

Midwest Is Forced Off "Main Street"

Trans-American Trade Route Destroyed to Glorify Panama Canal

By H. A. LAIRD

ONE guess is as good as another when speculating on the origin of this almost universal human activity called commerce. Perhaps two prehistoric tribes of nomads, each previously unaware of the existence of fellow beings, were driven together by some natural phenomenon such as a flood or drought. One of these tribes may have developed the art of making crude earthenware, while the other had discovered flint, from which it made keener hatchets. A desire for the possession of better utensils was awakened.

In the next thousand years artisans established settlements along the route of trade. These in the course of time became powerful seats of empires. Where commerce still persists, modern cities have succeeded these ancient capitals, but where the trade route has been diverted or abandoned there remains nothing but rubbish heaps for exploration by archaeologists.

Since the dawn of history such overland caravan trails connected the culture of the Mediterranean and the orient via Tyre, Damascus, Nineveh, and Babylon. The location of these cities along a trade route was the basis of their power and affluence, as was that of Venice and Genoa in a later day when a combined water and land route extended from Portugal to Cathay and the East Indies.

When the invasion of Asia Minor and eastern Europe by the Ottoman Turks closed this eastern gateway it forced the Portuguese to circumnavigate Africa, while Columbus endeavored to reach the east by sailing west and thus discovered America.

This new continental mass was regarded as a barrier by Europeans, who spent a century in an effort to find a passage through or around it. Magellan and others finally discovered that the southern tip of the Americas could be circumnavigated, but also proved to the world that this route to the east was impractical.

The world map printed at the top of this page demonstrates that "Around the Horn to the west" in the days of sailing ships was no suitable competitor for the Portuguese route from Europe to the far east around the Cape of Good Hope.

The settlement of the eastern coast of America by the white race is a familiar story. With a new vitality born of independence, frontiersmen crossed the Alleghenies or followed the Great Lakes-St. Lawrence water-courses to their western termini at what are now Chicago and Duluth. Towns left in the wake of this migration became connected by highways and canals. The railways in their turn pushed westward from Buffalo and Pittsburgh or established steamship lines on the Great Lakes to offer the economies of water transportation at least one-third across the continent.

Halted momentarily at the Mississippi river for want of funds, the railways were encouraged to push farther westward with grants of government land. Why not? The acreage could be sold to farmers as soon as the rails were laid. Towns and cities would follow to sustain the transpor-

tation companies. The Pacific coast was always ahead. In the course of time it would become as thickly settled as the Atlantic seaboard behind them. A tremendous commerce would pass to and fro across the prairies.

The virility of the American people finally accomplished what had never before been attempted—a transcontinental, overland, world trade route. Let the Isthmus of Panama rear its obstruction! Let icy storms sweep Cape Horn! American railways had forged the last link in a globe-encircling artery of commerce!

It might be well to pause for a moment to check the value of this international avenue of trade. We will find an exact parallel on "Main street." The "back country" furnishes the wares and the produce, but they are prepared for sale and marketed on Main street. Through traffic also passes along this artery, and while many of the vehicles do not stop, others will pause for ten gallons of gasoline or a hamburger—it all helps. Main street is a trade route on a small scale.

By again referring to the world map the conclusion is inescapable that a modernized Japan appeared after the completion of the American link. The Hawaiian Islands derive their importance from their location on "Main street."

On the other hand, the centers of the Eurasian continent, Australia, Africa, and South America remain in an undeveloped state. They are exploited for their raw materials, but lines of communication extend no farther inland than is necessary to reach forests or mines. There are other reasons for this lack of penetration, but the survey warrants the conclusion that industrialization does not naturally invade inland areas. Commerce and manufacture are confined to "Main street," with the side streets and back country furnishing the raw materials.

The principal reason for this concentration of industry on trade routes is the existence of through or overhead traffic to act as a backlog. As specific instances, silks from Japan reached Seattle, Portland, and San Francisco on the Pacific coast to be moved overland by rail to New York, while English-made goods for Canadian consumption were carried by American railroads from Boston to British Columbia. Then there was American export traffic—Michigan machinery and automobiles for China via Los Angeles, and Wisconsin paper sold in Australia.

It has been said that if a drop of rain falls on the prairies and find its way to the ocean without serving mankind in some manner there is an economic loss. American industry and railways applied this same principle to the agricultural, forest, and mineral wealth of the great inland empire. That mysterious thing called a freight rate structure came into being. Shot through with anomalies and seemingly illogical adjustments, it had the effect of holding materials within the country for processing.

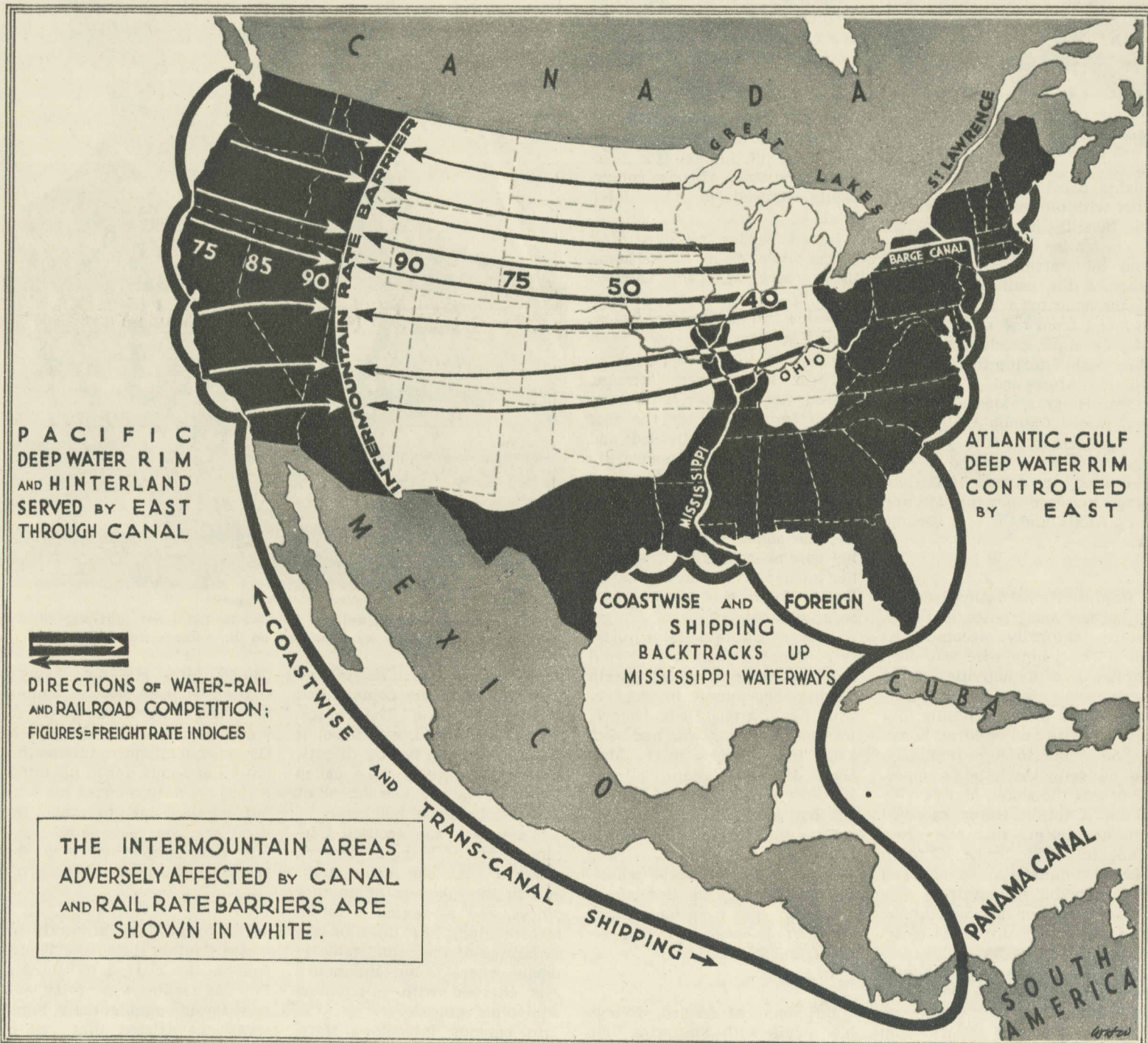
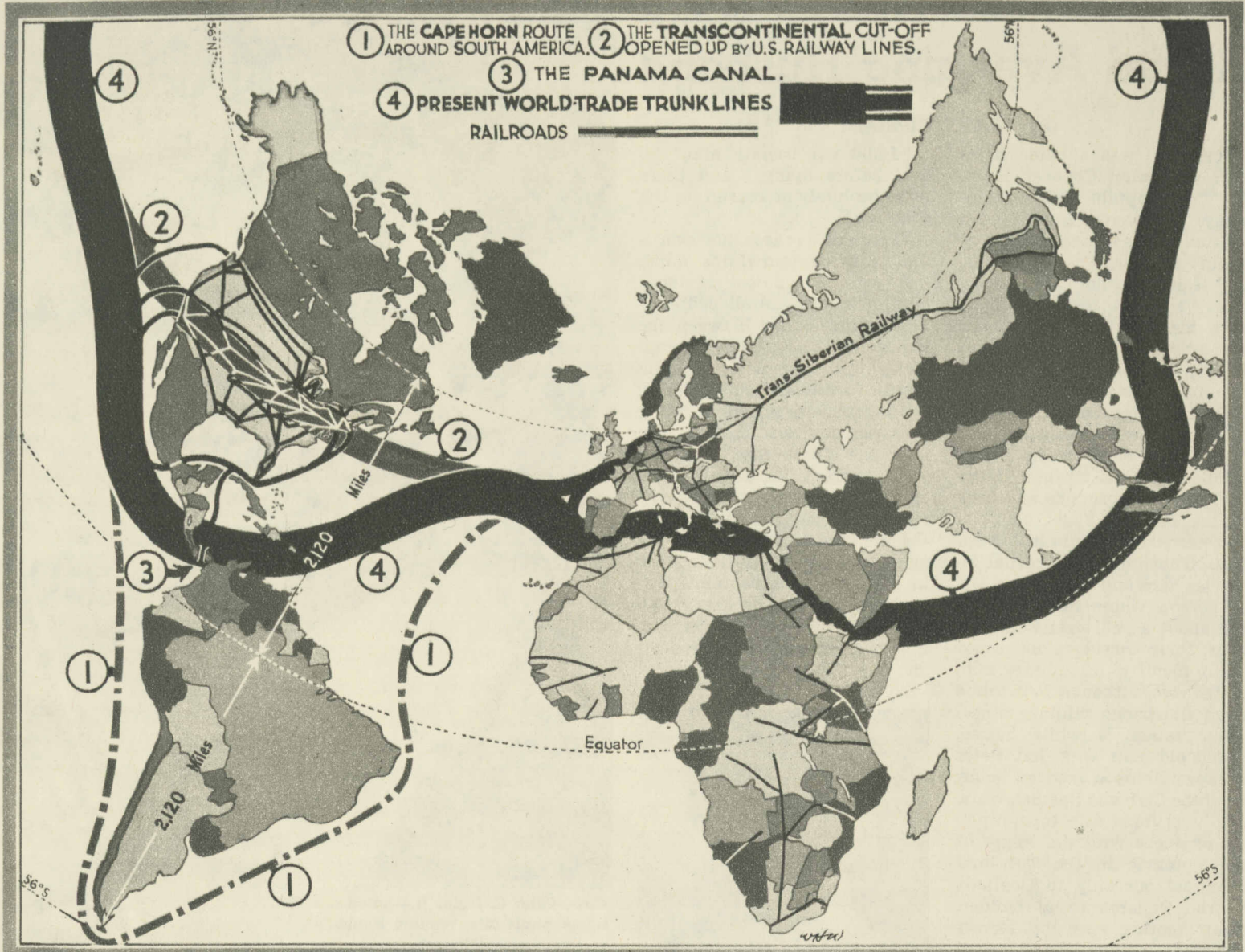
The wild west of construction days disappeared and the smug eastern consumer commenced to discover unfamiliar names on familiar manufactured goods—Grand Rapids, Muncie, Kanka-

kee, Sheboygan, Oshkosh, Ottumwa, Minneapolis, and a host of others. As has always been the history of the trade route, the midwest was becoming industrialized.

But there was a cloud on the horizon. A French company had been attempting to cut a canal through the Isthmus of Panama. It seemed suddenly to have occurred to the whole nation that this was a proper job for Uncle Sam. Only J. J. Hill, who had been the motivating force behind the northwestern railway empire, could see the threat, and he had no faith in canals. He closed a discussion of the proposed waterway with the remark that it would become a "pond for lily pads."

The effect of this contemptuous phrase is difficult to determine. At that time all railroads were under the ban of public displeasure. It is true, nevertheless, that, commencing with the Panama canal act and continuing down to the present, congress has dealt the overland trade route a series of blows aimed at the railways but falling with greater severity on every state, city, and industry in the middle west.

All through the course of



Panama canal construction its devotees inflamed the public mind with a story that the railways planned to "dry it up" as soon as it was completed. It was generally believed that the overland carriers were prepared to build or purchase strong steamship lines that would control the rates and rob the public of benefits of the new artery. Just how it would be possible

for the railways to prevent independent or tramp operations through the canal is not clear, but the fact remains that when the Panama canal act was passed it contained a proviso that railways must not own steamships. So drastic were the terms that special permission was necessary for continued railway operation of tugs and lighterage equipment.

Here was the first blow at the midwest. The railway-lake services were destroyed and with them an important midwest industry. Rates from the eastern seaboard to the west coast via the Panama canal had been protected from a somewhat visionary threat, but at the very definite expense of the midwest. Deserted shipyards at Duluth and Superior offer mute evidence of the disaster.

In spite of this congressional wet-nursing the first year of Panama canal operation was closed rather inauspiciously.

Tolls collected for ship transits failed by a wide margin to meet operating costs. Eastern manufacturers looked in vain for the low intercoastal rates that were to give them control of Pacific coast markets.

Canal returns for the years 1916-19 were equally disappointing. Again the cry of railway domination was raised. The agitation crystallized in the Esch-Cummins act of 1920, written, fantastically enough, by a congressman from Wisconsin and a senator from Iowa, two states that were to suffer most severely from canal domination.

The second body blow written into this act provided that railway freight rates from the east to the intermediate or mountain territory must not be higher than competitive rates through to the Pacific coast. Nicknamed the "long and short haul clause," this provision of law made it impossible for the railways to protect the interests of landlocked industries at Pacific coast markets against eastern

competition. No longer could a Grand Rapids manufacturer ask transportation aid to enable him to meet British competition in China. That privilege was reserved for the manufacturer on the eastern seaboard who could employ foreign shipping.

The Emergency Fleet corporation administered the *coup de grace* to the overland trade route. At the close of the great war this government institution was in possession of a large fleet of serviceable ocean ships, built to combat submarine warfare. To put these ships in foreign commerce would require subsidies, so the shipping board turned to the protected intercoastal services operating through the Panama canal.

Such action would undoubtedly be unfair to the railways, but congress had spoken. The Esch-Cummins act contained the principle that "it is hereby declared to be the policy of congress to promote, encourage, and develop water transportation, service, and facilities, in connection

with the commerce of the United States, and to foster and preserve in full vigor both rail and water transportation."

Panama canal toll collections had been doubled by the long and short haul restriction, but they must be redoubled to place the facility on a paying basis. Here was a chance to make a howling success of a half billion dollar political project—and get rid of the ships. What matter if two billions of private railway capital were destroyed?

The vessels were sold to intercoastal operators at a small fraction of their original cost. It is not difficult to see that this forced draft produced an increase in intercoastal traffic, creating the condition that is illustrated on the second of the maps on this page.

The rates offered by the railways on the old overland trade route were graduated upward across the prairies to the intermountain territory. There they must meet the competition of the intercoastal boat lines, which handled lumber, canned goods, and other Pacific coast products through the canal to the east and returned to Los Angeles, San Francisco, and Seattle stuffed with merchandise of the Atlantic coast manufacturers.

The crippling of railway competition by the long and short haul clause and the acquisition of cheap vessels has enabled the boat lines to back-track to the mountain territory, where the railways are fighting a losing battle. They cannot strike back at their foes without reducing rates across the prairies.

England has subsidized its shipping for four hundred years to bring a world trade route to its ports. Imperial Germany first completed a canal across Europe and later dreamed of a Berlin-to-Bagdad railway that would short-circuit the Mediterranean and induce a trade route across the fatherland. The congress of the United States conspired to destroy a trade route built by its own citizens!

Based on historical observations, two facts must occur to the reader. First, if the Panama canal had been completed sixty years earlier, the industrial development of the midwest would still be in the future. Second, with the destruction of the isthmian barrier the midwest and particularly the northwest must have a tendency to revert to a condition comparable with that of other landlocked areas.

It cannot be regarded as a coincidence, therefore, that the governors of the Panama canal were able to produce a balanced budget during the same year, 1924, and that several midwest

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