n the 1920s a new and more sophisticated real estate industry exploited Cleveland’s new urban geography and promoted the making of policy on a regional scale. The real estate industry, moreover, spawned a new generation of prominent businessmen, the founding fathers of the Realty Regime which dominated urban policy making from 1919 to 1929. The regime owed its origins to the early-twentieth-century transformation of real estate business practice.

THE EMERGENCE OF THE REAL ESTATE INDUSTRY

The real estate industry escaped from its late nineteenth century status as a small-scale, highly competitive industry subdividing land in the unbuilt outer city to become a much-larger-scale, operationally integrated, twentieth century business, an industry skilled in exploiting commercial opportunities in the central business district and suburban residential real estate. The real estate industry, in contrast to the industries sustaining the Corporate Regime, was a local-sector industry.

Ownership in the real estate industry was more representative of the city’s population than any other business, explaining why realtors understood the city and its decision-making process so well. Real estate industry entrance requirements were minimal. Almost anyone could enter the business and many did. Hard work, diligence, and imagination were rewarded. First and second generation immigrants were attracted and found themselves on an equal business footing with native born Anglo-Saxon competitors. Immigrant surnames were far more common in real estate than in export sector industries.
The real estate industry was the core around which the Realty Regime formed. The industry consisted of a growing cast of players, including, roughly in order of appearance, those who bought and sold land and buildings, the building industry, street railway operators, retailers, law firms seeking to replace departing corporate clients with developers, banks as the circuits of capital shifted from primary to secondary, the media for the advertising dollars the realty coalition generated, and increasingly in the 1920s, public officials, most notably those serving the suburbs.2

All held in common the small business philosophy of the real estate operator. Even though the scale of development projects and capital requirements greatly increased in the twentieth century, the size of the firm remained relatively small, in contrast to the bureaucratic magnitude of the multilocal-tional export-sector manufacturing corporation. Small local-sector businessmen and export-sector big businessmen did not operate in the same ways. Local-sector small businesses were far more oriented toward short-term goals. Real estate development projects had a comparatively short life span and were completed in discernible phases. Beyond the principals, accountants and salespeople were the only full-time employees, and salespeople were usually paid commissions rather than salaries. Professionals such as lawyers, engineers, and architects were hired as independent contractors for the duration of their phase of the project only. General contractors were hired for the building phase, and subcontracting was their responsibility. Capital requirements were met sequentially by banks and other financial institutions and were likewise short term in duration. The sales component of the development returned the project to the parent firm. Payrolls for the real state operator were small, and accounting was relatively simple. No elaborate line and staff management organization existed, and the business operations did not operate according to a fixed long-term plan.3

If there was little organizational difference between nineteenth and twentieth century real estate businesses, it was because the early industrial era realty firm was hindered by lack of capital, knowledge of the economics of the business, and a guiding set of business practices. The nineteenth century real estate operator was a subdivider who dealt in raw land, relying on guesswork and ethical corner cutting to make his way. The residue of mistakes, unfulfilled hopes, and broken promises left turn of the century realtors with unsavory reputations. Twentieth century real estate firms overcame these burdens by learning the economics of the business and by professionalizing their operations. These lessons reaffirmed that businesses could remain organizationally lean even as the scale of operations increased many times over.4

The credit for this impressive transition must go to national and local
real estate professional organizations. These organizations schooled realtors in the economics of the business and supplied them with a much needed code of ethical standards (1913). Local real estate boards proliferated in cities and towns across the county, culminating in the founding of the National Real Estate Board (1908). The mission of the national organization was both informational and educational. The National Real Estate Board promoted urban land economics as a formal academic discipline with abstract theories crucial to daily practice in the real estate industry.

For these services, the National Real Estate Board relied heavily on Richard T. Ely, the University of Wisconsin economist who pioneered the study of urban land economics. Ely was the principal in a private consulting firm, the Institute for Research in Land Economics and Public Utilities, which served as a consultant to the National Real Estate Board for monographs on urban land economics, real estate taxation, and zoning. Ely was also the designer of the real estate courses taught by the National Real Estate Board. John R. Commons, Ely’s University of Wisconsin colleague in economics, shared his knowledge of real estate taxation and public utility valuations expertise with the National Real Estate Board. Both economists were Johns Hopkins University Ph.D.’s, graduate professors, and founders of the American Economics Society. They trained the first generation of land economists and used their professional network to lobby for university and business college courses and programs in urban land economics and real estate business practices. The National Real Estate Board networked with collateral organizations, including the National Municipal League, the National Conference on City Planning, the American Institute of Architects, and others to broaden the knowledge base of the industry and to promote its goals. Ely and Commons were frequent visitors to Cleveland, and one of their protégés, Edward W. Bemis, was the city’s water commissioner.²

The Cleveland Real Estate Board

The most important local professional organization was the Cleveland Real Estate Board, which originated as an offshoot of the Building Trades Association. By the 1910s the Cleveland Real Estate Board (CREB) was an independent association with its own meeting rooms, dining facilities, officers, and committee structure. In the 1920s, CREB took positions on public issues, but from its inception, the main work of CREB was the professionalization of the real estate industry.³

CREB membership included realtors, lawyers, bankers, builders, architects and engineers, retail businessmen, and public officials. Organizationally,
CREB, like the Chamber of Commerce, was a federation of divisions representing the major market segments of the industry, including subdividers, suburban real estate development and sales, commercial properties, and industrial real estate. In the 1920s CREB formed committees to study public issues such as zoning, taxation, city planning, legislation, highways, and a changing kaleidoscope of ad hoc issues. The work of the committees provided the basis for the positions the organization took on public issues.\(^7\)

In its drive to professionalize the real estate industry, CREB gathered and compiled a trove of literature on urban land economics and wrote standards of ethical practice for the industry. As a field of academic inquiry, urban land economics came into its own during the 1920s. CREB disseminated this knowledge by scheduling leading scholars and practitioners as speakers at well-publicized and well-attended lunches (many of these speeches were printed verbatim in *The Cleveland Realtor*, the house newsletter of CREB). Richard T. Ely, the University of Wisconsin land economist, and J. P. Goode, a University of Chicago geographer, headed the list of distinguished academic speakers, but the roll also included such local experts in urban land economics as realtor Stanley L. McMichael and lawyer Robert Bingham. Curiously, speakers from the Ohio Grange, a farmers’ organization, often addressed CREB. The Granger orators, who had probably been denounced by the fathers of those sitting in the CREB dining room as hayseed radicals, had three interests in common with the realtors: an appreciation of the value of land, a strong aversion to real estate taxes, and a passion to shift the tax burden to other forms of wealth.\(^8\)

Dissemination of information was a major goal of the CREB. *The Cleveland Realtor* was the single most important source of information, but local newspapers also assisted. Stanley L. McMichael was assigned to the real estate beat by *The Plain Dealer* in 1907. By World War I, each of the city’s newspapers featured real estate reporters and published Sunday real estate supplements. Not uncommonly, newspaper articles explained complex issues of land economics theory. In the 1920s, McMichael, now a realtor himself, and lawyer Robert Bingham formed a publishing company to print articles, pamphlets, and books on land economics and real estate written by the pair. CREB was a major market outlet for their works.\(^9\) It was also an outlet for the ideas of John A. Zangerle, the Cuyahoga County auditor and sometimes the nemesis of the real estate industry, who was a respected land economist and a feared land valuation expert. Zangerle frequently addressed CREB meetings, and his speeches and journal articles appeared in *The Cleveland Realtor*.\(^10\)

The most pressing practical need facing the realtors was a scientific, reliable method of fixing and forecasting land value. Early in the 1920s,
CREB formed a valuation committee and encouraged all members to submit their real estate transactions to study and evaluation by the committee. The committee used these transactions to experiment with techniques of scientific real estate appraisal. By the mid 1920s, the committee had enough confidence in its appraisal methodology to challenge valuations and appraisals made by the county auditor.

Tax relief was only one goal of this process. Appraisal techniques were used to set land valuations, the very heart of the real estate business. Land valuations could be aggregated and charted over time to monitor the trajectory of the real estate business cycle. Land valuations, moreover, were crucial for fixing the ratio of site value to improvement value. Thus the realtors could resolve the dilemma of land use potential in the “margins of transference,” those places in a city where land appears to be in transition from an older to a newer use. The trick was figuring out which type of land use, older or newer, would prevail in the margin of transference. Formulating and testing such hypotheses in land economics was probably the most important work performed by CREB.¹¹

Professionalization also meant setting ethical business practices. The unsavory reputation of real estate salespeople was the industry’s weakest link. Shady sales practices were often the result of ignorance of the product combined with market and credit pressures; however, the minimal entrance requirements of the industry also attracted the unethical. CREB promoted licensure of real estate agents, and a CREB committee created to study the problem found that real estate salespeople lacked an understanding of the product they sold and had no standardized procedure for selling properties. CREB offered seminars for salespeople in which they would be instructed in the elements of land economics. CREB wrote standardized sales contracts to guide a sales transaction through its several stages, affording legal protection for seller and buyer. CREB recommended that candidates for licensure enroll in CREB land economics seminars and submit to tutoring by legal consultants in the art of drafting contracts. CREB encouraged all member real estate firms to send their sales personnel to it for training. Despite some initial opposition, these procedures won the day, and the real estate industry steadily became more professionalized and respected.¹²

The Real Estate Lawyer

The legal profession played a crucial role in the emergence of the real estate industry. CREB welcomed attorneys as members and retained the
Thompson, Hine, and Flory law firm as legal counsel. Lawyers were important for standardizing sales procedures and cleaning up the image of realtors, but they had other more far-reaching contributions to make. During the 1910s and after, lawyers became indispensable to the real estate industry. Although real estate developers played the entrepreneurial role in bringing large-scale real estate developments to fruition, lawyers served as vital middlemen in the process, working out the details with all parties to the transaction. Lawyers devised new methods of finance, land assembly techniques, and tax relief schemes. They were the first to see that finance, land assembly, and taxation were interrelated parts of a whole.

Several local law firms and lawyers specialized in real estate law. The two most prominent law firms were Thompson, Hine, and Flory and Baker Hostettler. The founder of the Thompson firm, Amos Burt Thompson, was a specialist in land valuation, taxation, and the ninety-nine-year leasehold. Robert Bingham, whose interests included land economics and land parcel assembly, was an associate in Thompson's law firm.\(^{13}\) Newton D. Baker, the protégé of Tom L. Johnson and former Cleveland mayor, returned to his law practice at Baker Hostettler after service as Woodrow Wilson's secretary of war and found his corporate and labor client list dwindling, a repercussion of the devolving export sector of the local economy. He soon replaced departed corporate clients with real estate clients. Baker represented the Ambler Realty Company in its landmark suit against the suburban village of Euclid's zoning law and throughout the 1920s represented the vast Cleveland real estate development interests of the Van Sweringen brothers.\(^{14}\)

Amos Burt Thompson's contributions to the real estate industry grew out of his attempts to assemble Euclid Avenue land parcels for real estate developers. Thompson and his clients envisioned a retail and commercial corridor that would extend from Euclid Avenue at Playhouse Square (E. 18th Street) to Euclid Avenue and East 105th Street, including the westerly portions of Chester and Prospect running parallel to Euclid. The land between Playhouse Square and East 105th Street was given over to high-grade residential and apartment land uses, the western end of which included the Euclid Avenue “Millionaires Row.” Thompson saw the corridor as the city's most important area of land use change. By the early 1920s, Playhouse Square and East 105th already were retail, commercial, and entertainment districts. Thompson sought to connect the two centers with a continuous corridor of retail and commercial land uses. (See figure 9.1.) His real estate clients were people who could make this development a reality.\(^{15}\)

Serious obstacles stood in Thompson’s way. One worry was the gravitational pull of the Van Sweringen Terminal Group project at Public Square,
a development that included not only a rail terminal but also office buildings, a hotel, and a department store. Thompson dispatched this worry with a new research tool, vehicular and pedestrian traffic counts on Euclid Avenue throughout the 1920s. Gathered at quarterly intervals through the year and at various hours of the business day, these traffic data convinced Thompson that Euclid Avenue could sustain eastward commercial and retail development even in the face of the gravitational pull of the Van Sweringen project.

A second obstacle was posed by the site-to-improvement ratio, that is, the value of the land relative to the value of the structure built upon it. Thompson energetically assembled valuation data on every Euclid Avenue lot from Playhouse Square to East 105th. Chester and Prospect avenues were also included. He compared three sets of valuation data: his own, those of CREB, and those of the county auditor. These data convinced him that the value of the improvement (the existing residence) was declining in relationship to the increasing value of the site (the lots). A clear message was received: it was time to change the nature of the improvement.

This created a third obstacle: how to wrest the residential land at issue from its present owners. Here Thompson teamed with Frederick H. Goff, a lawyer and president of Cleveland Trust bank. After the passage of the federal income tax law in 1913 and the progressive wartime amendments...
to the legislation, lawyers scrambled to find ways to protect wealthy clients from the “confiscatory” impact of federal income and inheritance taxes. One legal device employed was the living trust, pioneered by Goff in Cleveland. The living trust was designed to retain the pecuniary rewards gained from accumulated assets. Wealthy Cleveland Trust customers were encouraged to place their assets, real and portable, in trust accounts with the bank, naming the bank as trustee. The bank provided daily management of these trust accounts. The living trust device reduced federal tax liabilities solely to income earned by the trust, and taxes on the principal were avoided. The trust was also perpetual, and when such customers died their heirs continued to collect the income from the trust and—a matter of no small consequence—paid no inheritance taxes on the assets in the trust. By the 1920s, many of the Euclid Avenue residential properties were in trust accounts managed by Goff’s bank.\footnote{This was when Thompson, inspired by favorable site-to-improvement ratios, sought to acquire Euclid Avenue properties on behalf of his clients in the real estate development business. The site acquisition process was now simplified because he did not have to negotiate with scores of owners; he had only to deal with Goff and a handful of bankers like him. Thompson soon discovered that trust managers and individual owners were also aware of the improving site-to-improvement ratios, but they were unwilling to sell the land. Hurdling this obstacle was Amos Burt Thompson’s finest hour as a lawyer. Thompson’s solution was the ninety-nine-year leasehold, a sublimely simple solution that allowed all parties to have their cake and eat it too. In a ninety-nine-year leasehold arrangement, the owner of the property leased the land to a developer for a period of ninety-nine years in exchange for an agreed-upon annual ground rent. The developer-lessee, under the terms of the contract, was then free to make any improvement on the land he desired. The developer-lessee also benefited by being freed of the burden of raising capital to buy the initial land. The ninety-nine-year lease allowed Thompson and Goff to make prime Euclid Avenue land available for retail and commercial development. If the ninety-nine-year leasehold doomed the showcase mansions on the Euclid Avenue Millionaires Row, seldom did the owners raise their voices in protest. Instead, they cheerfully took up residence in new mansions at University Circle. Amos Burt Thompson promoted the full range of tax advantages to be gained from the ninety-nine-year leasehold. Local real estate taxes could be avoided by the lessor by passing the obligation along to the lessee. Real estate tax liabilities were sometimes negotiated with the parties in which they agreed to split the obligation, with the lessor paying the land portion of the tax and the lessee paying taxes on the improvement. The federal tax
burden could also be eased. Because no property actually changed hands in the leasehold arrangement, the owner did not have to pay federal capital gains taxes. Owners were liable for federal taxes on the rental income only. The lessee, on the other hand, was able to use the rental paid as a deduction on his federal income taxes. For the lessee, there were also rental costs which could be deducted from the federal tax obligation. Most leasehold contracts contained clauses allowing the lessee to sell his lease to another purchaser. This was frequently done, and there were tax advantages in doing so. Regardless of the tax bracket of the seller, the tax on the sale of the lease was capped at a rate of 12 percent. For wealthy individuals, this sort of transaction made a great deal of sense. Robert Bingham reported that many leaseholds were arranged for that sole purpose.\(^\text{20}\)

Robert Bingham was Amos Burt Thompson’s law associate and a perceptive student of real estate values. If Thompson’s approach to values was grounded in the minutia of statistics and the fine print of the tax code, Bingham’s evolved from a macro level appreciation of urban growth patterns. Bingham’s books, articles, CREB speeches, and office memoranda reveal that he was a keen student of urban structure. He took notice of the corollary relationship between changes in city structure and improvements in land values. Bingham and his publishing partner Stanley L. McMichael observed that in the commercial era the nation’s cities were walking cities dependent on long-distance transportation connections. The land where these routes fused was the highest valued in the city. But the industrial city was dominated by large export-sector businesses and the technology of electricity, which allowed for both horizontal and vertical real estate development. Central business district land values were the chief beneficiary. Bingham saw the city of the 1920s increasingly as the creature of the automobile, resulting in a more sprawling city than the hub and spoke configuration of the streetcar era, and making attractive real estate transactions at the unregulated edges of settlement. Urban expansion, structural change, and increases in land values were related, but these elements were a volatile mix, a mix, however, that Bingham believed could be stabilized by using the regulatory powers of government. Bingham was one of the first people in the real estate industry to see the compatibility between public land use controls and profit.\(^\text{21}\)

Bingham’s initial appreciation of the role that government might play in urban growth was financial. Bingham was an advocate of public spending on infrastructure to artificially stimulate urban growth and consequently increase land values. He was almost indiscriminate in his enthusiasm. He endorsed bridges linking east and west sides, streetcar and interurban links to the suburbs, suburban street and highway linkages, and
expansion of utilities. Bingham championed a network of commuter transportation linkages regional in scope. All of these strategies would lead to more land sales and higher land values.\textsuperscript{22}

Bingham’s notions were not unflawed. Improved infrastructure tempted the real estate industry to bring land into production too soon, accounting for the boom and bust cycles in the real estate market. Bingham’s support of both rail and highway transportation was also blemished because the market could not sustain both. As more and more highways were constructed and streets were paved to accommodate the automobile, streetcar ridership precipitously declined, culminating in the last illness of the privately owned transit companies. Municipal ownership followed in the 1940s.

In any case, Bingham’s strategies became policy in the 1920s, and in the short term, thanks to growth, increased allocation of land, and soaring land values, Cleveland took on the appearance of a boomtown, paradoxically one with a stagnant export sector. In Bingham’s analytical framework, local government should be the ally of the real estate industry. Only government could regulate land use and raise the large sums of money necessary for infrastructure improvements and subsidized rail rapid transit.\textsuperscript{23}

\textit{Real Estate Finance}

Lawyer Robert Bingham thought on a grand scale and so in his way did lawyer turned banker Frederick H. Goff. In 1908 Goff left the private practice of corporate law, in which he was a specialist in mergers and financial reorganizations, to become president of Cleveland Trust Bank. It was a good fit because Cleveland Trust had historically supplied capital for corporate expansion, mergers, and reorganizations. Within a decade of Goff’s arrival, however, the corporate banking business eroded, and Goff scrambled to find new business for the bank. Goff led an aggressive campaign to expand the bank’s branch operations and increase the number of individual accounts. In the early 1920s branch banks mushroomed from fifteen to fifty-two and individual depositors from 70,000 to 397,000. These marketing changes, however, did not by themselves compensate for the loss of corporate loan customers; but the expanding branch operations of the bank taught Goff some lessons about the market implications of Cleveland’s changing geography. Cleveland was now an urbanized region and real estate was the wave of the future, and Goff had capital for real estate investments in the living trust accounts managed by the bank.\textsuperscript{24}
Yet there were constraints on Cleveland Trust’s entry into this market. Federal legislation prohibited national banks from making loans on real estate, restrictions which were not lifted until 1928. Goff circumvented this legislation by acquiring non-national banks, Lake Shore Banking and Trust Company and Garfield Savings and Trust, institutions that could make real estate loans. Other Cleveland national banks followed suit, acquiring through merger or acquisition small building and loan companies, savings and loan companies, and citizens’ savings banks. Goff and other local bankers then redefined the taxonomy of loans to include site acquisition loans, construction loans, bridge loans, corporate restructuring loans, and home mortgage loans, among others. In the newly restructured banking industry, subsidiary savings and loans could make loans the parent national bank could not make. Making use of these loan options, a group of investors represented by Amos Burt Thompson bought the $4.5 million Discount Bank Building at Superior and East Ninth with an out-of-pocket cash investment of $100,000. The heavily mortgaged Van Sweringen empire was the most extreme local example of creative loan making by a labyrinthine corporate pyramid of holding companies. These creative credit arrangements allowed the real estate industry to remain organizationally small even as they increased their operational scale.

The local real estate capital market reached completion when local banks and law firms entered the municipal bond market. The Realty Regime’s aggressive regional urban growth policies, particularly infrastructure spending, were dauntingly expensive. To keep tax rates low and actual costs camouflaged, the Realty Regime favored heavy borrowing rather than taxing for capital improvements. The City of Cleveland carried a sizable amount of bonded debt, most of which had been acquired to fund the projects of the Corporate Regime, so the Realty Regime shifted the debt burden to the county and suburban municipalities, creating a rich market in suburban municipal bonds. Federal tax law made municipal bonds tax exempt, which created a boon for trust account managers in the 1920s. For banks generally, the municipal bond not only carried federal tax advantages, but was computed in the bank’s accounts as an asset against which additional loans could be made. Banks were not only purchasers of municipal bonds, some could also serve as underwriters. To avoid the bond default fiascos of the mid-nineteenth century, federal and state law required the hiring of independent bond counsel to review each issue of municipal bonds. Local law firms specialized as bond counsel. The municipal bond market financed massive infrastructure investment throughout the 1920s and created a wealth of business opportunities for banks, trust
account managers, and law firms. Frederick H. Goff was the financial genius behind the complex transition Cleveland’s banking industry made from corporate to real estate investments. His innovations made financing large-scale real estate developments feasible and the rise of the Realty Regime inevitable. Goff’s career in law and banking illustrates the transition in policy making dominance from the Corporate Regime to the Realty Regime. The fact was that power was shifting in the Cleveland community, and Frederick H. Goff did much to make this transition a reality. Lawyers Frederick H. Goff, Amos Burt Thompson, and Robert Bingham made very tangible contributions to the growth of the real estate industry and the rise of the Realty Regime.

Boosterism and advertising were less tangible elements of the real estate business in the 1920s. CREB developed a flair for both, each of which masqueraded as economic development policy. In 1926, the Cleveland Realtor noted in the city a flagging civic spirit and a pervasive sense of pessimism about the future. In response, CREB raised $75,000 in contributions and hired an advertising agency to sell Cleveland to Clevelanders. These ads trumpeted the city as the new Athens and as a vessel of civic progress. The good feelings generated by the advertising helped sell real estate, even though the market for industrial real estate did not improve and neither did the manufacturing sector.

Stagnation in the export sector of Cleveland’s economy facilitated the rise of the Realty Regime. Policy making dominance and policy priorities could not be established, however, until the real estate industry learned its own business. In the first two decades of the twentieth century, the industry learned the interdependent relationship between city structure, commuter transportation, land values, and the highest and best use of land. This knowledge taught that there were two places where profits were most reliably made: the central business district and the unsettled fringes of urban land. Packaging land and financing real estate deals through infrastructure building and creative loan making were learned in the 1920s. In that decade, because of increased automobile usage, urban settlement became regional, and the policy making regime that came with it operated also on a regional scale, though not in the way regional reformers had anticipated.

During the 1920s, real estate men became the most visible and prominent businessmen in Cleveland. The Van Sweringens, Cragins, Amblers, Halles, and Laronges became the successors of the Rockefellers, Chisholms, Mathers, Severances, and Hannas. Their visibility and apparent wealth made them business leaders and policy makers. The organizations the realty men founded became the institutional base of the Realty Regime.
THE RISE OF THE REALTY REGIME

“Real Estate men are the city builders of modern times,” Stanley L. McMichael and Robert F. Bingham proclaimed in their book, *City Growth and Values*. “Assuming the places of kings and emperors, who fostered and promoted growth of ancient times, the real estate subdivider and the business district operator now sway and direct the future of towns and cities in the making.” More than just drumming the booster’s hollow washtub, the two realtors were sounding the arrival of a new generation of urban policy makers.

In the 1920s the Realty Regime took the policy setting reins in hand and proved the incantations of McMichael and Bingham nearly right. Although the Realty Regime was a polyglot group composed of realtors, builders, bankers, lawyers, retailers, and the newspapers, the dominant element was the real estate developers, the “subdividers” and central “business district operators” celebrated by McMichael and Bingham. The Realty Regime came to power when the Corporate Regime abdicated its leadership position in policy making. Throughout the 1920s the Realty Regime governed key policy setting institutions, and from these positions new economic and social policies followed. The new policies emphasized low real estate taxes, urban growth over economic development, and a social program of fiscal parsimony and self-interest.

The Guard Changes

The most visible members of the Realty Regime were the large-scale developers such as the Van Sweringens and men bearing the names of downtown stores. Familiar names of bankers and lawyers also appeared on committee rosters and special purpose district boards, suggesting continuity between old and new regimes; but the nature of the legal profession and the banking business had now switched from a reliance on export-sector clients to a dependence on local-sector clients. The new guard emasculated the Cleveland Chamber of Commerce and transferred policy making power to the Cleveland Real Estate Board. Real estate men captured the Chamber’s Committee on City Plan, the City Planning Commission, the board of the Metropolitan Park District, Cleveland’s city manager system, and mayoralties and city council posts in the suburbs. From these policy-setting perches a new urban policy emerged. Implementation followed a familiar course: commanding influence in the political decision-making process followed by wholesale changes in urban
growth policy and unheralded yet far-reaching changes in service distribution and wealth redistribution policies.\textsuperscript{34}

\textit{Transition in the Voluntary Civic Sector}

In the corporate era, the Cleveland Chamber of Commerce had been the cornerstone of urban policy making. Two parallel trends at work in the 1920s explain the decline of the chamber: first, the executive board and the committees of the chamber were gradually taken over by the real estate men; second, and paradoxically, was that the chamber became far less influential in policy making, giving way to upstart civic organizations dominated by the real estate industry.

Beginning in the late teens and through the 1920s, the power of the Corporate Regime was diluted by the growing presence of the real estate men on the executive board and key committees of the Cleveland Chamber of Commerce. Real estate developers, department store owners, newspaper publishers, and lawyers and bankers with ties to the real estate industry gradually replaced Corporate Regime members. The Chamber’s City Planning Committee by 1918 was chaired by real estate developer O. P. Van Sweringen, and soon his business ally William Van Aken was added to the roster. In 1926, both Van Sweringen brothers, Oris Paxon and Mantis James, were awarded the Chamber’s Cleveland Medal for Public Service. The citation proclaimed that the brothers Van Sweringen were “masters of business, builders of great enterprises, eager participants in every movement for a better Cleveland,”\textsuperscript{35} a citation reflecting both the changing leadership and a disturbing inability to distinguish between deeds which fostered urban growth and those which nurtured economic development.

Other than laud real estate operators, the chamber found itself with less to do. Policy was in the main set. Corporate era reforms were institutionalized, and the policy setting apparatus gave the appearance of being “a machine that would go of itself.”\textsuperscript{36} The most conspicuous example of the chamber’s declining influence was its inability to pass the zoning ordinance which it wrote and for which it lobbied. The Chamber’s Committee on City Plan had advocated a zoning ordinance since 1922; despite the advocacy of the organization, no zoning ordinance passed until 1928. On this issue, the chamber was a house subtly divided against itself. The Realty Regime members of the chamber quietly but firmly opposed zoning within the chamber but campaigned loudly outside the organization with the public, politicians, and municipal bureaucrats to block its passage. Real estate men altered the chamber’s city planning philosophy during the Realty Regime.
Simultaneously, the chamber’s policy setting influence weakened. Its role changed from a proactive organization to a reactive organization, a reflection of the organization’s growing loss of leadership, power, and influence. As the decade of the 1920s progressed, the chamber lost its institutional memory, unable to recall what issues it had supported or why, despite the bountiful documentary evidence kept on file in its Public Square headquarters. The chamber’s shortcomings came to public attention, however, when Finance and Industry, a publication of the Federal Reserve District, openly criticized the chamber for failing in the 1920s to assume a leadership role in civic affairs. The newsletter charged that the chamber could no longer bring together other civic organizations and leaders to set policy.\(^{37}\)

Stanley L. McMichael noted this too, and wrote a brief admonition that serves as a barometric measure of the decline of the Corporate Regime and the rise of the Realty Regime (and its self-serving guiding philosophy). McMichael observed that “The hustle and bustle of a decade of engagement in a business and real estate boom and the partial recovery therefrom has definitely dimmed the splendid civic spirit for which Cleveland was formerly noted. We still have the high grade public spirited men and women we have always had,” McMichael explained, “but their energies have in part been deflected away from civic progress toward more selfish channels.”\(^{38}\) Seldom at a loss for a remedy, McMichael noted in 1929 that “With executive talents, secretarial staffs, and adequate personnel in the way of committees, an organization can adopt a plan, develop and embellish it, and turn it over in a finished state to the legislative and executive bodies of a city government to put into effect.”\(^{39}\) “A sharp reawakening of civic mindedness is needed in Cleveland,” he added. McMichael then told his listeners that “the movement might just as well emanate from the Cleveland Real Estate Board as elsewhere.”\(^{40}\) This was the ultimate humiliation for the chamber and recognition that institutional policy leadership had long since passed to CREB and the Realty Regime.

The Corporate Regime gave birth to modern city planning: policies and plans that originated in the parks and city plan committees of the Chamber were institutionalized in the City of Cleveland Public Park System, the Cleveland Metropolitan Park System, and the City Planning Commission. In the 1920s, the Corporate Regime lost its dominance in all three. The Cleveland Parks System became the ward of the municipal bureaucracy. Control of the board of the Metropolitan Park District was divided between a professional civil servant (Stinchcomb), a corporate lawyer (Andrew Squire), and a realtor (Louis A. Moses).\(^{41}\)

The City Planning Commission, created in 1915, was urged on the
municipality by the Corporate Regime. The City Planning Commission was appointed by the mayor and was composed of six directors of city departments and five prominent citizens. Francis F. Prentiss, an industrialist, was the first chairman. The others included Morris A. Black, also an industrialist and an early supporter of the Group Plan and housing reform. H. M. Farnsworth, William G. Mather, industrialist and philanthropist, and O. P. Van Sweringen rounded out the group. With the exception of Van Sweringen, the citizen commissioners were all important members of the Corporate Regime. In 1919, Van Sweringen became chairman of the City Planning Commission. Thereafter, the composition of the commission changed and the number of commissioners increased. The expanded membership roster retained Black, Farnsworth, Prentiss, and Mather but also included a larger number of architects. Most significantly, however, realtors Joseph Laronge, Raymond T. Cragin, and real estate lawyer James Metzenbaum were added to the list of policy makers. In 1924, after the municipal charter reform campaign that gave Cleveland a city manager form of government, William R. Hopkins, a real estate operator, became city manager and permanent chairman of the City Planning Commission.  

Governmental Institutions

The city manager system (1924–1931) itself represents an important institutional change. The city manager system was the brainchild of the Cleveland Citizens League. An institutional creation of the Corporate Regime, the Citizens League (formerly, the Municipal Association) was designed to promote structural reforms aimed at purging local political institutions of populist influences. The Citizens League was less influential in the 1920s than it had been in the decade of its founding. Those manning the Citizen’s League in the 1920s were younger, less influential lawyers and rising corporate branch plant managers. The Citizens League and prominent members of the Corporate Regime endorsed the city manager system. What attracted the Citizens League to the city manager system was its obvious organizational resemblance to the industrial corporation and the fact that the city manager was to be a nonpartisan professional, preferably an out-of-towner.  

Much of the enthusiasm for the city manager plan came from the Cleveland Real Estate Board, but its motives differed from those of the Citizens League and Corporate Regime leaders. These became apparent once
the city manager charter was approved. The CREB threw its weight behind the appointment of William R. Hopkins as city manager. Hopkins was county chairman of the Republican Party and a member of city council. In private life, Hopkins was an energetic real estate developer and a member of the CREB (realtor and savings and loan operator Clayton C. Townes was chosen mayor under the city manager plan).

The hiring of Hopkins, of course, was a milestone in the establishment of a Realty Regime in Cleveland. The selection of William R. Hopkins as city manager destroyed whatever hopes the remnants of the Corporate Regime had for the city manager system. As city manager, Hopkins was an enthusiastic supporter of land development schemes, including the construction of a lakefront stadium and the airport which bears his name. But Hopkins was not the impartial, professional executive the Citizens League had campaigned for. Hopkins was a real estate operator first and a professional politician second. Impartiality and professionalism barely registered with him.

Other significant political institutions fell under the sway of the Realty Regime. Most suburban mayors and many suburban city councilmen were realtors. Edward A. Weigand, a large-scale suburban subdivider, was elected mayor in Lakewood. Realtor William J. Van Aken was elected mayor of Shaker Heights in 1923, and his business partners, Max Rudolph and Carl Palmer, were elected to the city council. The Shaker Heights mayor’s office and even the first public school classrooms were housed in the Van Sweringen real estate company offices.

Defanging the Cleveland Chamber of Commerce, appointments to key special purpose districts, dominance on the City Planning Commission, and control of political offices throughout the county announced the arrival of the Realty Regime. What more was needed was a central, guiding policy-making intelligence. This was provided by the Cleveland Real Estate Board.

The CREB was to the Realty Regime what the Cleveland Chamber of Commerce had been to the Corporate Regime. It played not only a key role in the professionalization of the real estate industry but also an equally important role in the policy setting of the Realty Regime. In the 1920s it operated in much the same way that the chamber had operated three decades earlier. CREB had a network of policy-specific committees which studied issues and made recommendations to the CREB board. The CREB board then took official positions on all public policy issues. From this series of position statements, spanning a period of fifteen years, the policies of the Realty Regime emerged.
Toward a New Policy Orientation

Led by CREB, the Realty Regime set goals and developed policies which it implemented throughout its institutional network. The 1920s have been dubbed the automobile age, and the Realty Regime saw policy making in regional, automobile-city terms. The automobile was the agent responsible for the dramatic change in city structure already visible when the Realty Regime came to power, and the Realty Regime tailored its policies to exploit the new structure. The region-wide institutional foundation of the Realty Regime gave it the appearance of fragmentation between city and suburban entities, but policy itself was internally consistent and regional in scope. The twin pillars upon which all Realty Regime policy rested were taxation and transportation. These two core policy issues reveal the Realty Regime’s ambivalence toward government. The low realty tax philosophy of the Realty Regime was usually rationalized by anti-government laissez faire rhetoric. But the Realty Regime supported virtually all government spending for transportation improvements. By the time William R. Hopkins took office as city manager, the Realty Regime had concluded that local government was an important conduit to policy implementation.