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Opening a New Frontier: San Francisco, Los Angeles and the Panama Canal, 1900–1914

G. Allen Greb

FEW HISTORIANS WOULD DENY that the Panama Canal has occupied a pivotal role in the economic and transportation history of the Pacific slope.\(^1\) Certainly westerners themselves believed this to be the case, if the near-inexhaustible supply of contemporary rhetoric about the waterway is any index.\(^2\) It is surprising, therefore, that the canal’s immediate impact has never been fully explored. The following essay deals with this question by focusing on California’s burgeoning ports of San Francisco and Los Angeles and the aggressive businessmen in each of these communities who formulated special strategies to

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I wish to express my thanks to Professor Harry N. Scheiber of the University of California, San Diego for suggesting this project and for his encouragement and incisive criticisms during its preparation.

\(^1\) One of the few who has acknowledged this explicitly is Gerald D. Nash in his *The American West in the Twentieth Century: A Short History of an Urban Oasis* (Englewood Cliffs, N.J., 1973), 22.

\(^2\) Hubert Howe Bancroft offered one of the most hyperbolic observations in his *Retrospection: Political and Personal* (3d rev. ed., New York, 1915), 523–525. See also George M. Shepherd, ed., *The Panama Canal and the Pacific Coast* (supplement to *Commercial and Financial Chronicle*; New York, 1914); and M. B. Mergen and O. M. Preston, eds., *Pacific Coast Commerce Builders* (San Francisco, 1914).
maximize the benefits expected from the canal's completion.3

Of first priority for San Francisco and Los Angeles, as for every major port along the coast, was the physical improvement of their respective harbors. The promise of large increases in maritime trade prompted both cities to embark upon extensive development programs.4 These efforts, in turn, brought into sharp focus two prominent and recurring themes: the intense commercial rivalry of the port cities' business elites and their on-going conflict with the most powerful transportation force in the state, the railroads.

In Los Angeles the canal question was instrumental in bringing to a head a long-standing struggle between the Southern Pacific Railroad and local officials over control of the city's harbor facilities.5 The Southern Pacific completed lines linking Los Angeles to northern California and the East in 1876. Under the direction of Collis P. Huntington, the company soon after gained a near total monopoly of land and sea commerce in southern California by purchasing large tracts of waterfrontage at Wilmington-San Pedro and securing railway connections between the harbor and Los Angeles, twenty miles to the north. The initial inroad into this transportation stranglehold came during the 1890s in the so-called "free harbor contest" when the newly-created Los Angeles Chamber of Commerce (1888) and Colonel Harrison Gray Otis of the Los Angeles Times directed a successful campaign for a federally sponsored breakwater free of corporate influence.6

Spurred by news that construction of the Panama Canal was

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about to begin, commercial organizations, again led by the chamber of commerce, initiated a new drive in 1906 to achieve outright municipal ownership of the harbor through consolidation of Wilmington and San Pedro. After three years of complicated legal and political maneuvering, the citizens of the port towns and Los Angeles voted overwhelmingly to accept the consolidation plan in August 1909.7 The effort to convince voters of the efficacy of this move had stressed above all else that only the inland metropolis had sufficient financial resources to make the harbor ready for the canal's completion.8

A new harbor commission, established on October 26, 1909, expressly to oversee the harbor project, began work immediately. The commission spent $5.5 million raised by city bond issues to construct new public wharves, docks, piers, warehouses, and railroad trackage and to improve existing facilities. The federal government helped by completing the breakwater in 1912, and local representatives guided through Congress a measure which provided for the dredging of a deep water channel. In Sacramento, Los Angeles business lobbyists contributed their efforts to win approval of a state Tidelands Act divesting the Southern Pacific of its questionable title to important San Pedro and Wilmington waterfrontage and transferring it to municipal jurisdiction. By 1915 the Los Angeles Board of Harbor Commissioners could boast that the port had "come of age."9


8Los Angeles Consolidation Committee, "Report: What Consolidation Means for San Pedro and Wilmington," filed with and approved by the Los Angeles City Council, June 8, 1909. The report was endorsed by the chamber of commerce and several other business associations. Curiously, Fogelson's Fragmented Metropolis, the most exhaustive history of Los Angeles yet to appear, overlooks the canal as a factor in the business elite's efforts to control and develop San Pedro Bay. Even Shotliff's "San Pedro Harbor" pays inadequate attention to the relationship of the canal to the consolidation movement.

9Board of Harbor Commissioners of the City of Los Angeles, The Port of Los Angeles (Los Angeles, 1915), 9–10, 14–35, 114, 117–121; Los Angeles Times, April 20, 1910,
This flurry of activity did not go unnoticed by the businessmen of San Francisco. Although their port had long reigned unchallenged as the premier commercial center on the Pacific Coast because of its excellent natural harbor, the progress made at San Pedro forced San Franciscans to acknowledge grudgingly the strength of their "viciously energetic” rivals to the south.\textsuperscript{10} To make matters worse, San Francisco suffered under a unique handicap. It was only one of two ports in the United States, the other being New Orleans, operated by state enterprise. The result was a constant shortage of revenue for physical improvements because all issues regarding the harbor had to be submitted to the entire state for approval. It was particularly frustrating to local businessmen that such openly antagonistic cities as Los Angeles should have a voice in San Francisco’s affairs yet retain sole jurisdiction over their own ports.\textsuperscript{11}

Commercial associations, led by the local chamber of commerce and supported by the conservative San Francisco Chronicle promoted three separate plans between 1911 and 1913 designed to preserve the city’s maritime hegemony in the forthcoming canal era. One called for subjecting all California ports to a uniform system of state control; another would transfer jurisdiction over the harbor from the state to the city; and a third would create an entirely new administrative agency with the power to manage all Bay Area harbors as a single unit. These measures evoked a predictable response from Los Angeles boosters. "San Francisco never has failed and never will fail to advance her own interests at the expense of all other localities, and to do so without justice, without mercy and without remorse,” declared the Los Angeles Times. Los Angeles


\textsuperscript{11}San Francisco Chronicle, Jan. 25, Feb. 21, 1911.
is entitled "to its own trade empire. . . . Let the San Francisco grafters keep their greedy hands away from our throat, either by the indirection of a State Board of Harbor Commissioners or otherwise." Many other cities and sections of the state shared these hostile feelings and united to block moves by the San Francisco leadership before the state legislature.12

San Francisco business groups also attempted their own counterpart to the Los Angeles consolidation campaign. The "Greater City Movement," born in the wake of the 1906 earthquake and fire and intensified as the Panama Canal neared completion, was an effort to achieve coordinated Bay Area harbor development under the thumb of San Francisco. But while Los Angeles stood alone as the commercial capital of southern California, San Francisco had to contend with the east bay city of Oakland, a prosperous industrial and transport center in its own right whose leaders saw no advantage in abdicating control over their own affairs. Anticonsolidation propaganda distributed by the Oakland Chamber of Commerce coupled with similar tactics by other cities had their desired effect. Voters repudiated by a large majority a Greater City Amendment placed on the 1912 general election ballot.13

Such rebuffs, however, did not cause the port of San Francisco to stagnate after 1900. In August 1914 J. J. Dwyer of the State Board of Harbor Commissioners reported that $6.5 million of a $10 million bond issue had been spent to build seven new docks, a seawall, and piers of concrete and steel to replace those made of wood. "[H]arbor facilities," he said, "are now ready for the Panama canal and . . . all companies using the great waterway or planning to do so have been assigned new and adequate docking facilities."14 Yet San Francisco businessmen had failed in two significant areas where their Los Angeles rivals had succeeded. Their failure to gain control of their own harbor and to bring about the union of Bay Area harbor authorities meant that they had lost an important

13Scott, San Francisco Bay Area, 133—148; San Francisco Chronicle, June 29, Aug. 6 and 14, 1909, Nov. 2, 3, 5, and 7, 1912.
competitive edge to that "aggressive and noisy community" south of the Tehachapis.15

One object of this intense competition between the business interests of San Francisco and Los Angeles was the new international trade the canal was expected to bring. Yet Angelenos and San Franciscans were most concerned about the waterway's impact on the domestic intercoastal trade with the Atlantic-Gulf seaboard. The all-water route might help effectively to regulate transcontinental railroad rates.16 But to insure a competitive situation, businessmen again had to do battle with the omnipresent Southern Pacific Railroad. Throughout the latter half of the nineteenth century, the managers of the Central-Southern Pacific complex, the Big Four of Huntington, Mark Hopkins, Charles Crocker, and Leland Stanford, had used their influence to delay the implementation of an interoceanic canal project.17 For example, between 1871 and 1893 they had secured a series of preferential agreements with the Pacific Mail Steamship Company, the first American-owned line to operate in Pacific waters. The steamship company, in turn, had paid the owners of the Panama Railway Company, a group of New York entrepreneurs who had built a rail line across the Isthmus in the 1850s, a fixed monthly subsidy in exchange for exclusive through billing privileges at Panama. It was no coincidence that the value of commodities shipped between San Francisco and New York by way of Panama thereafter declined at an extraordinary rate, from $70 million in 1869 to a nadir of $2.3 million in 1884.18

15Scott, San Francisco Bay Area, 96.
16For a summary of advantages of railroad service over existing coastwise land and water routes, see San Francisco Chamber of Commerce, Special Committee of the Board of Trustees, Report . . . upon the Utility of Panama Route for Freight Transportation between San Francisco and the Atlantic States (San Francisco, 1905), 4–5.
Opening a New Frontier

After the turn of the century, the Southern Pacific reinforced its already well entrenched position. The company purchased a majority of the Pacific Mail’s stock and named a railroad executive, R. P. Schwerin, to the post of vice president and general manager. Not surprisingly, the quality of service offered by the Pacific Mail deteriorated rapidly under railroad management. Sailings were infrequent and arbitrarily scheduled. The company also refused to inaugurate a direct service to Panama; all of its ships continued to make numerous stops at Mexican and Central American ports, resulting in costly delays for intercoastal shippers. Little effort was made by the company to modernize its steamers or secure full cargoes.19

The only water carrier that had sufficient resources to challenge the power of the transcontinental railroads prior to the completion of the Panama Canal was the American Hawaiian Line, the major carrier of Hawaiian sugar to the East Coast. Mexico gave this company’s large fleet exclusive right to the use of the intercoastal route through the Isthmus of Tehuantepec in 1905, and the line began sailings on both the Pacific and Atlantic sides in 1907.20 Its directors, however, proved to be decidedly unsympathetic to the plight of West Coast shippers. Although they set rates on their commodities that ranged from twenty to sixty percent below those of the railroads, they nonetheless established these rates in consultation with railroad managers.


Moreover, they eschewed active competition with the railroad-dominated Pacific Mail.21

It is little wonder, then, that businessmen of San Francisco and Los Angeles considered it imperative to put a stop to the machinations of the Southern Pacific before the Panama Canal was opened to traffic. Yet they differed over how to achieve this common goal, each city's interests approaching the problem in ways that reflected their desire to outdistance the other in the race for commercial supremacy. Sentiment in Los Angeles favored as an immediate solution the establishment by the federal government of a line of steamers that would stop at all ports along the Pacific Coast. Advocated by the chamber of commerce and other commercial organizations as a necessary adjunct to municipal ownership of San Pedro Harbor, this proposal was first introduced in Congress in 1909 by Los Angeles area Representative James McLachlan, a veteran of the free harbor contest, and Senator Frank P. Flint.22

Why should members of the business community opt for such a drastic alternative? A. P. Fleming, secretary of the Los Angeles Board of Harbor Commissioners, explained their reasoning during the Senate hearing on Flint's bill (S. 428) in 1910. Fleming's major concern was that the Pacific Mail offered no service out of southern California ports. This left Los Angeles and San Diego in the anomalous position of not being able to utilize their own harbors for the shipment of commodities to the Atlantic-Gulf Coast via the Panama route; they instead had to rely on the rival port of San Francisco to distribute and receive their goods. A government line, Fleming maintained, would serve a dual purpose. It would not only provide viable competition against the railroads and the Pacific Mail, but would also


assure equitable service for all Pacific ports.23 Pacific Mail Vice President and General Manager Schwerin was more explicit about the motives of Los Angeles in this matter.

The people of San Francisco, merchants of San Francisco, are as antagonistic in a commercial sense against San Diego, Los Angeles, Portland, Tacoma, and Seattle as they possibly can be in a competitive mercantile way. . . . The merchants of Los Angeles would not say it would be the proper thing to have their goods go into San Francisco and then have to distribute them from there. They would want all the business that they could possibly get through their own port and city, and it is quite natural that they should resent the fact that San Francisco has had an advantage over the other coast cities. . . .24

In San Francisco itself, commercial interests were plagued by indecision over how to deal with railroad domination of the Panama-Pacific trade. Businessmen with extensive shipping investments and little faith in Washington’s ability to control the “big interests” ideally hoped to combat the Southern Pacific not with a government line of steamships but with lines owned and operated by private enterprise. Twice before, in the 1890s and in 1911, unsuccessful efforts had been made to establish independent lines on the Panama-Pacific route.25 Despite this antipathy toward the idea of government ownership, the failure of private groups to root out the influence of the Southern Pacific forced San Francisco businessmen to give the legislative proposals of McLachlan and Flint careful consideration. Their dilemma was well-illustrated by the ambiguous stance of the Merchants’ Exchange. William R. Wheeler, manager of the Exchange’s traffic bureau, reluctantly supported the Los Angeles plan and submitted to the Senate Committee on Inter-oceanic Canals a resolution of the board of directors recommending this policy. Yet thirty-three member firms of the Exchange repudiated the board’s action and reaffirmed their

24Senate Committee on Interoceanic Canals, Hearing on S. 428 (March 10, 1910), 15.
25See, for example, San Francisco Chamber of Commerce, Special Committee of the Board of Trustees, Report, 19.
opposition to a government line. In any event, the Senate committee took no action on the Los Angeles proposal because neither the William Howard Taft administration nor Congress was willing to commit an estimated $10 million to build and operate a new fleet of steamships exclusively for the benefit of the West Coast.

The complicated matter of railroads and the intercoastal water trade came into sharp focus in March 1912 with the introduction of the Panama Canal bill (H.R. 21969), a broad measure designed to provide for all facets of the operation of the new waterway and the Canal Zone. Congressman Joseph R. Knowland of San Francisco was one of the principal architects of Section 11 of this bill, which amended the Interstate Commerce Act by prohibiting railroads from owning or controlling any steamship line which might compete with them for the same traffic. This strategy, in contrast to Los Angeles's plan for a government line, possessed national as well as sectional appeal primarily because it required no great expenditure of capital.

Emory R. Johnson, a professor of transportation and commerce at the University of Pennsylvania and one of the leading economists in the country, proposed still another possible solution to this problem. Johnson objected to Section 11 because it failed to safeguard adequately against anticompetitive practices by water carriers that were independent of direct railroad control. Using the House hearings on the canal and the Senate hearings on H.R. 21969 as sounding boards to present his views, he maintained that all vessels, whether owned by railroads or not, should be allowed to pass through the canal, but

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26San Francisco Chronicle, April 7, 1910; Senate Committee on Inter-oceanic Canals, Hearing on S. 428 (Feb. 4, 1910), 12–13, (Feb. 10, 1910), 30–35, 37–38, 45.
27Senate Committee on Inter-oceanic Canals, Hearing on S. 428 (Feb. 10, 1910), 106–107, (Feb. 28, 1910), 94. It is ironic that Taft, while serving as Secretary of War, had suggested this very idea in 1906. Senate Committee on Inter-oceanic Canals, “Investigation of Matters Relating to the Panama Canal,” Sen. Doc. 401, 13.
that their business practices should be subject to the jurisdiction of the Interstate Commerce Commission.\textsuperscript{29}

The responses of San Francisco and Los Angeles to Johnson's proposal for regulation set a pattern that would persist throughout the subsequent legislative history of the Panama Canal bill. Although shipping trusts had been less common on the Pacific Coast than on the Atlantic-Gulf Coast or Great Lakes,\textsuperscript{30} it might be expected that the commercial groups of these cities would be receptive to Johnson's scheme in light of the American Hawaiian Line's cooperation with railroad managers. But this was not the case. San Francisco's answer was immediate and in the negative. Knowland, a member of the House Committee on Interstate and Foreign Commerce, told Johnson that regulation was the "very thing our people oppose on the coast." It would inhibit healthful competition among steamship lines, he argued.\textsuperscript{31} Such opposition to Johnson's proposal had deeper roots, however. On the one hand, businessmen undoubtedly feared that the Southern Pacific could vitiate any attempts at regulation, especially in view of a statement made by Charles A. Prouty, chairman of the ICC, that his agency had neither the means nor the time to assume the additional burden of the management of port-to-port sea traffic.\textsuperscript{32} On the other hand, many independent steamship companies had been established by the shippers themselves. In addition, other San Francisco-based shipowners and shipbuilders, unlike those of the American Hawaiian Line, had joined with the merchants in their past struggles against the railroads and now occupied prominent places in the business organizations of the city. These groups, shippers and carriers alike, had no desire to see a plan implemented which, in effect, would lay open their own

\begin{footnotesize}
\begin{enumerate}
\item Huebner, \textit{Report on Steamship Agreements}, 404.
\item House Committee on Interstate and Foreign Commerce, "Hearings on the Panama Canal," \textit{H. Doc. 680}, 733.
\item Senate Committee on Inter-oceanic Canals, \textit{Hearings on H.R. 21969}, 869, 873, 880.
\end{enumerate}
\end{footnotesize}
business affairs to government control and public scrutiny.33

The Los Angeles shippers' situation was different. Because the shipping industry was still centered in San Francisco in 1912,34 Angelenos tended to share Johnson's fear of the possible formation of anticompetitive steamship "trusts" by independent lines. Even the Los Angeles Times, one of the most vocal antirailroad spokesmen for the business community, defended the right of the Pacific Mail to use the canal under regulated conditions, as Johnson proposed. The Los Angeles Chamber of Commerce and other local associations, however, did not have the same confidence as the Times in the ability of the ICC to control the Pacific Mail and prevent railroad domination of the canal. A chamber communication reported that "railways are so powerful and their interest is so great in preventing actual competition between the Panama Canal and their own lines that we seriously fear that real competition would be prevented..." Hence, the chamber supported Section 11 in lieu of the Johnson proposal. In fact, Senator John D. Works, who was closely associated with Los Angeles business groups, became an instrumental figure in resisting railroad pressures during the Senate debate. The entire bill, including Section 11, survived these pressures and became law on August 24.35

Thus, the respective self-interests of San Franciscans and Angelenos dictated that they view Section 11 from slightly different perspectives. The San Francisco group regarded it as the best possible solution to the problem of competition and the

33The shipbuilder John McGregor, for example, was president of the San Francisco Chamber of Commerce and testified before the House committee investigating the canal. House Committee on Interstate and Foreign Commerce, "Hearings on the Panama Canal," H. Doc. 680, 987.


35Los Angeles Times, June 13, 18, Aug. 16 and 19, 1912; Los Angeles Chamber of Commerce, Minutes, June 12, July 17 and 31, 1912 (a poll taken by the chamber showed that 1,036 out of 1,074 members approved of Section 11); Cong. Rec., 62 Cong., 2 sess. (1912), 10347–10348, 10355–10356, 10568, 10581–10587. Gabriel Kolko, Railroads and Regulation, 1877–1916 (Princeton, 1965), makes no mention of the struggle over Section 11 of the Panama Canal Act, perhaps because it does not conform to his thesis that railroad leaders themselves directed the movement for federal railroad regulation. In this case, at least, contrary to Kolko's doctrinaire model, local forces successfully mobilized to thwart the designs of powerful railroad interests.
canal; it eliminated the worry about railroad-owned lines, yet it did not interfere with the "true" shipping interests of the city. The Los Angeles group regarded it not as a total panacea, but as the first step, albeit an integral one, in a larger effort to prevent domination of the canal by the Southern Pacific and to prevent as well the formation of independent steamship combines and conferences. That the measure did not go far enough in assuring the second objective is demonstrated by yet another unsuccessful attempt of Los Angeles businessmen in 1913 to have the government establish a line of steamers to ply between West Coast ports and Panama.36 But despite their differences in outlook, both cities thought they got what they wanted in Section 11, and in essence they did.

The Panama Canal bill provided the focal point for another question of signal importance in the minds of California businessmen looking ahead to the completion of the canal: What tolls should be charged vessels planning to use it? The commercial organizations of San Francisco and Los Angeles set aside their mutual antagonisms in this instance and joined with merchants in other major West Coast cities to support an effort spearheaded by Representative Knowland to exempt from tolls all American ships engaged in domestic intercoastal trade. In October 1911, at a special meeting called at the request of the San Francisco congressman, the member cities of the Associated Chambers of Commerce of the Pacific Coast—San Francisco, Los Angeles, San Diego, Oakland, Portland, Tacoma, and Seattle—formally endorsed the tolls exemption idea.37

Largely because of the persistent agitation by Knowland and West Coast business interests, the tolls question became a major topic of controversy during the extensive congressional hearings and debate on the Panama Canal bill which began in December 1911. Debate centered around the two main issues: international treaty obligations and commercial advantages to coastal ports and trading regions. Opponents of preferential rates argued that such a policy would violate terms of the Hay-

36Congressman William D. Stephens, former mayor of Los Angeles and president of the local chamber of commerce, introduced a bill (H.R. 26) for this purpose. Cong. Rec., 63 Cong., 1 sess. (1913), 80.
37Los Angeles Chamber of Commerce, Minutes, Oct. 4, Nov. 29, 1911.
Pauncefote Treaty of 1901, in which England gave to the United States the right to build and fortify the canal. Article three of the treaty clearly stated that "The canal shall be free and open to the vessels of commerce and of war of all nations... so that there shall be no discrimination... in respect of the conditions or charges of traffic..." Opponents also claimed that free tolls would constitute an unnecessary subsidy to coastal mercantile groups at the expense of interior business interests. The operators of coastwise vessels, the argument ran, received enough aid from existing navigation laws. Most important, they were immune from the competition of foreign lines by statutes which restricted the coastwise business to American ships. Coastwise carriers stood to gain the most benefit from the canal. Accordingly, they should contribute a reasonable share of the cost of its operation and upkeep.38

Knowland, termed by one congressman as the "apostle" of the free tolls advocates, answered these charges in committee and on the floor of the House. He propounded the questionable theory that since the United States had assumed the sole responsibility for the construction and financing of the canal, the country was no longer bound by the Hay-Pauncefote Treaty, including the equal-terms clause. In his view, the canal was simply an extension of the American coastline to be managed in any way the United States saw fit. With international obligations thus conveniently dismissed, Knowland went on to offer an equally inventive argument in response to those who claimed tolls exemption was an unnecessary subsidy. If tolls were levied, he maintained, they ultimately would be paid by the general public in the form of higher freight rates. A policy of free tolls, therefore, would actually be a "concession" to the American people. Moreover, exemption would help to restore the vigor of the near-moribund domestic merchant marine and aid shipowners in their attempt to compete with the transcontinental railroads.39


For these efforts Knowland and the West Coast groups he represented were singled out for special criticism by many inland representatives. A congressman from Syracuse, New York, for example, maintained that "The Pacific coast people are the nerviest ones, the greediest ones, and the most selfish." Such accusations, however, proved to little avail as the House adopted by a slim majority an amendment incorporating the idea of preferential rates on May 18, 1912. Predictably, the final vote reflected a geographical division with members from the Pacific slope and Atlantic-Gulf seaboard supporting the measure in great force. An informal protest by the British government notwithstanding, the Senate chose to follow the House's example by a vote of 44 to 11.40

Yet this "VICTORY FOR [THE] COAST," as it was depicted in the headlines of the Los Angeles Times, was soon overturned.41 In the face of mounting criticism both from home and abroad, Congress passed in mid-1914 a bill (H.R. 14385) which struck down the discrimination clause of the Panama Canal Act.42 No amount of pressure or legislative action, however, could dissuade the leadership of Los Angeles and San Francisco from their original position. The chambers of commerce of each city, acting separately and as members of the Associated Chambers, denounced the repeal movement. Reaction by congressional representatives of these groups was uniformly characterized by

Rec., 62 Cong., 2 sess. (1912), 6595-6597, 6909. For other expressions of these views, especially of the relationship of tolls to the merchant marine and railroad rates, see Lutz, "Preparations on the Pacific for Panama," 711-712; Los Angeles Times, Dec. 10, 1910, Jan. 13, 1911, Jan. 17, May 21, 1912; San Francisco Chronicle, Jan. 2 and 15, May 29, 1912.


41Los Angeles Times, May 22 and 24, 1912.

a belligerent attitude toward Great Britain and President Woodrow Wilson, a key figure in the antiexemption camp. Unfounded and irresponsible accusations were the order of the day. In one instance, Knowland publicly inveighed against the motives of Wilson, suggesting that he had struck a secret bargain with England to support repeal in return for the British abrogation of support for the Victoriano Huerta regime in Mexico. The Los Angeles Times and San Francisco Chronicle were even more vociferous in their denunciations. "The transcontinental railroad companies," the Times declared in a typical editorial, "appear to have captured the Princeton schoolmaster utterly." To capitulate to British demands for repeal was "an act of cowardice" and a "spineless policy." The Chronicle likewise charged that the administration and Congress were "incapable" and called for legislators to adjourn before they could inflict any further damage on the business community.\footnote{Los Angeles Chamber of Commerce, Minutes, April 2, 1913, Jan. 28, March 11, 1914; San Francisco Chamber of Commerce, Minutes, Feb. 13, April 20, 1914, California Historical Society, San Francisco; Senate Committee on Interoceanic Canals, Hearings on H.R. 14385: An Act to Amend Section 5 of "An Act to Provide for the Opening, Maintenance, Protection, and Operation of the Panama Canal and the Sanitation of the Canal Zone," Approved August 24, 1912, 63 Cong., 2 sess. (1914), 773–787, 863–921; Cong. Rec., 63 Cong., 1 sess. (1913), 1672–1675; 63 Cong., 2 sess. (1914), 5707–5714, 5726–5729, 6329–6338, 6386–6401, 9626–9631; Congressman William D. Stephens to Edward A. Dickson, April 3, 1914, Edward A. Dickson Papers, University of California, Los Angeles; Senator John D. Works to West Hughes, April 2, 1914; Works to Editor, Christian Science Monitor, April 20, 1914, John D. Works Papers, Bancroft Library; Los Angeles Times, Feb. 23, 1913, March 7, 8, 10, 13, and 15, 1914; San Francisco Chronicle, March 6, 7, 9, April 1, 2, and May 18, 1914.} 

Why this vehement defense of tolls exemption? No doubt many businessmen genuinely feared that taxes on coastwise vessels would undermine the canal’s competitive impact on the railroads, particularly the Southern Pacific. Yet the men who fought most vigorously for exemption, including Knowland, admitted during the course of the 1912 debate that a reasonable toll would have little effect on the competitive situation between water and rail carriers.\footnote{"House Committee on Interstate and Foreign Commerce, “Hearings on the Panama Canal,” H. Doc. 680, 529; Cong. Rec., 62 Cong., 2 sess. (1912), 6596.} Reaction to the repeal bill instead underscores in a most dramatic way the strong desire of businessmen to maximize commercial benefits they expected to gain from the canal, a desire at times bordering on obsession. 

If there was any single event which symbolized this preoccu-
pation of the business establishment with the Panama Canal, it was the Panama-Pacific International Exposition held in San Francisco in 1915. R. B. Hale, a prominent San Francisco merchant and civic leader, first suggested the notion of a world’s fair to celebrate the completion of the canal in January 1904, fully a month before it was certain that the United States would undertake the Panama project. Hale’s proposal immediately struck a responsive chord with several city and state business organizations, but promotional activities had hardly begun when they were forced into temporary abeyance by the 1906 earthquake and the nationwide business recession of the following year. The exposition movement again gathered momentum in 1909–1910 as Hale and his fellow boosters organized the Panama-Pacific International Exposition Company to replace the original exposition corporation formed in 1906.45

A glance at the board of directors of this new organization reveals that a cross-section of the city’s foremost citizens had a keen interest in the exposition project. The thirty-man board was, naturally, dominated by mercantile and business leaders (sixteen), but it also included representatives from every major newspaper, five bank presidents, two railroad executives, a publisher, and the mayor of the city.46

The main problem of the Panama-Pacific Company was to persuade the federal government to recognize San Francisco as the official site for the celebration. The major obstacle to this goal was urban rivalry. Within California, San Francisco’s commercial competitors to the south each entertained ambitions of its own to host the event. Los Angeles had placed its name in the running by submitting a bid for federal appropriations on December 5, 1906. Interest in this project, however, gradually waned as the attention of Angelenos turned to more pressing problems, such as their struggle with the Southern Pacific for control of San Pedro Harbor. The way thus left open, San


46 A complete list of the directors is contained in the “Articles of Incorporation of the Panama-Pacific International Exposition Company,” Hale Papers. The San Francisco Directory (San Francisco, 1910) was used to identify their occupations.
Diego, originally unaware of parallel developments in San Francisco, initiated its campaign in 1909. In September, businessmen founded their own exposition company, and, shortly thereafter, began agitating their cause in Washington.  

This conflict among the California port cities ultimately was resolved because of competition from yet another source. Several other urban centers across the nation entered the contest for designation as the official exposition site in 1910. Of this group, New Orleans, with the support of a host of southern states, emerged as the most formidable challenger. Confronted with the disturbing prospect of losing the exposition to a separate region altogether, Charles C. Moore, a director of the San Francisco exposition company and former president of the city’s chamber of commerce, persuaded prominent southern California business and commercial leaders (primarily of Los Angeles) that their “family differences” must be settled. On March 22, delegates from over fifty cities gathered at a special conference in Santa Barbara and hammered out a compromise: San Diego’s exposition would “supplement” rather than compete with the principal celebration in the Bay City; San Diego would receive an amount not to exceed $1 million in appropriations from Sacramento, but only if it halted its drive to obtain federal recognition and funds.

Once this somewhat tenuous rapprochement was effected, San Francisco’s exposition promoters launched a propaganda campaign of epic proportions in Washington in which no effort was spared to defeat their southern rival, New Orleans. In the following battle of lobbies, the western candidate offered the most persuasive arguments. A special state delegation, headed


49Los Angeles Chamber of Commerce, Minutes, March 19, 21, 23, 26, and 28, 1910; Charles C. Moore to James D. Phelan, Jan. 8, 1914, Phelan Papers; San Francisco Chronicle, May 7 and 9, 1910; Todd, Exposition, 1, 64; Pourade, Gold in the Sun, 127, 129.
by Governor James N. Gillett, could point to San Francisco's tradition of support for the canal idea, the city's position as the paramount commercial and industrial center of the West, its strategic location in relation to the canal, and its advantages of climate. But most important the city and state demonstrated an ability to pay for the exposition without the aid of federal money. After a short floor debate, therefore, members of the House chose San Francisco as the official site on January 31, 1911, and the Senate quickly followed suit.50

Begun in 1915, the San Francisco fair proved a highly successful venture in large measure because of the advertising work done by the Panama-Pacific Company's Committee of Exploitation and Publicity. Emissaries were sent far afield by the committee to invite domestic and foreign participation. Despite the outbreak of war in Europe, twenty-two states and twenty-three countries responded to this call. Although much smaller in scope, the state fair held concurrently in San Diego, the Panama-California Exposition, was also a financial and promotional triumph.51

Without doubt, then, the Panama Canal, even before its completion, acted as a formidable catalyst on the economic development of San Francisco and Los Angeles in several significant ways. In fact, in each of these urban centers between 1900 and 1914 one can see the germination and development of what might be called a "Panama Canal Reaction," led by dominant commercial and financial interests. Although the campaign for tolls exemption eventually failed, the creation of a man-made harbor at San Pedro was accelerated by at least several years, port facilities were improved at San Francisco, possible railroad domination of the canal was forestalled, and


51 Panama-Pacific International Exposition, Division of Exploitation, Facts about the 1915 Universal Exposition (San Francisco, 1915); Todd, Exposition, I, 221-228; Pourade, Gold in the Sun, 183-200, 216, 218.
an international exposition was secured for the West Coast.

Yet these achievements should not obscure the fact that the motives of the men involved were essentially self-centered and parochial. Their objectives were defined in terms of local ambitions.52 Hence, San Franciscans were less than pleased that their harbor was still under the jurisdiction of a state board in 1914 and Angelenos that so few controls existed to check the activities of independent steamship lines. Only when the self-interests of these two cities coincided, as in the case of tolls exemption, or when the entire region was threatened from without, as in the case of the exposition, did they work in unison.

The relationship of California business interests to the Panama Canal is also significant for its insights into the so-called "progressive movement" of the early twentieth century. The attitudes and actions of the San Francisco and Los Angeles leadership constitute a classic example of what Robert Wiebe has termed the "hard side" of progressivism. In the tendency to carry their local fights to Washington, in their penchant for organization to achieve political power, in their emphasis on selective and selfserving "reforms," California businessmen duplicated to a remarkable degree the behavior of moderately prosperous businessmen of the Midwest, South, and East who also pressed their demands on the national government with increasing frequency after 1900.53

52 In the terminology of one social scientist, these men would be classified as "segmented" community leaders; that is, leaders with singularly local or regional perspectives. James N. Rosenau, National Leadership and Foreign Policy: A Case Study in the Mobilization of Public Support (Princeton, N.J., 1963), passim.