The Roots of Redlining: Academic, Governmental, and Professional Networks in the Making of the New Deal Lending Regime

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Racial segregation and racial inequality fundamentally shaped U.S. cities in the twentieth century and are key to understanding the American social and political landscape. A particularly notorious tool for promoting segregation has been redlining—the targeted denial of home mortgages and other financial supports according to presumed risk. Institutionalized by the Home Owners' Loan Corporation (HOLC) and adopted by the Federal Housing Administration (FHA), historical redlining defined the riskiness of investing in urban neighborhoods based on demographics, infrastructure, housing quality, neighborhood stability, and proximity to amenities or hazards such as manufacturing. HOLC's assessment of urban neighborhoods in the 1930s was racially and ethnically discriminatory. It used the power of the federal government to formalize patterns of segregation and discrimination.[1]

The work of journalists, public intellectuals, and public-facing digital projects has joined scholarly research on redlining, creating a wider awareness than when the phenomenon first came to light in the 1970s. Two related issues have dominated this discussion: the culpability of the federal government versus private industry in formulating redlining practices, and the priority of race in these discriminatory assessments. Urban historians have followed the lead of Kenneth Jackson, who embedded these dual concerns into the conversation from the outset. Fighting lending discrimination, activists and their academic allies had previously placed the blame squarely on private actors such as banks, seeking redress through the 1977 Community Reinvestment Act. However, Jackson's discovery of redlining maps produced for HOLC's City Survey (1935–1940) provided dramatic new evidence of government culpability. The explicit racial and ethnic biases that HOLC valuators expressed in their accompanying neighborhood descriptions offered a shocking confirmation of the hierarchical ranking of certain lending areas over

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[1] On a long-lived but now outdated distinction, see Matthew D. Lassiter, "De Jure/De Facto Segregation: The Long Shadow of a National Myth," in *The Myth of Southern Exceptionalism,* ed. Matthew D. Lassiter and Joseph Crespino (New York, 2010), 25–48.

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others. Considering the unprecedented scale of the New Deal's intervention in housing markets, starting with HOLC and subsequent mortgage guarantees provided through the FHA, such discriminatory mind-sets translated into unequal access to state subsidies underlying suburbanization—a point Jackson emphasized in *Crabgrass Frontier* (1985), his classic history of the suburbs.[2]

These findings, coming on the heels of the 1960s civil rights movement and its challenge to hidebound white racial prejudices, provoked a new generation of scholars to further explore how racism has informed U.S. housing policy. Subsequent research complicated the picture, demonstrating that HOLC had lent in areas it later designated as "hazardous." As a result, some scholars questioned the relative importance of race in HOLC's appraisal calculus. Jackson himself had noted a seeming paradox in federal housing initiatives: even as a major bureaucratic apparatus was devoted to designating certain neighborhoods as too risky for newly guaranteed long-term investment, African American borrowers received loans during HOLC's initial "rescue phase," although in ways that reinforced segregation. Economic historians, meanwhile, examined the efficacy of New Deal–era market interventions but left racial inequity out of the discussion altogether. More recently, scholars have moved beyond a Black-white racial binary to examine the effects of redlining on Asian American and Latinx neighborhoods.[3]

[2] See especially Ta-Nehisi Coates, "The Case for Reparations," *Atlantic,* 313 (June 2014), http://www.theatlantic.com/magazine/archive/2014/06/the-case-for-reparations/361631/; Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York, 2017); "Undesign the Redline," n.d., *Designing the WE,* http://www.designingthewe.com/undesign-the-redline; "Redlining Richmond," n.d., *Digital Scholarship Lab,* https://dsl.richmond.edu/holc/; "Mapping Decline: St. Louis and the American City," n.d., http://mappingdecline.lib.uiowa.edu/; Jack Dougherty et al., "On the Line: How Schooling, Housing, and Civil Rights Shaped Hartford and Its Suburbs" (book-in-progress, 2020), https://ontheline.trincoll.edu/; and "Mapping Inequality: Redlining in New Deal America," n.d., *Digital Scholarship Lab,* http://dsl.richmond.edu/panorama/redlining/. Kenneth T. Jackson, "Race, Ethnicity, and Real Estate Appraisal: The Home Owners Loan Corporation and the Federal Housing Administration," *Journal of Urban History,* 6 (Aug. 1980), 419–52. On activists and their academic allies, see Rebecca K. Marchiel, *After Redlining: The Urban Reinvestment Movement in the Era of Financial Deregulation* (Chicago, 2020). Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York, 1985), 190–218.

[3] Works that have explored how racism informed U.S. housing policy include John T. Metzger, "Planned Abandonment: The Neighborhood Life-Cycle Theory and National Urban Policy," *Housing Policy Debate,* 11 (March 2000), 7–40; Kevin Fox Gotham, *Race, Real Estate, and Uneven Development: The Kansas City Experience, 1900–2000* (Albany, N.Y., 2002); David M. P. Freund, *Colored Property: State Policy and White Racial Politics in Suburban America* (Chicago, 2007); Louis Lee Woods II, "The Federal Home Loan Bank Board, Redlining, and the National Proliferation of Racial Lending Discrimination, 1921–1950," *Journal of Urban History,* 38 (Nov. 2012), 1036–59; and N. D. B. Connolly, *A World More Concrete: Real Estate and the Remaking of Jim Crow South Florida* (Chicago, 2014). On the Home Owners' Loan Corporation (HOLC) lending in "hazardous" areas, see Amy E. Hillier, "Who Received Loans? Home Owners' Loan Corporation Lending and Discrimination in Philadelphia in the 1930s," *Journal of Planning History,* 2 (Feb. 2003), 3–24; and Kristen B. Crossney and David W. Bartelt, "Residential Security, Risk, and Race: The Home Owners' Loan Corporation and Mortgage Access in Two Cities," *Urban Geography,* 26 (Nov.–Dec. 2005), 707–36. For works that have questioned the relative importance of race, see James Greer, "The Home Owners' Loan Corporation and the Development of the Residential Security Maps," *Journal of Urban History,* 39 (March 2013), 275–96; Jennifer S. Light, "Nationality and Neighborhood Risk at the Origins of FHA Underwriting," *ibid.*, 36 (Sept. 2010), 634–71; and Judge Glock, "How the Federal Housing Administration Tried to Save America's Cities, 1934–1960," *Journal of Policy History,* 28 (April 2016), 290–317. On the "rescue phase," see Todd M. Michney and LaDale Winling, "New Perspectives on New Deal Housing Policy: Explicating and Mapping HOLC Loans to African Americans," *Journal of Urban History,* 46 (Jan. 2020), 150–80. Works by economic historians include Price Fishback, Jonathan Rose, and Kenneth Snowden, *Well Worth Saving: How the New Deal Safeguarded Home Ownership* (Chicago, 2013); and Eugene N. White, Kenneth Snowden, and Price Fishback, eds., *Housing and Mortgage Markets in Historical Perspective* (Chicago, 2014). For perspectives on Asian American and Latinx neighborhoods, see Charlotte Brooks, *Alien Neighbors, Foreign Friends: Asian Americans, Housing, and the Transformation of Urban California* (Chicago, 2009); Ocean Howell, *Making the Mission: Planning and Ethnicity in San Francisco* (Chicago, 2015); and Jerry González, *In Search of Mexican American Beverly Hills: Latino Suburbanization in Postwar Los Angeles* (New Brunswick, 2018).

This article reframes the debate by examining the intellectual origins of real estate economics, how the resulting theories were channeled into collaborations with real estate professionals, and how the collaborators implemented them as federal policy, thereby restructuring the private real estate sector. In the work of the Institute for Research in Land Economics, founded by Richard T. Ely, we identify robust networks among academia, private industry, and government that developed, implemented, and spread these ideas. Federal policy makers considered more than just race, yet racism factored into the equation from the very beginning of the Great Migration. That population shift coincided with Ely's application of land value theory to urban areas and his efforts to aid the real estate industry's drive toward professionalization. The question of whether the government or private industry is more culpable for redlining becomes moot once we understand their elaborate intertwining via the networks created and populated by Ely and his collaborators. Fundamentally and intentionally discriminatory in nature, government redlining *was* private redlining and vice versa.[4]

Establishing Alliances

Before a new system of home finance could be implemented in the 1930s, it had to be imagined. In the pre–New Deal era, home mortgages were onerous, short-term arrangements. Borrowers typically needed to renew as often as every three to five years, pay extra to reduce the principal, and take out higher-interest "junior" liens to cover the full value of a house. With an eye on reform, scholars and forward-looking professionals came up with plans ready for policy makers to adopt amid the Great Depression, and lobbied these leaders to convince them that a more stable system of home finance was possible. Once the policy structures were in place, highly networked real estate professionals would staff national, state, and local organizations and implement the new, federally backed system of real estate finance.[5]

Richard T. Ely (1854–1943), a public-spirited professor who was theorizing the new subfield of real estate economics, sat at the center of this process. Trained in Germany like many scholars of his generation, Ely joined the department of political economy at Johns Hopkins University in 1881. In the 1870s and 1880s, Johns Hopkins was the progenitor of the twentieth-century research university, setting graduate education standards for decades to come as its Ph.D.s populated departments at colleges and universities across the country. Most famous among Ely's students at Johns Hopkins were future president Woodrow Wilson, historian Frederick Jackson Turner, agricultural economist Frederic C. Howe, and labor economist John R. Commons. In 1892 Ely moved to the University

[4] For scholarship that avoids a determinative view of redlining, see Colin Gordon, *Mapping Decline: St. Louis and the Fate of the American City* (Philadelphia, 2008); Andrew R. Highsmith, *Demolition Means Progress: Flint, Michigan, and the Fate of the American Metropolis* (Chicago, 2015); and Howell, *Making the Mission*. Marc Weiss initiated inquiry into the collaborations between real estate professionals, academics, and the federal government, but he dismissed racial chauvinism as a product of its time. See Marc A. Weiss, "Richard T. Ely and the Contribution of Economic Research to National Housing Policy, 1920–1940," *Urban Studies,* 26 (Feb. 1989), 124–25. On racism in the contemporary real estate industry, see Jeffrey M. Hornstein, *A Nation of Realtors®: A Cultural History of the Twentieth-Century American Middle Class* (Durham, N.C., 2005); and Paige Glotzer, *How the Suburbs Were Segregated: Developers and the Business of Exclusionary Housing, 1890–1960* (New York, 2020).

[5] On home finance before the New Deal, see Joseph C. Bigott, *From Cottage to Bungalow: Houses and the Working Class in Metropolitan Chicago, 1869–1929* (Chicago, 2001); Margaret Garb, *City of American Dreams: A History of Home Ownership and Housing Reform in Chicago, 1871–1919* (Chicago, 2005); and Elaine Lewinnek, *The Working Man's Reward: Chicago's Early Suburbs and the Roots of American Sprawl* (New York, 2014).

of Wisconsin to direct the School of Economics, Political Science and History. With Ely at its helm, Wisconsin's economics program became one of the leading departments in the country. By 1920, Ely had trained numerous prominent economists and sociologists, several of whom went on to government service during the New Deal. A new intellectual movement at Wisconsin would ripple throughout the discipline and, with Ely's reputation and commitment to outreach, through nonacademic circles.[6]

Ely was also a well-connected administrator who created, joined, and supported a number of notable organizations and research institutes over the course of his career. This influence undergirded his academic and policy success. Ely helped found the American Economic Association in 1885 and served as its first secretary. He was a prominent member of the League to Enforce Peace during the lead-up to World War I, and of the American Association for Agricultural Legislation, which made policy recommendations, including on land tenancy.[7]

However, his organizational zeal had limits. After the 1908 anti-Black riot in Springfield, Illinois, activist reformer William English Walling invited Ely to attend a 1909 conference on the civil and political status of African Americans, a prelude to the founding of the National Association for the Advancement of Colored People. Ely declined the invitation and wrote, "One thing that I long ago resolved was that I would not take up the Negro question," suggesting he could have more impact elsewhere.[8]

One such area was the study of urban land, a preoccupation arising from Ely's interest in agricultural economics. Land reform and improved productivity would make it easier for ruralites to make a living. By the same token, Ely reasoned, uncoordinated and profligate urban development potentially threatened the financial well-being of investors and thrifty home buyers alike. However, Ely found real estate had no currency within his profession. His fellow economists were "strangely unconcerned" about landed property, which he argued lay "at the very foundation of our economic life." To remedy this oversight, Ely in 1920 founded the Institute for Research in Land Economics at Wisconsin. Its motto was Under All, the Land.[9]

Fundamentally, Ely believed, the development of human society, transformations of economic relations, and deployment of public resources could be understood and managed through study of real estate. His progressive views, however, hardly extended to African Americans and failed to reckon with the Great Migration's transformative effects. Like many native-born white intellectuals at the time, Ely thought in terms of a hierarchy of races, with African Americans at the bottom. In a 1918 address, Ely asserted that tenancy was the proper station of Black southerners, taking a probationary position on

[6] Richard T. Ely, *Ground under Our Feet: An Autobiography* (New York, 1938), 104–19, 190–92; Sidney Fine, "Richard T. Ely: Forerunner of Progressivism, 1880–1901," *Mississippi Valley Historical Review,* 37 (March 1951), 599–624. On the broader reform currents that swept Richard T. Ely along through the New Deal, see Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge, Mass., 1998).

[7] Benjamin G. Rader, *The Academic Mind and Reform: The Influence of Richard T. Ely in American Life* (Lexington, Ky., 1966), 32–38, 187–90, 201–2.

[8] Richard Ely to William English Walling, March 18, 1909, folder 9, box 38, Richard T. Ely Papers (Wisconsin Historical Society, Madison). For Ely's contemporary thoughts on the "Negro Problem," see Richard T. Ely, *Outlines of Economics* (New York, 1908), 61–62. For his equally revealing eugenicist chapter, see Richard T. Ely, "Social Progress and Race Improvement," in *Studies in the Evolution of Industrial Society,* by Richard T. Ely (London, 1906), 164–88.

[9] Coleman Woodbury, "Richard T. Ely and the Beginnings of Research in Urban Land and Housing Economics," *Land Economics,* 25 (Feb. 1949), 59–62; Ely, *Ground under Our Feet,* 237, 240, 241; Richard T. Ely, "Landed Property as an Economic Concept and as a Field of Research," *American Economic Review,* 7 (March 1917), 18–33.

the prospects of Black property holding. "Kindly and wise direction of the lower strata by those whose economic, intellectual, and social development has reached a higher plane is something that cannot be dispensed with if this world is to be a decent place to live in," Ely opined. "For negroes and any other similar group, we should always keep open a broad way to success and encourage landownership just as fast as individual fitness for landownership is shown." Owning land was not a right but a privilege to be earned. By 1922, Ely and his fellow institute faculty were expressing dismay at Black population growth in northern cities, presuming negative effects on land values.[10]

Private real estate interests were deeply concerned with orderly growth, as a frenzy of real estate development followed World War I. Wartime mobilization had supercharged the American economy, speeding industrialization and urbanization. Amid this economic expansion, cities experienced a surge in new subdivision growth. Urban industrial production attracted ruralites, refugees from Jim Crow terrorism in the South, and a renewed flow of immigrants after the war. Meanwhile, automobiles and road construction joined existing transportation technologies such as streetcars and interurban trains to open peripheral land for real estate development.

Chicago in this era was a key destination for African Americans escaping the brutality of Jim Crow. With forty thousand Black residents in 1910, the city was home to the *Defender,* which promoted a "Great Northern Drive" in 1917, part of a mass population transfer that brought nearly seventy thousand new arrivals by 1920. Cities, however, offered limited refuge, providing paltry job opportunities—Black migrants were often excluded from industrial work and labor unions—and segregated residential neighborhoods. Moreover, the city's white residents responded to the increasing Black population with threats and violence.[11]

Chicago and Washington, D.C., were the sites of anti-Black riots in 1919, following similar events in East St. Louis and Houston two years before. Chicago's began in late July when a white beachgoer stoned a Black youth swimming in Lake Michigan. During a week of terror across the city, in which thirty-eight Chicagoans died, twenty-three of them were Black residents killed by violent white gangs. During the riot, one newspaper editorialized, "Chicago is facing its crisis today. In one great section of the city law and order for the time being seem to have been flung to the four winds. White men and colored men are shooting one another down in the streets for no earthly cause except that the color of their faces differs."[12]

Two postmortem assessments laid blame for this racial animosity at the feet of housing segregation. One was conducted by the Cook County coroner's office, documenting the thirty-eight riot-related deaths. The second, titled *The Negro in Chicago,* was

[10] Richard T. Ely and Charles J. Galpin, "Tenancy in an Ideal System of Landownership," *American Economic Review,* 9 (March 1919), 182, 183; Richard Ely et al., *Urban Land Economics* (Ann Arbor, 1922), 2, 113, 118. On Ely's racial views, see Ralph E. Luker, *The Social Gospel in Black and White: American Racial Reform, 1885–1912* (Chapel Hill, 1991), 69–70, 239, 394n14; and Thomas Leonard, *Illiberal Reformers: Race, Eugenics, and American Economics in the Progressive Era* (Princeton, 2016), 53, 104, 135.

[11] James Grossman, *Land of Hope: Chicago, Black Southerners, and the Great Migration* (Chicago, 1991). For a national-level perspective, see James M. Gregory, *The Southern Diaspora: How the Great Migrations of Black and White Southerners Transformed America* (Chapel Hill, 2005). Ethan Michaeli, The Defender: *How the Legendary Black Newspaper Changed America; From the Age of the Pullman Porters to the Age of Obama* (New York, 2016), 70–77; Margaret Garb, "Drawing the 'Color Line': Race and Real Estate in Early Twentieth-Century Chicago," *Journal of Urban History,* 32 (July 2006), 773–87.

[12] Quoted in Chicago Commission on Race Relations, *The Negro in Chicago: A Study of Race Relations and a Race Riot* (Chicago, 1922), 44.

commissioned by Illinois governor Frank Lowden and analyzed the city's racial antipathy more generally. Charles S. Johnson, a sociology Ph.D. student at the University of Chicago, was director of research at the Chicago Urban League and the report's leading author. Johnson drew on his training with the nation's leading sociologists, including in survey methods and data collection, to write this first major study of northern race relations during the Great Migration. Competition for housing and jobs amid the city's dramatic Black population increase shifted racial boundaries and stoked white resentment. Both reports also detailed a roundly held supposition, by real estate brokers and laypersons alike, that racial conflict could be reduced by a more effective system of segregation but with improved Black living conditions.[13]

Real estate leaders accepted this challenge locally as Chicago simultaneously became a national hub for the real estate profession and for the study of real estate economics. These two developments were closely linked with the city's emergence as a racial tinderbox in which white realtors, lenders, and homeowners sought to enshrine segregation as an integral feature of residential real estate's structure and value. Many cities were experimenting with legislated segregation, such as racial zoning in St. Louis and Baltimore, while others suffered major outbreaks of anti-Black violence. A racial truce was imperative for cities adjusting to chaotic immigration, industrialization, and urban growth.[14]

In 1908 real estate boards from several cities had gathered in Chicago to strategize. Organizers held a convention and formed the National Association of Real Estate Exchanges (later settling on the National Association of Real Estate Boards [NAREB]). The organization shared information, promoted professionalization among real estate agents, and cracked down on speculators and predatory practices. Not by coincidence, the fledgling group located its headquarters in the booming city. Real estate leaders were especially interested in still-growing midwestern cities where—unlike older, eastern cities—they felt there were more opportunities to influence development patterns. After the policy of racial zoning fell to a constitutional challenge in *Buchanan v. Warley* (1917), realtors searched for new ways to enforce racial segregation.[15]

When Ely began preaching the gospel of land values to professional organizations and philanthropies, the real estate industry took notice. Real estate valuation had long been led by intuition and subject to whimsy. One scholar compared the practice of real estate in the 1920s to the medieval practice of alchemy. With only one major guide explaining fundamental principles and conditions affecting land value, a realtor's individual experience and judgment was, in general, key to property assessment through the 1910s. Through the mists of this uncertain fog, Ely offered realtors guidance not just as an intellectual but as one of their own, owing to his experience investing in and selling land from Chautauqua to Charlottesville and Wisconsin to Washington. He had plans to educate

[13] *Ibid*., 227. Charles S. Johnson went on to become the National Urban League's research director, then a professor of social science and president of Fisk University. For analogous concerns regarding the East St. Louis riot, see "The American Negroes," *American Building Association News,* 38 (July 1918), 296.

[14] On how Chicago fit into white elites' larger obsessions with race and value, see Carl H. Nightingale, *Segregation: A Global History of Divided Cities* (Chicago, 2012), 295–332.

[15] Hornstein, *Nation of Realtors®,* 30–32, 75–79; Pearl Janet Davies, *Real Estate in American History* (Washington, 1958), 58–64. The National Association of Real Estate Boards (NAREB) litigated to defend its exclusive use of "Realtor" starting in 1920, but it took until 1950 to successfully trademark the term. *Buchanan v. Warley,* 245 U.S. 60 (1917).

working professionals and future real estate brokers through public outreach and the academic textbook markets.[16]

Paul Stark, a Madison, Wisconsin, realtor, helped broker a meeting between Ely and NAREB leaders in 1921. This was just the connection Ely needed, and he outlined a research program to standardize professional real estate work. As a result, NAREB hired one of Ely's Ph.D. students, Ernest M. Fisher, as its first director of education and research. Before he left the Institute for Research in Land Economics, Fisher worked with Ely to organize a 1923 conference on real estate education in Madison. NAREB leaders found Ely's vision so powerful that they committed to financially support his institute in return for the creation of professional education materials.[17]

This collaboration would last a decade and formed the nucleus of an effort that spun Ely's ideas and influence out into professional practice and, eventually, public policy. At the April 1923 conference, representatives created a Joint Commission on Real Estate Education, which included representatives from the institute, NAREB, and the United Schools of the Young Men's Christian Association (YMCA). Ely had long been active in Christian reform circles and had dabbled in adult education initiatives. He combined these strands of activism in collaborating with the YMCA, which itself had hosted important NAREB meetings since 1908 as well as offered classes and even published "how-to" manuals on real estate practice.[18]

The group of academic leaders, practicing professionals, and vocational educators envisioned a two-year course, administered by the YMCA, to improve the training of real estate sellers and managers. The joint commission assigned Fisher to write a guide entitled *Principles of Real Estate Practice* as the textbook for YMCA courses and anywhere else real estate was taught. Published by Macmillan, under the auspices of the institute and with a preface by Ely, it promoted the professional nature of NAREB and became an industry-standard reference book assigned in college real estate courses.[19]

Fisher emphasized the importance of NAREB's *Code of Ethics,* first created in 1913. He summarized the code and the commonsense nature of advising clients and customers on matters of value. However, he failed to mention its soon-to-be-finalized Article 34, which became one of the organization's most controversial statements: "A Realtor should never be instrumental in introducing into a neighborhood a character of property or occupancy, members of any race or nationality, or any individuals whose presence will clearly be detrimental to property values in that neighborhood." Thus racism was already well established in NAREB by the time that Ely and Fisher reached out. Along with the profession as a whole, Fisher assumed that the selling of real estate to differing races and nationalities was just as detrimental as introducing industry or commerce that would bring pollution, traffic, and crime to residential districts. He helped ingrain this way of thinking in

[16] "Minutes of the Conference on Real Estate Education," 1923, folder 11, box 6, Institute for Research in Land Economics and Public Utilities Records (Wisconsin Historical Society). On valuation practice before 1920, see Richard M. Hurd, *Principles of City Land Values* (New York, 1903), 156. On Ely's plans to educate real estate brokers, see Hornstein, *Nation of Realtors®,* 89; and Rader, *Academic Mind and Reform,* 204–6.

[17] Hornstein, *Nation of Realtors®,* 92–94, 96–97; correspondence in "E. M. Fisher," folder 12, box 4, Institute for Research in Land Economics and Public Utilities Records; Rader, *Academic Mind and Reform,* 207–8.

[18] Agenda in "Real Estate Courses and Conferences, 1923," folder 6, box 11, Institute for Research in Land Economics and Public Utilities Records; Hornstein, *Nation of Realtors®,* 30, 50, 79, 100; Francis E. Ward et al., *Practical Research Methods for Broker, Operator, Owner by Thirty Real Estate Experts* (New York, 1909).

[19] "Federation Prepares Standard Real Estate Courses," *Institute News,* 1 (May 1923); National Association of Real Estate Boards, *Session by Session Outline of a Course in Real Estate Fundamentals* (Chicago, 1926), 2; Ernest McKinley Fisher, *Principles of Real Estate Practice* (New York, 1923).

the profession, as he went on to revise and update *Principles of Real Estate Practice* several times and even wrote a sequel, establishing the genre of the practical real estate guide.[20]

The joint commission also created a four-year version of the course, planning to incorporate it into full, college-level curricula in schools of commerce. Fisher went in 1926 to teach at the University of Michigan, where the business school had a real estate course of study. Its dean, Edmund E. Day, had participated in NAREB's 1923 educational conference, and Michigan was one of the first universities, along with Wisconsin and Northwestern, to offer such training. By 1931, two dozen colleges and universities offered real estate course work.[21]

Richard Ely was the brightest star in this constellation of business and education interests, but his was by no means the only notable name. Ely cultivated philanthropic, industrial, and academic support across the country and tapped other leading figures and centers of business and economics research as he built the institute into what was as much a think tank as an academic seminar. Other key supporters of the endeavor included the Laura Spelman Rockefeller Memorial Foundation, the Carnegie Corporation, and the National Electric Light Association, an industry trade group representing electricity producers.[22]

One leading academic center Ely drew on was the Bureau of Business Research (BBR) at the Ohio State University, another early adopter of a real estate curriculum. Ohio State created the BBR in 1919 to bring scientific rigor to business questions. Under the guidance of the economist Spurgeon Bell, it was soon producing research on bankruptcy laws and on lending by building and loan associations. Ohio State business professor Henry E. Hoagland, an expert on real estate finance, published several BBR reports. He and Bell also trained H. Morton Bodfish, who moved to Chicago to lead the U.S. Building and Loan League and became a major policy figure in home finance. Hoagland and Bell later followed Bodfish into public service, both joining the Federal Home Loan Bank Board, which administered the Home Owners' Loan Corporation. Through its university, then, Columbus, Ohio, became another node in the development of overlapping networks pursuing research on real estate economics and finance.[23]

In Chicago, however, the utilities magnates Samuel Insull and Martin Insull provided the gravitational center to hold these constellations in place. Samuel Insull was a British-born businessman par excellence with interests in all things related to metropolitan growth, especially the generation of electricity. He had arrived in New York City in 1881 to become Thomas Edison's personal secretary. In 1892 Insull struck out west, taking over the struggling Chicago Edison Company. By consolidating various electrical companies, he built an immense energy empire that by the end of the 1920s was responsible for one-tenth of all the power generation in the United States. Insull cultivated

[20] *Code of Ethics Adopted by the National Association of Real Estate Boards at Its Seventeenth Annual Convention* (n.p., 1924), 7, https://www.nar.realtor/about-nar/history/1924-code-of-ethics. For background, see Hornstein, *Nation of Realtors®,* 56–58, 63–67, 107–8. On racism in NAREB, see Glotzer, *How the Suburbs Were Segregated,* 118–28, 137–46. Ernest M. Fisher, *Advanced Principles of Real Estate Practice* (New York, 1930).

[21] "Conference Lays Basis for Four Year University Realty Course," *Institute News,* 1 (Nov. 1923), 5; "Real Estate Courses and Conference, 1923"; Hornstein, *Nation of Realtors®,* 98–99, 143; Hugh O. Nourse, "A Note on the Origin of Real Estate in Collegiate Schools of Business Administration," *Journal of Real Estate Research,* 10 (no. 2, 1995), 233.

[22] Rader, *Academic Mind and Reform,* 207, 208, 220.

[23] *Fiftieth Annual Report of the Board of Trustees of the Ohio State University* (Columbus, 1921), 95–96; Spurgeon Bell, "Research Work at Ohio State University," *Accounting Review,* 1 (March 1926), 39–42.

the interdependent relationship between suburbanization and electric service, with the growth of each creating new customers for the other. Housing entrepreneurs touted the convenience of modern housing, and utilities promoted the life-style opportunities offered by electrification: from ease of baking, to the safety of refrigeration, to the pleasures of staying up late with electric light.[24]

Insull boosted Ely's work and convinced him to include public utilities in the institute's purview, leading Ely to expand both its name and its research ambitions in 1923. Insull also participated in the Madison real estate conference that year, presiding over a session discussing utilities. A series of tax-based attacks on wealthy magnates such as the Insulls were then regaining currency, as advocates of a single-tax system derived from Henry George's writings whipped up public support against them. Emil O. Jorgensen, a Georgist with the Manufacturers and Merchants Federal Tax League, attacked the institute and Ely personally in a 1925 tract, accusing him of influence peddling. As patrons of Northwestern University in Evanston, a lakeshore suburb just north of Chicago, the brothers helped broker Ely's move to the university.[25]

The receptiveness of Chicago leaders, from the Insulls to NAREB officers, had seeded the ground for the institute's relocation from Wisconsin to Northwestern, where Frederick Deibler, an Ely protégé, headed the economics department. With the Insulls' support, Deibler and Northwestern's president Walter Dill Scott wooed the economist, promising to make the institute a centerpiece of the university. During the negotiations, Ely suggested, "if we go to Chicago, it must be with the idea of making Chicago a world center for research and for graduate work within the fields of our Institute." At the same time, Ely was being hounded by resurgent progressives in Wisconsin such as Jorgensen for accepting gifts to a public university from donors including the Carnegie Corporation, Rockefeller Fund, and trade organizations. Working at a private university would present no such conflict. Ely negotiated his position at Northwestern and moved the institute there in 1925, escaping his Wisconsin critics. Several colleagues and students transferred along with him.[26]

By the time Ely joined Northwestern's faculty in the summer of 1925, all the pieces were in place for him to lead a transformation of real estate research and practice. Ely had a prominent university position for his research institute in a major metropolitan area, corporate and philanthropic funding, supportive students and colleagues, an alliance with the nation's leading real estate organization, an emerging network of interested and sympathetic scholars across the country, and a journal to showcase new research. The institute

[24] On Samuel Insull's early career, see "Remarks Telephoned by Mr. Edison," Feb. 28, 1931, folder 19, box 94, Samuel Insull Papers (Loyola University Chicago Archives, Chicago); and "Tribute to Samuel Insull on 50 Years in the U.S.," 1931, *ibid*. On Insull's energy empire, see Insull Group Chronology, "In 50 Years," Feb. 28, 1931, *ibid.*; and John F. Wasik, *The Merchant of Power: Sam Insull, Thomas Edison, and the Creation of the Modern Metropolis* (New York, 2006), 95–99. On the importance of electricity for suburbanization, see Harold L. Platt, *The Electric City: Energy and the Growth of the Chicago Area, 1880–1930* (Chicago, 1991); and Ann Durkin Keating, *Building Chicago: Suburban Developers and the Creation of a Divided Metropolis* (Columbus, 1988).

[25] On the Madison conference, see Rader, *Academic Mind and Reform,* 207; and "Conference on Research and Education in Land Economics and Public Utilities," n.d., folder 1, box 4, Institute for Research in Land Economics and Public Utilities Records. On Emil O. Jorgensen's attack, see Steven B. Cord and Robert V. Andelson, "Ely: A Liberal Economist Defends Landlordism," *American Journal of Economics and Sociology,* 63 (April 2004), 363–71. On Northwestern University, see Rader, *Academic Mind and Reform,* 204–5, 208, 212; and Michael Sedlak, "The Emergence and Development of Collegiate Business Education in the United States, 1881–1974: Northwestern University as a Case Study" (Ph.D. diss., Northwestern University, 1977), 188.

[26] Rader, *Academic Mind and Reform,* 211–12, 222; Ely to Walter Dill Scott, Dec. 20, 1924, folder 1, box 24, Walter Dill Scott Papers (Northwestern University Archives, Evanston, Ill.).

This photograph from around 1925 shows staff members at the University of Wisconsin–Madison's Institute for Research in Land Economics and Public Utilities. Richard T. Ely, third from left, founded the institute in 1920 and moved it to Northwestern University in 1925. Ely created the field of land economics, launched a journal for the field, and worked with real estate leaders and policy makers to reshape the real estate sector. *Courtesy Wisconsin Historical Society, WHS-120683.*

had laid the foundation for public interest in proposals to improve and promote best practices of real estate valuation, transactions, and taxation. But a huge task remained: Ely and his allies needed to turn these assets into professional change.[27]

Implementing Changes

Before reforming the real estate sector, economists faced a theoretical issue with far-ranging implications. In creating the field, scholars such as Ely and Fisher had to delineate, if not devise, every aspect of real estate theory, while grounding it in fundamental economics. A question with the greatest urgency for the realty establishment remained unanswered: What is the nature of value and on what basis is it determined?

In conversation about valuation, investors' concerns and the mentality of large-scale brokers predominated, betraying the bias that federal housing policy would later take. There were three competing forms of valuation emerging in the 1920s, each with its own method of calculation and logic. First was the capitalization method, focused on investment, in which the value of a property represented the current price of future income from the property. Second was the cost replacement approach, oriented toward organizations and institutions that seldom sold their real estate. In this method, value was calculated as the cost of replacement or reconstruction—for example, if disaster befell the property. Third was the market approach, oriented toward consumers, in which the real

[27] George S. Wehrwein, "Development and Present Scope of Land Economics," *Journal of Land and Public Utility Economics,* 3 (May 1927), 203–6.

estate in question was evaluated against comparable properties that had recently sold in a proximate sales area—value as the price a home buyer was willing to pay.[28]

Researchers and practitioners in the 1920s disagreed on which method to prioritize, and the debate played out in publications over the next decade. Affiliates of Ely's Institute for Research in Land Economics and Public Utilities favored the long-term considerations of capital, of patient buyers and investors who sought orderly profits over many years. The leading guide on real estate until the 1920s, Richard Hurd's *Principles of City Land Values* (1903), had oriented its analysis entirely toward investors. Premised on a monocentric city still populated largely by native-born whites, Hurd's book emphasized location and convenience as the basis of desirability and the foundation of value. Written years before the Great Migration, the book barely touched upon racial mixing in cities, treating African Americans as exceptional urbanites who lived in low-rent and undesirable districts.[29]

Frederick Babcock, a Chicago real estate appraiser who went on to become the head of underwriting for the Federal Housing Administration, brokered a compromise by blending the three calculations in *The Appraisal of Real Estate* (1924). Copublished by Macmillan and Ely's institute, the new text updated Hurd and set a trajectory for both federal policy and professional practice. Babcock's book was the first comprehensive guide on appraisal, accounting for existing practice and shaping new thinking about the nascent profession. Crucially, Babcock introduced race into the debate over value but couched it as an empirical rather than as a moral or civil rights issue. He also maintained the primacy of the investment approach, prioritizing the interests of those who purchased or financed real estate and their longer-term expectations for recouping investment. Babcock ranked the replacement approach second and the market value approach third, cautioning that short-term considerations and price fluctuations should not change the fundamental bases of value, especially for investors.[30]

Other publications reiterated this emphasis on real estate's investment value, mirroring the institute's alliance with the business class and its concern with stable profits above all else. One leading appraisal figure synthesized the three competing perspectives yet emphasized, "a sale does not create value. Value is created by economic and social conditions." Arthur Mertzke, a former institute staff member and NAREB's director of research, subsequently wrote a simplified guide on real estate appraisal for the association's courses that again reiterated the priority of the income method, followed by the cost approach, and finally the market value approach.[31]

While that debate played out, professionals and institute scholars promoted practical measures to secure value over the long term. By the mid-1920s, deed restrictions were a popular means to promote neighborhood stability, uniting investor concerns and consumer interests. Essential to maintaining long-term value was the ability to ensure that area conditions would remain the same a decade after investment or after a family moved into a house. Such restrictions reassured both homeowners who worried about the

[28] On the 1920s valuation debate, see Guy Stuart, *Discriminating Risk: The U.S. Mortgage Lending Industry in the Twentieth Century* (Ithaca, 2003), 31–45.

[29] Hurd, *Principles of City Land Values,* 115.

[30] Stuart, *Discriminating Risk,* 38–39; Frederick M. Babcock, *The Appraisal of Real Estate* (New York, 1924), 16–22, 71, 74, 205, 210–14. For the larger context, see Benjamin Wiggins, *Calculating Race: Racial Discrimination in Risk Assessment* (New York, 2020).

[31] Philip W. Kniskern, *What Constitutes Value in Real Estate* (New York, [1931]), 6; Arthur J. Mertzke, *Real Estate Appraising* (Chicago, 1927).

changing character of their neighborhoods, and investors whose capital might be tied up for years at a time. Zoning and deed restrictions went hand in hand to prevent wasteful, unplanned subdividing and chaotic development. "This waste is of national significance," Ely wrote, "and is one of the underlying causes of our lack of prosperity."[32]

While deed restrictions and restrictive covenants were sometimes utilized to control environmental quality, building lot coverage, and design standards, in practice, their most common use was racial exclusion. The continuing flow of African Americans to northern cities such as Chicago excited the fears and racial animosity of whites, including homeowners and realtors. Meanwhile, the Supreme Court's rejection of racial zoning in 1917 forced real estate practitioners to pursue other ways to "protect" white neighborhoods. Covenants were collective measures whereby neighbors agreed to prohibit or forgo a certain activity, and they were declared legally binding by the Supreme Court in *Corrigan v. Buckley* (1926). A member of the real estate networks Ely was building, with political connections to President Herbert Hoover, Nathan MacChesney was a Chicago lawyer who served as legal counsel for NAREB and sat on Northwestern University's Board of Trustees, as well as the Chicago Plan Commission. He authored a model restrictive covenant in 1927 for use around the country. It offered two key clauses:

> 1. The restriction that no part of said premises shall in any manner be used or occupied directly or indirectly by any negro or negroes, provided that this restriction shall not prevent the occupation, during the period of their employment, of janitors' or chauffeurs' quarters in the basement or in a barn or garage in the rear, or of servants' quarters by negro janitors, chauffeurs or house servants, respectively, actually employed as such for service in and about the premises by the rightful owner or occupant of said premises.
>
> 2. The restriction that no part of said premises shall be sold, given, conveyed or leased to any negro or negroes, and no permission or license to use or occupy any part thereof shall be given to any negro except house servants or janitors or chauffeurs employed thereon as aforesaid.

Helen Monchow, an institute researcher and Northwestern graduate student in economics, authored a popular study of deed restrictions in 1928, in which she emphasized how they could help maintain the socioeconomic conditions at the foundation of value, even as questions were mounting regarding the legality of racial restrictions. In economists' (and appraisers') way of thinking, racial exclusion was not a moral consideration but rather a legal and practical one, because separating Black from white was deemed fundamental to preserving real estate values.[33]

NAREB's activities and the institute's promotion of deed restrictions had identifiable effects on public discourse. Despite discussing race in his 1924 *Appraisal of Real Estate,* Frederick Babcock had failed to mention restrictive covenants. Yet little more than a decade later he would stress in the 1936 FHA *Underwriting Manual* the paramount importance

[32] Richard T. Ely, *Hard Times—The Way In and the Way Out* (New York, 1931), 35.

[33] Wendy Plotkin, "Deeds of Mistrust: Race, Housing, and Restrictive Covenants in Chicago, 1900–1953" (Ph.D. diss., University of Illinois at Chicago, 1999); Robert M. Fogelson, *Bourgeois Nightmares: Suburbia, 1870–1930* (New Haven, 2005); Richard R. W. Brooks and Carol M. Rose, *Saving the Neighborhood: Racially Restrictive Covenants, Law, and Social Norms* (Cambridge, Mass., 2013); Jeffrey D. Gonda, *Unjust Deeds: The Restrictive Covenant Cases and the Making of the Civil Rights Movement* (Chapel Hill, 2015). *Corrigan v. Buckley,* 271 U.S. 323 (1926). The clauses by Nathan MacChesney are reproduced in Thomas Lee Philpott, *The Slum and the Ghetto: Neighborhood Deterioration and Middle-Class Reform, Chicago, 1880–1930* (New York, 1978), 351–52. Helen C. Monchow, *The Use of Deed Restrictions in Subdivision Development* (Chicago, 1928), 47.

Racist advertisements such as this one appeared following the Supreme Court's *Corrigan v. Buckley* decision in 1926, in which covenants were declared legally binding. Land economists such as Richard T. Ely, investors, real estate professionals, and white homeowners alike favored racial deed restrictions and covenants to manage residential real estate markets. These efforts were intended to preempt African American access to white neighborhoods and stabilize property values of white-owned homes. After *Corrigan,* even such agreements imposed retroactively were legally enforceable, and they were enthusiastically promoted as seen with reference to these Northwest and Northeast Washington, D.C., neighborhoods developed around the turn of the twentieth century. *Reprinted from* Sunday Star *[Washington, D.C.], May 30, 1926.*

of such restrictions for ensuring value and stability, especially in preventing undesirable populations and "inharmonious racial groups" from gaining access to the most exclusive and expensive neighborhoods.[34]

A few more steps were necessary for the study of real estate to transform from an educational endeavor to one affecting policy. In 1926 Ely organized a session at the American Economic Association on his institute and the study of land economics. H. Morton Bodfish, who had done his graduate work at Ohio State on the savings and loan industry as a researcher with the Bureau of Business Research, attended and met Ely. The economist recruited the twenty-five-year-old Bodfish to Northwestern where, beginning in 1927, he started work as an assistant professor of real estate and an institute affiliate. In 1929 Bodfish became the executive vice president of the U.S. Building and Loan League (USBLL), a national association of small lenders, headquartered in Chicago. Under the young professor's leadership, it would become a national leader in lobbying and the development of real estate finance practices.[35]

Bodfish became a key link between the academic world of real estate and the professional world of home finance. The USBLL represented institutions devoted to residential loans—small, community-based lenders such as the fictional Bailey Brothers Building & Loan in the Frank Capra film *It's A Wonderful Life*. Known as "thrifts," their institutional ambitions aligned with citizenship, community building, and frugality, enabled by savings and homeownership. When Bodfish began with the USBLL, its membership included only 12 percent of thrifts across the country. That increased to 42 percent by 1935, making the league a more representative and important voice in discussions of home finance, centralized under his influence.[36]

However, the Great Depression brought Ely and his institute the clearest opening to reshape real estate practice. By 1930, houses across the country had lost some 40 percent of the value of the $20 billion lent to finance them. Presiding over the palpable collapse of the American economy, President Hoover called a national conference to try and stanch the bleeding in the real estate sector. The White House Conference on Home Building and Home Ownership in December 1931 was preceded by six months of meetings by dozens of committees studying every aspect of housing—from interior design to home finance and urban planning. Throughout his term as secretary of commerce in the 1920s, Hoover had been a champion of the real estate industry and promoter of the Better Homes in America movement with Marie Mattingly Meloney. In a 1921 article Hoover had enthused that a nation of citizens should be a nation of homeowners and that the real estate industry should be the unifying guardian of this vision.[37]

NAREB officials and members of the institute were especially prominent at the White House conference. Ely served on committees for taxation, business, and housing, for

[34] Federal Housing Administration, *Underwriting Manual: Underwriting and Valuation Procedure under Title II of the National Housing Act* (Washington, 1936), part I, section 323(3).

[35] "Land Economics Round Table (American Economic Association)," 1926, folders 5–6, box 6, Institute for Research in Land Economics and Public Utilities Records; Rader, *Academic Mind and Reform,* 221; David L. Mason, *From Buildings and Loans to Bail-Outs: A History of the American Savings and Loan Industry, 1831–1995* (Cambridge, Eng., 2004), 80–102.

[36] Mason, *From Buildings and Loans to Bail-Outs,* 101–2. *It's a Wonderful Life,* dir. Frank Capra (RKO, 1946).

[37] Horace Russell, *Savings and Loan Associations* (Albany, N.Y., 1956), 31; Mason, *From Buildings and Loans to Bail-Outs,* 80–81; Herbert Hoover, "Home Ownership Will Develop Citizenry," *National Real Estate Journal,* July 18, 1921, p. 18. On Herbert Hoover's advocacy, see Janet Hutchison, "Building for Babbitt: The State and the Suburban Home Ideal," *Journal of Policy History,* 9 (April 1997), 184–210.

A teller assists a customer at the Mutual Building and Loan Association of Hollywood in this 1929 photograph. Small, locally based lenders such as this one, also known as "thrifts," enabled people of lesser means to aspire to homeownership prior to the federal government's New Deal–era interventions in the housing market. Purchasing through one of these institutions involved buying shares that members could borrow against upon maturity. H. Morton Bodfish turned the U.S. Building and Loan League (founded 1893) into a powerful political player after taking leadership of the organization in 1929. Thrifts comprised the overwhelming majority of institutions in the Federal Home Loan Bank System, established in 1932. *Courtesy University of Southern California on behalf of the USC Libraries Special Collections. "Dick" Whittington Photography Collection.*

which he wrote draft reports, while Arthur Mertzke was the secretary for the housing committee. Bodfish served on the buildings committee, Babcock on the homeownership committee, Herbert Dorau on the blight committee, and Herbert Simpson on the finance committee, while future planning guru Coleman Woodbury was secretary and research assistant for the committee on large-scale operations.[38]

Bodfish, as executive vice president for the USBLL, played a pivotal role in turning the reports into action and legislation. In retrospect, one attendee called Bodfish, "the most outstanding figure." He went on, "indeed, the legislation would not have been enacted at that time without his great energy, capacity and very efficient service." Bodfish lobbied the Hoover administration for federal intervention to free up capital for home lenders. During a meeting with Hoover himself, Bodfish pressured the president to revise a NAREB-written bill to make it more favorable to the building and loan industry, explaining, "we must do something, or something may be done to us." In congressional hearings, NAREB president Walter Schmidt admitted that building and loan officials such as Bodfish had outmaneuvered him on the Federal Home Loan Bank Bill, saying their revisions "emasculated" the original proposal the realtors had written. The final bill established a federal reserve–type central bank for home finance in which building and loan associations were the key members.[39]

Nonetheless, Congress passed three measures in consecutive years that institutionalized the work Ely and the realtors had done to shape the real estate sector. The 1932 Federal Home Loan Bank Act created a national set of reserve branches, modeled after the Federal Reserve, that provided thrifts with depositor funds to maintain liquidity for residential home financing. Hoover named Bodfish to the Federal Home Loan Bank Board (FHLBB)—one of just two Democrats—where he was retained by Franklin D. Roosevelt. The Roosevelt administration subsequently asked Horace Russell, general counsel for the FHLBB and a former Atlanta building and loan official who had helped draft the Federal Home Loan Bank Act, to write another piece of legislation. In 1933 Congress passed the resulting Home Owners' Loan Act, which appropriated $2 billion to bail out lenders and homeowners and created a new agency for emergency home refinance under FHLBB control, the Home Owners' Loan Corporation. Next, the National Housing Act of 1934 created the Federal Housing Administration, which would fundamentally restructure the home finance sector well beyond the immediate crisis of the Great Depression. Its supporters agreed on the desirability of lending on longer intervals, at lower interest rates, and with a single amortizing mortgage covering up to 80 percent of the property's value. To protect investors, however, such reforms required greater security measures, including anticipating future neighborhood trends, with particular attention to race.[40]

Applying the New System

Ironically, even as the Great Depression helped fulfill Ely's dream of a restructured real estate market, it also delivered a crushing blow to his personal efforts to continue an

[38] President's Conference on Home Building and Home Ownership, *Directory of Committee Personnel, December 2–5, 1931* (Washington, 1931).

[39] Russell, *Savings and Loan Associations,* 42–44; Mason, *From Buildings and Loans to Bail-Outs,* 80–81; "Home Owners' Loan Act," April 22, 1933, in *Hearings before a Subcommittee of the Committee on Banking and Currency, United States Senate* (Washington, 1933), 43.

[40] Mason, *From Buildings and Loans to Bail-Outs,* 85–86; Russell, *Savings and Loan Associations,* 52–53. For the thinking behind these reforms, see John H. Fahey, "The Government's Program for the Organization of the Nation's Home-Financing System," *Federal Home Loan Bank Review,* 1 (Oct. 1934), 1–14; and Horace Russell, "Appraisals for Long Term Mortgage Loans," *Appraisal Journal,* 3 (July 1935), 264–66.

academically driven set of policy reforms. In the private sector, the economic prosperity and metropolitan growth that fueled Ely's vision and supported his institute in the 1920s evaporated when the financial and real estate economy collapsed.

As Ely's patrons withdrew their support, the annual budget of the institute fell from $101,000 in 1929 to $29,000 in 1931. From the Carnegie Corporation to the Laura Spelman Rockefeller Memorial Foundation, donors retrenched and grappled with the loss of their endowment funds. The institute ran a deficit after the American Association of University Professors began scrutinizing the National Electric Light Association's contributions, prompting the trade association to cut its support. Furthermore, the familiar accusation of influence peddling returned as the Federal Trade Commission (FTC) criticized Northwestern University for accepting aid from the electric light lobby, which the FTC saw as using the institute as an academic shield for industry propaganda.[41]

Colleagues convinced Ely to take a phased retirement. He changed the name of the much-shrunken institute to the Institute for Economic Research and moved with it to New York City, where he took an unpaid leave year in 1932. Northwestern could no longer pay him if he did not teach, and Ely was unable to raise new funds to maintain the empire he had built. The university proposed a separation from the institute, and by 1934, the institute had officially broken from Northwestern and began discussing whether to shutter the journal.[42]

The crisis caused leadership in real estate to slip from Ely's aging hands, but his colleagues, collaborators, and protégés continued working the levers of public policy and professional practice. While Ely maintained some influence, weighing in with tax organizations, for example, his associates and the younger generation of students he trained provided the expertise that put the raft of New Deal housing reforms into practice.

The Roosevelt administration populated HOLC and the FHA with experienced professionals from Ely's network, who brought a decade of real estate education, research, and theorizing into the public policy realm. In one of the clearest indications of the porous boundaries between public and private, HOLC staffers in a City Survey created color-coded investment risk maps that relied heavily on private realtors and appraisers for neighborhood information. The two agencies held seminars and workshops, and published extensively on their priorities for the newly restructured banking sector and emergent appraisal profession that profoundly shaped private practice in realty and home finance.

In the private sector, NAREB and the USBLL each created organizations to make real estate valuation more rigorous and professional. NAREB established the American Institute of Real Estate Appraisers (AIREA) at its 1932 annual meeting and named Philip Kniskern its first president. As a leading appraiser and realtor, Kniskern was poised to lead these professional organizations, and he would soon be brought into the federal fold. At the same time, Bodfish began working with the USBLL leadership and education division to create an appraisal organization devoted solely to residential real estate. In 1935 a group of appraisers created the Society of Residential Appraisers (SRA), electing Edwin Einstein, an FHLBB staffer, as its president, and Bodfish, Frederick Babcock, and Herman O.

[41] Sedlak, "Emergence and Development of Collegiate Business Education in the United States," 198–200, 204–5; Rader, *Academic Mind and Reform,* 227.

[42] Ralph Heilmann to Ely, April 4, 1933, folder 6, box 24, Scott Papers; Rader, *Academic Mind and Reform,* 227–28; Woodbury, "Richard T. Ely and the Beginnings of Research in Urban Land and Housing Economics," 57–58. The journal moved back to the University of Wisconsin shortly before Ely's death.

Walther as members of the board. The two appraisal organizations were loosely allied and had some overlapping membership. Together, they began developing a distinct profession that identified as such. While operationally AIREA and the SRA served a separate agenda from realtors or financiers, they were fundamentally allied with the interests of the FHLBB and HOLC and, like those agencies, promoted the interests of a financial sector on the rebound.[43]

FHLBB officials had close relationships with real estate and financial interests—some of them, such as Bodfish and Horace Russell, already *were* real estate and financial leaders. Lacking legislative guidance, the federal board members turned for the next steps to their collaborators among real estate organizations and Ely's allies. Kniskern was one of the men who assumed leadership at the nexus of appraisal, realty, finance, and government policy in this next phase. A year after helping found AIREA, he became HOLC's first president and published a hefty appraisal manual. He then implemented rigorous examinations at the agency to ensure the competency of its appraisers. Kniskern put appraisal and realty at the forefront of the federal government's approach to the financial crisis.[44]

In addition to tapping experienced real estate hands such as Kniskern, federal housing officials began staffing agencies such as HOLC and the FHA with Ely affiliates, including academics. Ohio State business professor Henry Hoagland was appointed a member of the FHLBB, which administered HOLC, and recruited his colleague Spurgeon Bell to serve as its first director of research and statistics, with both men taking a leave of absence from their academic positions. Meanwhile, Ernest Fisher and Frederick Babcock went to work in Washington for the FHA along with Homer Hoyt, a real estate broker and economist trained at the University of Chicago. In completing his dissertation, Hoyt had come under the sway of sociologists Robert Park and Ernest Burgess, and worked with the tax expert Herbert Simpson, a Northwestern professor affiliated with Ely's institute. Local real estate leaders also staffed these agencies' state and regional offices—men such as Herman Walther, who had studied with Ely and taught at the institute before becoming the head of appraisal for Chicago's HOLC district in 1934 and president of the SRA in 1937.[45]

But federal housing agencies' interpenetration with the private real estate and home finance industries went beyond just shared personnel. It extended to a dependence on local practitioners as HOLC and FHA undertook to create a national clearinghouse of real estate data with an eye on the housing market's future. As required by its enabling legislation, HOLC for its first three years had focused on emergency refinancing for the nation's struggling homeowners. Banks and thrifts exchanged their delinquent mortgages for new fifteen-year notes backed by HOLC bonds, shifting lending standards toward longer-term financing with fully amortized payments. With high-ranking officials such as FHLBB chair

[43] "Annual Meeting, Cincinnati, OH," 1932, Series B5:01, box 15 (National Association of Realtors Archives, Chicago); Harry Grant Atkinson, "Recollections of the Founding of AIREA," *Appraisal Journal,* 40 (Oct. 1972), 491–507.

[44] Bracton Goldstone, "The New Deal in Appraising," *Appraisal Journal,* 2 (April 1934), 199–204; Philip W. Kniskern, *Real Estate Appraisal and Valuation* (New York, 1933); Davies, *Real Estate in American History,* 178.

[45] Homer Hoyt, *One Hundred Years of Land Values in Chicago: The Relationship of the Growth of Chicago to the Rise of Its Land Values, 1830–1933* (Chicago, 1933), x; Robert Beauregard, "More than Sector Theory: Homer Hoyt's Contributions to Planning Knowledge," *Journal of Planning History,* 6 (Aug. 2007), 251–53; Jennifer S. Light, *The Nature of Cities: Ecological Visions and the American Urban Professions, 1920–1960* (Baltimore, 2009), 69–97; Ely, *Ground under Our Feet,* 246–47.

John H. Fahey considering the initial emergency refinancing impetus as "forced lending," HOLC now prepared to foreclose on those unfortunates who were still unable to pay on their obligation. HOLC through its City Survey sought further information that could help protect lenders against what it regarded as risk.[46]

The City Survey was handled by HOLC's secretive Mortgagee Rehabilitation Division (MRD), formed in early 1935. Disturbed by the massive debt the federal government was shouldering as a result of the program—ultimately the mortgages on over a million properties—the MRD sought to promote the health of recently resuscitated building and loan associations chartered under the FHLB system so these institutions could continue lending. Additionally, it aimed to convince large institutional lenders such as insurance companies to get more involved in buying home loans as investments. This involvement could reduce the federal government's commitment and help HOLC liquidate its inventory as quickly as possible but without crashing the still-fragile housing market.[47]

To head the MRD, former Ohio State professor Hoagland tapped Columbus realtor Corwin A. Fergus, with whom he had served on the Columbus Real Estate Board's first real property survey in 1930. Fergus had since worked for the state of Ohio as a liquidator of building and loan associations. Soon after taking up his new position, Fergus singlehandedly completed a study of Detroit real estate, including confidential interviews with local realtors and lenders that would become a hallmark of the more than two hundred City Survey reports the MRD undertook from 1935–1940. Reflecting the MRD's bias toward investors and obsession with reforming the country's system of home financing, all but one of the dozen field agents that Fergus hired to conduct the surveys had backgrounds in banking or finance (the one exception was a realtor who had worked in Fergus's Columbus firm).[48]

The MRD's field agents were tasked with producing reports that included "security maps" rating neighborhoods' supposed investment-worthiness, accompanied by blunt "area descriptions" that speculated about neighborhood trends with reference to their racial and ethnic composition. While scholars have debated whether race was the foremost consideration or but one important factor among several, it is beyond dispute that virtually all African American neighborhoods were rated hazardous for mortgage lending, receiving a corresponding "D" in the four-grade scheme and colored red on the maps (hence "redlining"). Not all "D"-rated neighborhoods were Black, but all Black neighborhoods were marked red, with only six known exceptions. Unsurprisingly, the MRD's internal correspondence is sprinkled with racist commentary. Raymond L. Olson was a particularly outspoken field agent in charge of HOLC's Dallas region and the former secretary of a Utah thrift. He frequently repeated the mantra that demographic change negatively

[46] For an overview of HOLC, see C. Lowell Harriss, *History and Policies of the Home Owners' Loan Corporation* (New York, 1951). On foreclosures, see John H. Fahey, "Better and Safer Home Ownership," *Vital Speeches of the Day,* 4 (Sept. 1938), 683–86; and Fred C. Catlett, "How the HOLC Is Preparing to Handle For[e]closed Properties," *National Real Estate Journal,* 36 (Dec. 1935), 37.

[47] Involving insurance companies in the secondary mortgage market was a long-standing real estate industry goal that Ely supported. See "Real Estate Mortgages as Investments for Life Insurance Companies," in *Real Estate Finance: Proceedings and Reports of Mortgage and Finance Divisions* (Chicago, 1923), 25–42.

[48] "State Opens Building Loan Quiz Thursday," *Dayton Daily News,* May 9, 1934; "Delay Filling Fergus' Post," *ibid.*, Feb. 4, 1935; *Real Estate Survey of Columbus, Ohio and Suburbs as of September 15, 1930* (Columbus, 1930); "Survey of Mortgage Conditions in Detroit," March 6, 1935 (microfilm: reel 276), HOLC General Administrative Correspondence, Records of the Federal Home Loan Bank Board, RG 195 (National Archives II, College Park, Md.). For the first cohort of field agents, see "Field Agents of Mortgagee Rehabilitation Division," [ca. Nov. 1935] (reel 311), *ibid.*

Workers at the mapping/drafting section at the Federal Housing Administration's Division of Economics and Statistics are shown in this photograph from circa 1937–1938. The Federal Housing Administration had a robust mapping operation to support its programs, including mortgage guarantees, which took racial settlement patterns into account in determining eligibility. The Federal Home Loan Bank Board, which oversaw the Home Owners' Loan Corporation (HOLC), also had a Division of Research and Statistics that took over production of the City Survey's loan "security" (redlining) maps, following its consolidation with HOLC's Mortgagee Rehabilitation Division in late 1936. *Courtesy Library of Congress Prints and Photographs Divison. LC-H22-D-3422, Harris & Ewing Collection.*

affected property values, once calling the Black areas of Galveston "trashy" and disparaging the urban area as "the only southern city I have found where whites intermingle with colored."[49]

However, the MRD's process of reconciling race and value—a product of the Chicago-centered academic and realtor partnership since the 1920s—could be fraught. Despite the MRD's efforts to transmute theory into practice and establish a national risk-rating standard, the potential arbitrariness of its security grade designations stands out. For example, one field agent opined that only 10 to 15 percent of any city should be rated "A," lest "the standard of the whole map . . . be lowered." On other occasions, Fergus wondered at the wildly divergent security boundaries on map drafts prepared by different agents and expressed skepticism that a "D" neighborhood could border a "B" one without some intervening physical barrier. Particularly confounding to Fergus and senior HOLC

[49] On racial demographics and the "D" rating, see Freund, *Colored Property,* 114; Greer, "Home Owners' Loan Corporation and the Development of the Residential Security Maps," 285; Howell, *Making the Mission,* 157; and Highsmith, *Demolition Means Progress,* 43. For the Galveston quotations, see R. L. Olson to "Mr. Fergus," Nov. 29, 1935, memo (reel 305), HOLC General Administrative Correspondence, Records of the Federal Home Loan Bank Board.

officials was the finding that in some cities the best record of repayment by mortgagors was actually in "D" neighborhoods.[50]

Some of this inconsistency stemmed from HOLC's determination to impose new lending standards that fundamentally broke from previous practices. Prior to the Great Depression, financing norms had included profitable, and typically exploitative, lending across the color line or in other areas now deemed hazardous. Whereas pre–New Deal mortgages had not only been shorter term and higher interest but also much more "conservative" with typical loan-to-value ratios around 50 percent, HOLC now pegged that threshold at 80 percent (that is, a lender would finance up to $8,000 on property valued at $10,000)—a figure that housing reformers generally agreed upon as a target, provided these loans had greater security. Fergus, for one, imagined that lending in lower-rated areas might continue along lines similar to those in the recent past. However, when he opined to HOLC higher-ups that loans in "definitely declining" ("C") areas could safely be made up to a 50 percent threshold, they responded by questioning whether each category might not be further broken down into intermediate grades. Fergus clarified that while loans could be made in lower-rated areas, they should be "proportionately conservative" to account for "unfavorable conditions." In his opinion, prudence demanded that loan ratios in "D" areas should "run well under 40%," and in some of these, "especially the slum areas . . . a good mortgage man would probably not consider any loans at all."[51]

Even more strikingly, the MRD initially categorized African American neighborhoods as a fifth security grade completely unto itself. This was a holdover from local lending practices in which certain creditors actually specialized in lending to nonwhite borrowers. Field Agent Olson observed, "Institutions and the HOLC treat the colored districts as generally good from a lending standpoint. Our collections would be much better if the number of white borrowers were in proportion to the colored mortgagors standing in line at the Houston cashier's cage." Earlier, he had put it more crassly: "Mortgage men here would as soon have a good 'nigger' loan as the average white person's mortgage." Olson categorized Fort Worth's Black neighborhoods using a fifth, "F," security grade, which he later changed following Fergus's directive that these be collapsed to four. Since the MRD's field agents were instructed to follow the opinion of local realtors and lenders, standardizing security ratings to a nationwide norm could be difficult wherever earlier ideas about appropriate lending persisted. In Savannah, Georgia, this led to the rarest and most inconsistent designation to come out of HOLC's security mapping project: a "green" ("A"-rated) Black neighborhood. This "bon-ton-negro section" was designated upon the insistence of local lenders and so troubled Fergus that he sought a second opinion, but

[50] T. H. Bowden to Corwin Fergus, April 30, 1936 (reel 479), HOLC General Administrative Correspondence, Records of the Federal Home Loan Bank Board; Fergus to Olson, June 18, 1936 (reel 405), *ibid.*; Fergus to T. L. Williamson, Oct. 2, 1936 (reel 431), *ibid.*; John M. Cherry to Olson, Oct. 18, 1935 (reel 305), *ibid.*; Fergus to Charles F. Cotter, Dec. 13, 1935 (reel 178), *ibid.*

[51] On new lending standards, see Henry E. Hoagland, "The Relation of the Work of the Federal Home Loan Bank Board to Home Security and Betterment," *Proceedings of the Academy of Political Science,* 16 (June 1935), 45–52. On earlier African American mortgage access, see Chicago Commission on Race Relations, *Negro in Chicago,* 220–27; T. J. Woofter Jr., *Negro Problems in Cities* (New York, 1928), 146–51; and President's Conference on Home Building and Home Ownership, *Tentative Report of the Committee on Negro Housing* (Washington, 1931), 78–89. Fergus to Clifford C. Boyd, June 19, 1936 (reel 376), HOLC General Administrative Correspondence, Records of the Federal Home Loan Bank Board; Fergus to Oscar Kreutz, June 25, 1936, *ibid.*

in the end the rating stood, demonstrating the potential arbitrariness of the MRD's methodology.[52]

HOLC's MRD relied upon thousands of local real estate and banking professionals in gathering information for the City Surveys and making its security maps. The map for Rochester, New York, was drawn up in consultation with the president of the local real estate board and five of the city's leading banking and insurance executives, while Cleveland's emerged from a complex iterative process involving prominent real estate firms and appraisers at the city's largest bank. "I cannot impress upon you too strongly the absolute necessity of obtaining the very best real estate brains available for the creation of these maps," Fergus emphasized to the field agent in charge of Los Angeles. Sometimes collaboration with real estate professionals was even more intimate, as when Field Agent Olson utilized a meeting of the local Society of Residential Appraisers chapter to collectively draw up Denver's security map, or when Oakland's was created with assistance from an "appraisal study club."[53]

Despite the MRD's reliance on locals for information, Fergus followed HOLC higher-ups' instructions not to share with them copies of the finalized security maps. On several occasions he overrode his field agents' desires to do exactly that. In responding to a request from Olson to share Salt Lake City's map, Fergus acknowledged it was "somewhat embarrassing" having to ask for help without any promise of sharing the result. "However, each time I go to the Chairman's office, I am reminded by him that these maps are for the confidential use of the Board and their chief executives," Fergus explained. In some cases, however, locals took matters into their own hands, as when one Waco, Texas, realtor traced the security areas from a map Olson had lent him onto one of his own. "Naturally," Olson pled, "I could not insist that it be torn down because after all the grades of security represented the judgment of these men."[54]

Contrary to popular belief, HOLC never shared copies of the City Survey's finalized security maps outside select government circles; however, it did disseminate the theories and methodologies behind them in other ways. Indeed, the agency divulged—in both trade publications and the mainstream press—the existence not just of the survey project but also of the maps, with HOLC officials actually displaying them publicly on occasion. The FHLBB's monthly organ first broached the topic in a mid-1936 article, which explained the MRD's work in making four-color security maps "from information available to any experienced mortgage lender." At the 1937 convention of the Society of Residential Appraisers

[52] For Atlanta examples of creditors who specialized in nonwhite borrowers, see Michney and Winling, "New Perspectives on New Deal Housing Policy," 169. For the Raymond L. Olson quotations, see Olson to Fergus, Oct. 1, 1935 (reel 296), HOLC General Administrative Correspondence, Records of the Federal Home Loan Bank Board; Olson to Fergus, Sept. 18, Nov. 16, 1935 (reel 305), *ibid.*; and Olson to B. W. Steele, Nov. 21, 1935 (reel 296), *ibid.* For a security map with Black neighborhoods as a fifth security grade, see "Port Arthur, TX," Dec. 21, 1935, *Mapping Inequality,* https://dsl.richmond.edu/panorama/redlining/#loc=14/29.885/-93.964&city=port-arthur-tx. On Savannah's "bon-ton-negro section," see Fergus to Alec C. Morgan, May 18, 1936 (reel 391), HOLC General Administrative Correspondence, Records of the Federal Home Loan Bank Board; and Morgan to Fergus, May 22, 1936, *ibid.* See also the finalized area description at "Savannah, GA," [1936], *Mapping Inequality,* https://dsl.richmond.edu/panorama/redlining/#loc=14/32.068/-81.122&city=savannah-ga&area=A3. For similar discrepancies, see Amy E. Hillier, "Residential Security Maps and Neighborhood Appraisals: The Home Owners' Loan Corporation and the Case of Philadelphia," *Social Science History,* 29 (Summer 2005), 216–21; and Howell, *Making the Mission,* 157–66.

[53] Foster Milliken Jr. and Arthur G. Deane to Fergus, March 27, 1936 (reel 354), HOLC General Administrative Correspondence, Records of the Federal Home Loan Bank Board; Boyd to Fergus, May 2, 1936 (reel 376), *ibid.*; Fergus to Theodore Bowden, April 25, 1936 (reel 470), *ibid.*; Olson to Fergus, March 25, 1936 (reel 477), *ibid.*; Bowden to Fergus, Dec. 1, 1936 (reel 470), *ibid.*

[54] Fergus to Olson, April 6, 1936 (reel 477), *ibid.*; Olson to Fergus, Feb. 28, 1936 (reel 454), *ibid.*

in Los Angeles, Fergus spoke on the topic of "Real Estate Surveys as Aids in Mortgage Lending," with his remarks reported as far away as South Dakota. Over the next several years, he lectured repeatedly and explicitly on the City Survey.[55]

But by far the most candid discussion of the project, and of the security maps in particular, was a 1938 feature in *Architectural Forum*. Calling the MRD's project "a splendid demonstration of what can be done and how to do it," the magazine explained the origins and work of the City Survey in detail. Remarkably, a condensed report on "an actual town in the Midwest" was included, a barely anonymized version of the one for Lima, Ohio. Although the city was described as being just 3 percent Black, no race-based conclusions were offered, with the only "detrimental influence" on value said to be an intermingling of large and small houses. The security map was reproduced with minor alterations on an entire page and described as "the most flamboyant item in the fat, brown portfolios which contain FHLBB reports."[56]

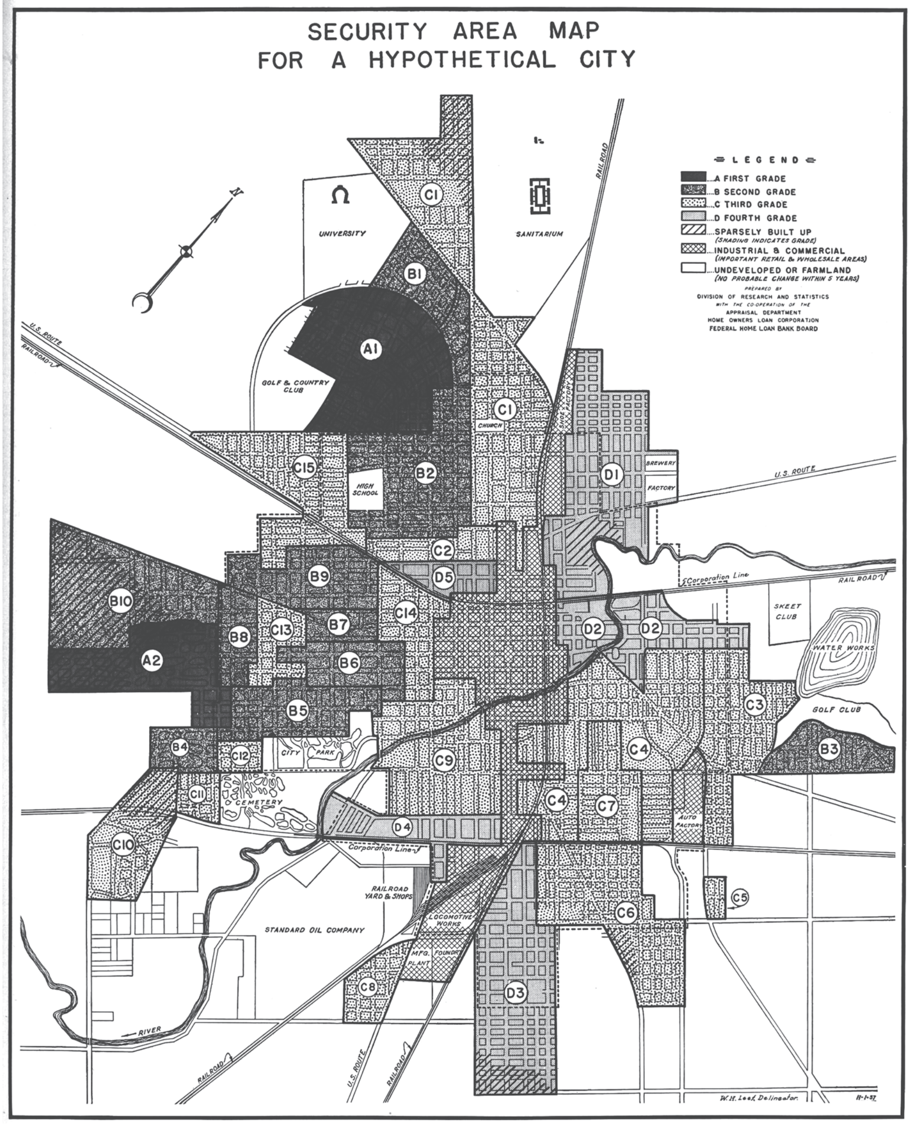
Anticipating the eagerness of private industry to get their hands on the collected data, the magazine both specified the dilemma faced by HOLC and encapsulated the agency's thinking on confidentiality. Noting that "so far those outside the Government are permitted only the most limited kind of peek at the reports which have been compiled through their cooperation," the article authors relayed HOLC's position that sharing these would violate the informants' trust. Some of the material had "unfavorable" or competitive significance, and "general publication of the security area maps . . . would tend to raise or depress the values of individual properties in terms of the FHLBB survey ratings." Two courses of action were proposed to address these problems, both of which were implemented. Either HOLC could selectively compile and regularly release portions of the data it deemed of public benefit, or else locals could gather it themselves, "using the FHLBB as their model and working in close cooperation with it."[57]

Along with HOLC's direct collaboration with trade associations, private lenders were clearly absorbing its lessons. The same month, one bank researcher wrote an article, informed by Chicago School sociologists' ecological theories, that demonstrated a mentality similar to that of the MRD. Appearing in the FHA's monthly *Insured Mortgage Portfolio,* its author asserted that because all neighborhoods inexorably undergo a life cycle toward obsolescence in which "the incursion of inharmonious racial elements" correlates with decline, "it is desirable for large lenders to follow racial movements with considerable care." The article reproduced a Los Angeles security map developed by his bank. Although the

[55] An internal report on the project states, "None of these maps have ever been given to private interests," despite "constant demand for copies from that part of the public which was familiar." See "City Survey Program: A Review," [ca. June 1, 1942], 4, 8, filed with Forrest R. Holdcamper, "Preliminary Inventory of the Records of the Federal Home Loan Bank System," March 1965, Records of the Federal Home Loan Bank Board. For the "from information available" quotation, see "Security Maps for the Analysis of Mortgage Lending Areas," *Federal Home Loan Bank Review,* 2 (Aug. 1936), 390. For examples of outlets that reported on this article, see "Security Map Is Loan Guide," *Detroit Free Press,* Aug. 23, 1936; and "Show Loan Rating of Neighborhoods," *New York Times,* Aug. 23, 1936. On Corwin Fergus's remarks to the Society of Residential Appraisers, see "Appraisers to Meet," *ibid.*, Sept. 19, 1937; and "Fergus Advocates Real Estate Plan," *Rapid City (SD) Journal,* Nov. 2, 1937. For his subsequent record of speaking publicly on the City Survey, see "National Survey Made on Realty," *New York Times,* Dec. 12, 1937; "Home Loan Bank Official to Speak," *Atlanta Constitution,* April 1, 1938; "Meeting Planned for Realty Groups," *Detroit Free Press,* April 3, 1938; "Building Loan Convention Set Thursday," *Bridgewater (NJ) Courier-News,* May 25, 1940; and "Savings and Loan Group to Meet," *Cincinnati Enquirer,* Sept. 1, 1940.

[56] "Searchlights for Lenders," *Architectural Forum,* 68 (Feb. 1938), 179–83, 46.

[57] *Ibid.*, 46. The feature also received newspaper coverage. See, for example, "Nation-Wide Survey of Real Estate Loans Underway," *Oakland Tribune,* Feb. 20, 1938.



Not price, not age, but the trend of security for long-term mortgages is what this map shows. Bright with five colors, it is the most flamboyant item in the fat, brown portfolios which contain FHLBB reports. Not shown here, but marked on most such maps is the position of every piece of HOLC property in the town. The letters in the circles simply indicate the grade of the neighborhood. The numbers refer to detailed reports on each neighborhood included in the town's general folder. This map corresponds fairly closely to the report given on the next two pages; both are modifications of the map and summary report of an actual town in the Midwest. If you have a good reason, you can get a look at the map of your town by going to Washington.

This "Hypothetical Security Map" appeared with a 1938 *Architectural Forum* feature on the Home Owners' Loan Corporation's City Survey project. The materials produced for the City Survey were deemed confidential, and the final products were not shared with the real estate and banking professionals who assisted in making them. However, the existence of the project was reported on in trade publications and even the mainstream press, and its methods were explicitly discussed and disseminated within professional real estate and home finance circles. The actual security map for Lima, Ohio, upon which this map was based can be viewed at https://dsl.richmond.edu/panorama/redlining/#loc=12/40.745/-84.191&city=lima-oh. *Reprinted from* Architectural Forum, *68 (Feb. 1938), 181. Courtesy National Urban Coalition (Urban America, Inc.), used with permission.*

map used different colors than HOLC and had five grades instead of four, it essentially duplicated both the guiding logic and methodology underlying the City Survey.[58]

The FHA similarly advocated close cooperation with private industry and was perhaps even more active than HOLC in disseminating Ely-derived property value theories informed by racism. While the FHA's promotion and direct distribution of its *Underwriting Manual* was one such means, another was through widely available trade journals including *Insured Mortgage Portfolio*. For example, the associate director of the FHA's Division of Economics and Statistics authored a 1937 article lauding the agency's role as a data clearinghouse. He argued that this function was crucial because, compared to other industries, "the real estate industry and real estate finance businesses . . . have been gravely handicapped by lack of systematic assembly of facts regarding market trends and conditions." The author went on to suggest that "control maps" be devised for use in loan evaluations. Other articles likewise called for continued information sharing between government and private industry, discussing racial "invasion" and "succession" in explicit terms. Meanwhile, prominent land value theorists in the FHA's highest ranks—Frederick Babcock, Ernest Fisher, and Homer Hoyt—wrote supporting contributions along similar lines. In a particularly striking example, Babcock echoed HOLC by classifying mortgages into four risk groups, concluding that "Grade D mortgages are considered to represent hazards too great to justify coverage by [loan] insurance."[59]

Trade publications were a relatively indirect means of disseminating ideas about property values ultimately traceable to Ely—at least compared to a high-profile initiative in which HOLC and the FHA directly partnered with private industry groups. In the process, the federal agencies shared their data-gathering and valuation techniques and further showcased the MRD's redlining maps. In January 1937 high-ranking HOLC and FHA personnel joined with leaders from the American Institute of Real Estate Appraisers, the Society of Residential Appraisers, and the National Association of Housing Officials (NAHO) to form the Joint Committee on Appraisal and Mortgage Analysis. The committee's chairman was none other than Frederick Babcock; the vice chairs were AIREA president E. L. Ostendorf and Donald H. McNeal, deputy general manager of HOLC. Also serving on the twelve-member committee were Leonard Downie, HOLC's chief appraiser; Ayers J. Du Bois from the FHA's Underwriting Division; Philip Kniskern, HOLC's first head and an AIREA past president, who now headed the First Mortgage Corporation of Philadelphia; and Herman Walther (president of the SRA) and Coleman Woodbury (director of NAHO), both former Ely students and institute colleagues.[60]

The joint committee postured as a neutral, public-private initiative to gather published research on real estate appraisal along with relevant statistical sources; betraying its

[58] L. Elden Smith, "Measuring the Neighborhood Risk," *Insured Mortgage Portfolio,* 2 (Feb. 1938), 9–11, 22–23.

[59] For dissemination of Ely-derived property value theories informed by racism, see "New Manual Gives FHA Method of Rating Mortgage Risks," *National Real Estate Journal,* 36 (April 1935), 25–26; "Members of Society to Receive F.H.A. Manual," *Residential Appraisers' Review,* 1 (June 1935), 15; and Percy E. Wagner, "Appraisal Procedure of Federal Agencies," *Appraisal Journal,* 5 (July 1937), 240–47. For the 1937 quotations, see James S. Taylor, "Factual Aids for Mortgage Lenders," *Insured Mortgage Portfolio,* 1 (May 1937), 13–15, 21–22, esp. 15. James S. Taylor, "Where Is Mortgage Research Leading?," *ibid.*, 2 (Jan. 1938), 15–16, 24; John H. Magee, "City Growth and Population Patterns," *ibid.*, 2 (Sept. 1937), 5–6, 22; Frederick M. Babcock, "The Determination of Mortgage Risk," *Appraisal Journal,* 3 (Oct. 1935), 316–23.

[60] Katherine H. Davidson, *Preliminary Inventory of the General Records of the Housing and Home Finance Agency, (Record Group 207)* (Washington, 1965), 7; Adelaide R. Hasse, *Bibliography on Urban Real Estate Appraisal* (Washington, 1937), i–ii; "Valuators Plan Appraisal Data Bureau," *Philadelphia Inquirer,* March 14, 1937.

academic sensibilities, it soon compiled three massive bibliographies to this end. Despite lasting until 1942, the committee undertook its most prominent effort early on: the National Appraisal Forum it sponsored in Washington, D.C., in November 1937. This event brought together individuals from "30 major organizations" working in real estate and home finance as well as architects, academics, and others. Opened by Secretary of Commerce Daniel C. Roper, the forum attracted more than six hundred attendees, who heard talks by Horace Russell, Ernest Fisher, Frederick Babcock, and Philip Kniskern, among others. On display were "numerous maps, charts, atlases and books," some of which were distributed to audience members.[61]

During the proceedings, the techniques developed by its public-private organizers were on full display. MRD head Corwin Fergus candidly discussed the methodology behind HOLC's City Survey program, using the security map for Dayton, Ohio, as a visual aid to explicate the color-coding scheme to the assembled conferees. Asked whether the maps were available, Fergus parroted HOLC's position that they could not be distributed for reasons of confidentiality, although he offered to discuss the details surrounding their creation with anyone interested. Fergus insinuated that the MRD took race into consideration by mentioning "undesirable population or an infiltration of it" factored into its assessments. Harry Grant Atkinson of AIREA was more explicit. "We find out as we observe phenomena of real estate value that the encroachment of color on districts affects value of property," Atkinson told the audience. "Sometimes it makes a lot of difference as to whether a community is predominantly Scotch, Polish, Swede, Greek, German, Negro, Jewish, English, or mixed." "A keen appraiser will watch for that factor," he continued, concluding disingenuously, "I don't know where he puts it in the equation, but he considers it and it affects value in that neighborhood."[62]

The National Appraisal Forum was one key piece of a strategy of outreach to local appraisers across the country. The gathering was imagined by its organizers as an annual event but was held just once. The networks from which the forum grew and the methods it promoted nevertheless continued to proliferate widely. Already since early 1937, the FHA had been holding dozens of "mortgagee conferences" around the country in partnership with clearinghouses and mortgage bankers' groups, building and loan leagues, and state banking associations. Among the FHA's goals at these events was to "demonstrate the soundness of the Administration's risk-rating system through explanation of its methods of valuation." HOLC took a similar path in the wake of the forum, and by early 1940 had sponsored "technical conferences" in sixteen cities attended by hundreds working in real estate, finance, and home building. With a particular focus on "common everyday problems in appraising," conferees discussed a variety of topics, including "racial groups" and "vicinity trends." HOLC planned to expand this initiative nationwide, considering the sharing of its methods to be literally a "public service."[63]

[61] "The Appraisal Forum," *Federal Home Loan Bank Review,* 4 (Oct. 1937), 16; "Appraisers Meet in Fall," *New York Times,* April 18, 1937; "Appraisal Forum in Washington," *St. Louis Post-Dispatch,* Nov. 7, 1937; "Appraisal Forum Is Opened," *New York Times,* Nov. 20, 1937; "Kniskern to Talk at Appraisal Meet," *Philadelphia Inquirer,* Nov. 14, 1937; "Federal Appraisal Forum," *Miami News,* Jan. 14, 1938; "Appraisal Forum Limits Activities," *New York Times,* Nov. 21, 1937.

[62] *Proceedings of the General Sessions and Urban Group Meetings, National Appraisal Forum . . . Nov. 19 and 20, 1937* (Washington, 1937), 55, 56, 73–76.

[63] "Mortgagee Conferences Prove Popular," *Insured Mortgage Portfolio,* 1 (May 1937), 20–21; "Appraisal Conferences and Techniques," *Federal Home Loan Bank Review,* 6 (Jan. 1940), 106–9.

After collecting and synthesizing ideas from around the country, policy officials needed to translate the work of HOLC and the FHA in Washington and of NAREB, AIREA, and the SRA in Chicago for the broader world of American real estate and transmit it to the local level. Private sector ideas had been transformed into federal policy, but that national framework now needed to be embedded as local practice—a particularly urgent matter considering that HOLC had begun scaling back its operations in 1936, with an eye on its ultimate liquidation. Given that some four thousand former HOLC appraisers were consequently reentering private practice, a more systematic outreach effort could potentially accomplish the greater goal.[64]

HOLC and the FHA therefore continued educating real estate appraisers through local chapters of appraisal organizations. For the SRA, especially, the impetus to expand beyond Chicago dated from the organization's founding. Beginning in 1936, the national office chartered local chapters and used its *Residential Appraisers' Review* to promote them. A. D. Theobald, an alumnus of the institute at Northwestern, served as secretary of the society's board of governors and editor of the journal. Los Angelenos took the lead in forming the first chapter; Philadelphians were second, led by W. M. Stout, an appraiser who passed from private practice to institutional leadership when he took a position as manager of the Philadelphia branch of the Federal Home Loan Bank. New Yorkers formed the third chapter.[65]

As the SRA built this local network, its leaders invited national and state HOLC representatives to meetings of their new chapters, to cross-pollinate ideas of practice. FHA and HOLC officials addressed and offered "clinics" to local men hungry for this professional knowledge. In 1935 the FHA's director of mortgage insurance, John Byers, gave a talk to members of the Atlantic County Building and Loan League in New Jersey, excerpted in the publication's first number. In 1936 Herman Walther, then the SRA's vice president, embarked on a tour of East Coast chapters that included Philadelphia, greater New York, Boston, Pittsburgh, and Atlantic City. The SRA's chapter for northern Illinois, including Chicago, featured presentations in successive months by the FHA's chief architectural supervisor for Chicago and its chief valuator for northern Illinois. Workshops on appraisal practices, HOLC and FHA valuation standards, and land value theory were all part of the information campaign—akin to the professional training first developed at Ely's Madison conference in 1923.[66]

These ministrations to the SRA and its chapters make clear that the essential role of HOLC and the FHA extended far beyond just shaping appraisal and real estate practice. These public-private institutions were mutually constitutive. One could not function without the other, and the overlapping web they were fashioning was based on an integrated vision of policy and practice. Forged in a moment of crisis, the SRA was essentially reconstituting a permanent, more widely distributed version of the network of allied thinkers and professionals that Richard Ely had assembled more than a decade before.

Right up to the level of President Roosevelt's famous "brain trust," the New Deal venerated expertise, with academia and private industry helping build the capacity of the state. This arrangement had germinated in the Progressive Era when Ely first found a

[64] Home Loan Bank Board, *Final Report to the Congress of the United States Relating to the Home Owners' Loan Corporation* (Washington, 1952), 24.

[65] *Residential Appraisers' Review,* 2 (Dec. 1936), 6.

[66] On John Byers's talk, see Edwin Einstein, "The Society of Residential Appraisers," *ibid.*, 1 (April 1935), 7. On the subsequent presentations, see *ibid.*, 2 (May 1936), 13–15; and *ibid.*, (June 1936), 14–15.

public calling, and it grew into the post–World War II decades. Ely's venture into land economics is a particularly poignant example of academic outreach that had broad effects on public policy and the landscapes of everyday American life. The Federal Home Loan Bank, the Home Owners' Loan Corporation, the Federal Housing Administration, and their restructuring of the real estate sector were outgrowths of the network of academics, private sector professionals, trade organizations, and lobbyists that Ely assembled in the 1920s. His research institute generated, encapsulated, and promoted ideas that worked their way through academic and policy conversations into law, regulation, and professional practice. Ely's colleagues and collaborators created and supported new professions with agendas that powerfully shaped federal policy. In the process they structurally institutionalized racial discrimination as a fundamental feature of real estate value.[67]

Upon retiring from Northwestern University and fifteen years after forging his alliance with NAREB, Ely reflected on his work in his 1938 autobiography, *Ground under Our Feet*. With war clouds gathering on the horizon, Ely made the bold assertion that land use was no less central a factor than war in global history, since wars resulted "largely due to failure to establish satisfactory land policies" that maximized use of natural resources. From the outset of his work in land economics Ely had realized its potential power, once boasting to a colleague that the results of his alliance with the real estate boards "would be felt a hundred years from now." The practices that Ely and his allies set in motion did indeed proliferate over the succeeding decades and even to our present day. Ongoing efforts to dismantle the system of racial segregation and housing discrimination that Ely helped build illustrate just how prescient he was.[68]

[67] On state capacity into the post–World War II decades, see Brian Balogh, *The Associational State: American Governance in the Twentieth Century* (Philadelphia, 2015). For notable examples, see Stuart W. Leslie, *The Cold War and American Science: The Military-Industrial-Academic Complex at MIT and Stanford* (New York, 1993); Dominique A. Tobbell, *Pills, Power, and Policy: The Struggle for Drug Reform in Cold War America and Its Consequences* (Berkeley, 2012); and Lee Vinsel, *Moving Violations: Automobiles, Experts, and Regulations in the United States* (Baltimore, 2019).

[68] Ely, *Ground under Our Feet,* 235; Ely to W. S. Learned, May 5, 1923, quoted in Hornstein, *Nation of Realtors®,* 98. For a genealogy of Ely's postwar influence, see A. M. Weimer, "A Note on the Early History of Land Economics," *Journal of the American Real Estate and Urban Economics Association,* 12 (Fall 1984), 410–14. On continuing predatory practices after the Supreme Court ruled racial covenants unenforceable in 1948 and the 1968 Fair Housing Act made redlining illegal, see Beryl Satter, *Family Properties: Race, Real Estate, and the Exploitation of Black Urban America* (New York, 2009); Andrew W. Kahrl, "Capitalizing on the Urban Fiscal Crisis: Predatory Tax Buyers in 1970s Chicago," *Journal of Urban History,* 44 (May 2018), 382–401; and Keeanga-Yamahtta Taylor, *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership* (Chapel Hill, 2019).