinate units to do what the states were prohibited from doing.

H. C. Adams, in a trenchant and still timely comment of the state of municipal indebtedness a half a century ago, said:

"In new and rapidly developing communities there is always an opportunity for men who have secured an interest in the soil of a particular locality to make large sums of money if only the tide of immigration may be lured to come their way. A good pavement on a street, a fine school house, a public park, an imposing court-house that indicates what business men call 'enterprise,' will be apt to prove more persuasive than the boast of a 'slow town'. Land agents must be furnished with fitting topics of eloquence. It cannot be denied that many of our smaller cities and towns can trace the origin of their debt to the agitation of speculators in real estate."

Here is a problem of such magnitude as to deserve the most earnest consideration by the Constitutional Convention now sitting in the State of New York. That body should set an example for the other states, which have similar problems, to follow.

The complete repeal of all legislation authorizing urban improvements in towns might well be considered. It would mark a distinct step forward in the control of premature division in the areas of the state where it is most needed.

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The intricate task of making the village debt limit as inducive and as well safeguarded as that of the cities must be accomplished as one of the essential elements in the control of premature subdivision. If a municipal finance commission were to be established along the lines recommended by the Commission for the Revision of the Tax Laws, that body would constitute a suitable agency for the exercise of the necessary controls.

The types of municipal improvements needed as "fitting topics of eloquence" by the subdivision have increased. The aggregate costs per lot of a full complement of the street improvements deemed essential to urban utilization have been multiplied many times over. The curative effects of time alone, in the face of these conditions, are no longer adequate. Active intervention on the part of the governments themselves has become a requisite, if the blight is to be mitigated.