

# **Shipping Industry, 1930-1948**

## AN ECONOMIC PROFILE

By Wytze Gorter and George H. Hildebrand

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# The Pacific Coast Maritime Shipping Industry, 1930-1948

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#### **Preface**

Since the longshoremen's strike in 1934, the public has been made acutely aware of

the Pacific Coast maritime shipping industry. Hardly a week has passed without a news item about its performance or its difficulties. Most of the newsworthy stories have told of strikes and other "labor troubles," but in the years following World War II accounts also began to appear of the sudden, large drop in cargo tonnage. This swift fall from the high level of the war years has brought forth cries of pain and countless explanations of why it happened. Labor, management, and, of course, government have been blamed for the industry's plight.

Everyone expected some decline in water-borne cargoes after the war. No one forecast a continuation of the feverish, war-induced round-the-clock activity. But many were shocked by the failure of Pacific Coast ocean commerce even to hold to its highest prewar volume. After all, the western states had developed spectacularly. Population had grown almost beyond the hopes of the most optimistic chamber of commerce. Business was booming. The whole economy of the west, with at least one notable exception, was expanding. What had happened to shipping? And why?

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As economists, we wondered whether the industry's unhappy postwar experience should have been as startling as it apparently was. Perhaps the war had blinded observers to evidences of decline in the 'thirties. Was it possible that they were not aware of what had been happening before the war?

Our curiosity was stimulated. Here was an important industry—well publicized—but probably not well understood. Could we construct a definitive profile of its economic performance? Could we then discover the causes of this performance? These questions provided an irresistible challenge, so we undertook our study.

In this monograph, the first of a two-volume series, we present an economic profile of the industry. We believe that the profile itself will be of interest to the general reader as well as to the expert in the industry or government, and to those engaged in economic research whether in government, business, or universities. The detailed analysis of the statistical data behind the profile will probably not appeal to the average reader. Our account of methodological problems encountered and resolved will, we hope, help others embarking upon similar studies and save them much needless toil.

We realize that in presenting this first volume we are open to an obvious criticism. We have related what happened without telling why it occurred. If the industry's performance had been generally known or readily ascertainable, we would have given only a few pages to this record and then proceeded to a causal analysis of it. But we found that the record itself was not known, and certainly not easy to reconstruct. We concluded, therefore, that what had happened in the Pacific Coast maritime shipping industry is what is popularly called a "story in itself." As such, we offer it to the reader. In volume two, we shall examine the causes of the industry's experience.

Unlike some collaborators, we are jointly responsible for everything that appears in this volume. Neither of us is primarily responsible for any particular section, table, appendix, or figure. Though we found it expedient to divide the task of gathering data and writing the results of our separate investigations, we consulted each other at Preface ix

every stage. Upon completing our individual jobs in rough draft form, we exchanged them. Each of us then proceeded to check, rewrite, and revise the other's draft, after which we reconciled our differences and agreed upon the final version. To those who might be led to believe that the order of the names on the title page indicates a corresponding order of status, we reveal that a tossed coin determined the order.

This study was made possible by grants from the Bureau of Business and Economic Research and the Institute of Industrial Relations of the University of California, Los Angeles. We benefited greatly from the suggestions made by the reading committees of both those organizations. Our research was aided by the unstinting assistance of Mr. F. P. Foisie, who made available much valuable information at the offices of the Pacific Maritime Association. He also introduced us to leaders in the industry and then capped all this by a critical reading of our manuscript. Mr. Nathan Habib of the Bureau of the Census, Mr. W. A. C. Connelly of the Office of the Chief of Engineers, and Mr. R. C. King of the Maritime Administration were also very generous in their assistance to us. None of those who helped us is in any way responsible for the conclusions. These are ours alone.

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#### CHAPTER I

#### Introduction



United States maritime shipping is often cited as a prime example of "sheltered"

capitalism. Since the disappearance of the famous Yankee clippers, foreign competition has become increasingly intense—so intense, in fact, that subsidies and other forms of assistance have been required to keep the United States merchant marine from being swept off the seas. In short, shipping is a marginal industry.

The history of the Pacific Coast maritime shipping industry is undeniably romantic in the best swashbuckling tradition. It is studded with acts of violence involving bloodshed and, occasionally, murder. Less exciting, but equally dramatic, are its bitter labor disputes. Less dramatic, but in the long run more important, are the year-to-year shifts and underlying economic tendencies in the volume of business. A study of the nineteen years bounded by 1930 and 1948 reveals these economic elements.

In 1930, this industry was relatively prosperous. It appeared to be well on the road toward fulfilling an optimistic forecast of the mid-'twenties that Pacific Coast shipping would handle 307,000,000 tons per year by 1946. In 1932 the industry was almost bankrupt,

<sup>&</sup>lt;sup>1</sup> This estimate was made by a group of analysts under the direction of Captain W. P.

as was the rest of the economy. There followed a period of partial recovery, punctuated by costly and damaging strikes as the labor unions grew stronger. This stumbling progress received a severe set back in the recession of 1937–1938. By 1939, there were some signs of improvement but also disturbing evidence of deterioration. Then, a nearly stagnant and surely staggering industry was propelled into unprecedented prosperity by the impact of World War II. Yet, between 1946 and 1948, back went cargo tonnage to depression levels, accompanied once more by lengthy strikes. In 1946, for example, tonnage was only about one-third of the amount that had been predicted in 1926. The industry had not lived up to long-run expectations and had, in fact, slumped badly after the war.

When, three years after V-J Day, shipping fell well below even its 1939 volume, the industry—taking stock of its position—decided that it must actively seek more business. It found shippers reluctant. They contended that the rates were too high and the service subject to sporadic and prolonged interruptions. There were many stories of water-borne shipments of seasonal merchandise compelled to lie in harbors for thirty to sixty days pending settlement of labor disputes. Shippers increasingly favored trucks, railroads, and pipelines because of lower rates and more dependable service. There were rumors that foreign shipments were being diverted, going through Gulf and Atlantic Coast ports in preference to the ordinarily more convenient Pacific Coast harbors.

Why were rates so high and service so poor? There is no shortage of "explanations," each of which appears plausible in the light of generally available or widely held information. Before accepting any of them as definitive, two questions must be cleared up. First, is the "generally available or widely held information" adequate and

Cronan, U.S.N., retired, in a report prepared for the city of San Diego in 1926. See E. G. Mears, *Maritime Trade of the Western United States* (Stanford University, Stanford University Press, 1935), p. 432.

<sup>&</sup>lt;sup>2</sup> It was 104,829,469 short tons, including imports, exports, coastwise, intercoastal, noncontiguous, internal local, and intraport tonnage. See War Department, Office of the Chief of Engineers, "Waterborne commerce of the United States for the calendar year 1946," Annual Report of the Chief of Engineers, Part 2 (Washington, Government Printing Office, 1948), p. 6.

accurate? Second, are there other interpretations that fit the facts better? In this volume, we explore the first question. Let us examine some of its implications.

We are interested in economic performance. Obviously, all sorts of information about the industry could be relevant to this. By confining our attention to only three measures, we limit the range of data to be sought and checked. At the same time we concentrate upon indicators of vital importance. These are cargo tonnage, vessel arrivals, and employment. From a record of the behavior of these elements, we can determine what happened. Cargo tonnage carried is a measure of output. Number of vessel arrivals and their net tonnage (cargo capacity) indicates roughly the amount of service offered. Employment figures yield a picture of job opportunities and provide a basis for comparison with performance in other industries.

There are other measures that might be used. We have not employed them because the necessary facts are either too difficult to obtain or are not significant enough. Profit statistics illustrate the former difficulty and passengers carried the latter. Despite such omissions, we believe that we have obtained a clear picture of the industry's changing fortunes from our study of cargo tonnage, vessel arrivals, and employment.

We confine our analysis to the period 1930–1948. Admittedly, this is arbitrary. Yet this interval fulfills the necessary requirements. Shorter ones do not, and longer ones are not appreciably more satisfactory. The span of nineteen years is long enough to provide adequate perspective regarding the industry's behavior, and recent enough to be practicable.

Thus far, we have discussed the industry without defining it. Let us turn, therefore, to a brief description of the industry for purposes of our analysis. In order to conform to the scope of this study, we restrict our definition by applying occupational, geographical, and service limitations. What, then, is our definition?

Geographically, we confine our attention to the three Pacific Coast states. This is convenient. There are many official statistical series applicable to the trade of this area. The bulk of west coast North American ocean-borne commerce passes through the principal ports of California, Oregon, and Washington. The industry itself, by its three-state waterfront employers association, has this conception of its geographic boundaries.

Shipping service involves the movement of goods and people. The shipping industry we examine provides this service only in the foreign, intercoastal, coastwise, and noncontiguous (Alaska-Hawaii) trades. This excludes intraport and river traffic.

Occupationally, only those engaged in providing the above services are included in this study. We thus exclude, for example, ship-building and repair which are often thought of as part of the maritime shipping industry.

Our analysis, therefore, covers the industry that moves waterborne cargoes and passengers through the ports of the Pacific Coast states in the foreign, intercoastal, coastwise, and noncontiguous trades.

The scope of the study presented in this monograph can now be summarized briefly. We are constructing a profile of the economic performance of the Pacific Coast maritime shipping industry during the period 1930–1948, by using statistical data about cargo tonnage, vessel arrivals, and employment.

In the chapters that follow, we present the evidence we have found and our interpretations of it. This is a complex undertaking because the data are often fragmentary or otherwise unsatisfactory. On occasion, this means that we must explain at some length the statistical expedients to which we have resorted to construct certain series. This is necessary if the reader is to understand the limitations of our findings.

We recognize, however, that there will be many who will not be interested either in our methods or in detailed information. To them, we offer the next chapter which is a summary of our more general conclusions. There follow two chapters that include the specific information providing the basis for the assertions in chapter ii. In chapter iii we discuss cargo tonnage and vessel arrivals, while in

chapter iv we present our findings about employment. Then, in a very short concluding chapter, we pose a few questions suggested by this study and discuss some of the implications of our conclusions.

There are two appendices. The first is a critical essay on the statistical sources and series we encountered in our search for information about this industry. The second is our own statistical appendix.