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JAMES J. HILL and the Trade with the ORIENT

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"THE HISTORY of our trade with the Orient is a tale of lost opportunity," wrote James J. Hill in 1910. Testifying in the anti-trust suit brought by the federal government against the Northern Securities Company in 1902, the president of the Great Northern Railway indicated that the merger of his line with the Northern Pacific and the Chicago, Burlington and Quincy was intended to assist the three railroads in competing successfully with the transportation interests of European nations in the struggle to gain control of Asian markets. His statement was regarded by one business periodical as "furnishing one of the most interesting contributions to the history of transportation in the United States in its larger relations."¹

The Supreme Court decision in 1904, favoring the government, neither proved nor disproved that the Northern Securities Company was organized to expand the oriental trade. And had the decision gone the other way, it would not have meant that there was no intention to restrict trade and end competition between the railroads. The necessity of both sides to find the most convincing legal arguments oversimplified the historical problem. Unquestionably, a combination of motives was involved.² The pur-

pose here is not to reopen the Northern Securities case. Rather, it is to demonstrate Hill's conviction of the need for expanding oriental trade for the northern railroads long before it became a useful legal argument, the influence of his ideas on public opinion, and the significance of his efforts in relation to American foreign policy.

With the completion of the Great Northern Railway to Seattle in 1893, James J. Hill emerged as the foremost railroad man in the country. He differed from such well-known men in the western railroad industry as Henry Villard, Jay Gould, Charles E. Perkins, and John Murray Forbes in essential ways that gave him an influence beyond railroad circles. Leadership in the formative days of railroad building was generally assumed by financiers who were not knowledgeable about construction, tariff

¹ James J. Hill, *Highways of Progress*, 156 (New York, 1910); *Bradstreet's*, 30:675 (October 25, 1902).

² In the Northern Securities case, the federal government charged that the holding company was acting in violation of the Sherman Antitrust Act of 1890. For a full account of the case, see Balthasar H. Meyer, "A History of the Northern Securities Case," in *Bulletin of the University of Wisconsin*, no. 142, 1:217-349.

rates, traffic promotion, operating procedures, and related matters.³ But from the moment he first became involved in railroading, Hill had immersed himself in the details of the day-to-day operations of his road. Moreover, he developed a carefully thought-out set of principles of transportation and an ideology that infused his public statements with a force and sense of vision that set him apart from other railroad executives.

Hill's belief in the importance of the oriental trade derived from three general tenets to which he subscribed throughout his career. First and fundamentally, he thought that the profits of trade, transportation, and manufacturing came out of the land. "Land without population is a wilderness, and population without land is a mob," he often repeated. His emphasis, almost romantic nostalgia, on the virtues of land paralleled physiocratic doctrines of the eighteenth century and echoed the agrarianism present in the Midwest.⁴

Secondly, Hill acted upon the conviction that the prosperity of his enterprise hinged upon the prosperity of the settlers along the line of his railroad. The encouragement of immigrants to settle the Northwest is a well-known phase of Hill's activities. In order to produce more traffic, he provided free transportation to farmers wishing to visit North Dakota Agricultural College, ran demonstration trains, and established model farms to encourage cattle raising and other techniques of diversified farming.⁵

Finally, Hill understood that settlers producing great volumes of traffic did not suffice to make a prosperous region or railroad. He therefore sought enlarged markets for



James J. Hill in 1893

the surpluses of wheat, cattle, lumber, and minerals. The distribution of these surpluses was complicated by an additional factor—the need for balanced traffic. Low rates to consuming markets, and hence larger and more profitable traffic, could be achieved only if cars moving in each direction were loaded. To Hill, an empty car was a thief.⁶

THESE ASPECTS of Hill's philosophy must be kept in mind in order to understand his growing interest in the oriental trade, first aroused by a brief term in the management of the Canadian Pacific Railroad. The key to that sequence of events was John A. Macdonald's return to power in Canada in 1878. By 1881 he hammered through Parliament a new act that provided for construction of a transcontinental railroad by a private company aided by government grants, subsidies, and loans. Macdonald believed that the future of the Canadian Pacific lay in its possibilities as a fast through route to the Orient. While it would also be the means of settling the western prairies, promoting eastern industry, and ensuring political integration of the provinces, its success as a business in the first years depended on through traffic, especially import and export trade. The

³ Julius Grodinsky, *Transcontinental Railway Strategy, 1869–1893*, 141 (Philadelphia, 1962); Thomas C. Cochran, *Railroad Leaders, 1845–1890*, 79–125 (Cambridge, Massachusetts, 1953). Hill's personal papers are not yet open for study.

⁴ Hill, *Highways of Progress*, 45.

⁵ Roy V. Scott, "American Railroads and Agricultural Extension, 1900–1914: A Study in Railway Development Techniques," in *Business History Review*, 39:74–98 (Spring, 1965).

⁶ Hill, *Highways of Progress*, 159.

government would support a plan for the establishment of a steamship line on the Pacific with a subsidy for carrying the mails to Hong Kong and Yokohama once the railway was completed. The transcontinental line would develop ocean traffic on the Atlantic and Pacific coasts and provide year-round through business.⁷

To sponsor and direct the road, Macdonald wanted men of practical experience who shared his vision of the Canadian Pacific as a new route to the Far East. The prime minister had long been a close friend of George Stephen, president of the Bank of Montreal and one of the wealthiest men in Canada. Although reluctant at first, Stephen, along with his cousin Donald A. Smith, agreed to take up the tremendous financial burden of the Canadian Pacific project.⁸

Stephen did not find it hard to induce James J. Hill to join the Canadian Pacific syndicate and take on responsibility for routes and construction, for Stephen and Smith had supplied the major portion of the capital Hill needed to establish the St. Paul, Minneapolis, and Manitoba Railroad, predecessor of the Great Northern. Because the immediate task of the Canadian Pacific was to build the main line west from Winnipeg, much of the construction material would have to be carried over the St. Paul road, the only existing rail line to Winnipeg. In addition, Stephen knew that Hill would benefit from increased passenger traffic as immigrants moved into Manitoba.⁹

Fearing an approaching competitive clash in 1883, Hill resigned from the Canadian Pacific, and Stephen and Smith ceased their active roles in the management of the St. Paul, Minneapolis, and Manitoba. Nevertheless, Hill remained on friendly terms with Stephen, who worked incessantly to establish the Canadian Pacific as part of a fast through route between Europe and the Orient. Upon the completion of the Canadian Pacific to Vancouver on the Pacific Coast, Hill asked Stephen about the prospects of trade with Japan and China. "We are, as you probably know, negotiating with

the Imperial Government with a view to establishing a first class steamship line across the Pacific," Stephen's vice-president, William C. Van Horne, replied. "I think we will be in a position to pick up a good deal of freight and a good many passengers to and from Mississippi Valley points." Van Horne extended Hill an invitation to take a trip to the Pacific. Whether he accepted is not known, but his inquiry does indicate that Hill, who by 1886 was already committed to reaching the Pacific himself, considered the oriental trade an integral part of his plans.¹⁰

The Great Northern did not reach Puget Sound until 1893. Hill firmly believed that a railroad should not be built in advance of settlement and the development of traffic. Operating without the advantage (or pressure) of a land grant and government loans, Hill struck out through North Dakota and Montana, reaching Helena in 1887. He built grain elevators, encouraged immigration, and established temporary low rates to encourage shipment to market. The road had to pay for itself as it advanced through a largely uninhabited region.¹¹

Hill also guarded against his chief competitors, the Northern Pacific and Canadian Pacific. Under Henry Villard's direction, the Northern Pacific completed its lines from Duluth to Tacoma in 1883. But Hill felt that the Northern Pacific had cost too much to

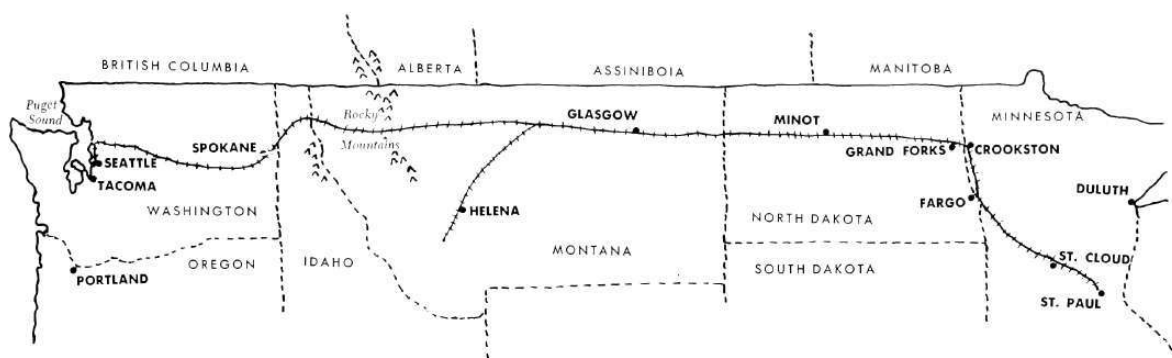
⁷ Macdonald, Canada's first prime minister, had been in office from 1867–1873. See Donald Creighton, *John A. Macdonald, The Old Chieftain*, 2:441 (Toronto, 1955); Heather Gilbert, *Awakening Continent: The Life of Lord Mount Stephen*, 1:65, 79 (Aberdeen, Scotland, 1965). For the fullest statement of this thesis, see John M. Gibbon, *Steel of Empire: The Romantic History of the Canadian Pacific, the Northwest Passage of Today* (New York, 1935).

⁸ Gilbert, *Awakening Continent*, 1:19, 68–73.

⁹ Stewart H. Holbrook, *James J. Hill, A Great Life in Brief*, 69–74 (New York, 1955).

¹⁰ 51 Congress, 1 session, *Senate Reports*, no. 847, p. 168 (serial 2706); Van Horne to Hill, April 21, 1886, Van Horne Letter Book No. 16, p. 268–270, in William C. Van Horne Papers, Public Archives of Canada, Ottawa.

¹¹ Holbrook, *James J. Hill*, 86–112, 123.



The route of the Great Northern from St. Paul to Puget Sound in 1893

build, contained too many curves and heavy grades, and worst of all, had not protected its rear by short branches off the main line. He correctly predicted the financial collapse of the road and made certain that he did not repeat its mistakes.¹²

The Canadian Pacific enjoyed a government-backed monopoly on transportation from its main line to the international boundary west of Winnipeg. It did not extend branches into the United States, however, and Hill did not view it as a rival for the local business of the Northwest. But he did hope to compete with the Canadian Pacific for through business once the Great Northern reached Puget Sound. For this reason, the success of the Canadian Pacific steamships to the Orient after 1886, as well as that of smaller ships plying between American ports and Vancouver, aroused his grave concern.

Hill was not alone. The Canadian Pacific steamers, partially subsidized by Great Britain, transformed the complaint by railroad

executives and shareholders against another competitor to a high-level issue of political significance. The United States Navy saw the ships as "vitally concerning British power in the Pacific, and as the key to British power in the future to command the sea on the other side of the world." The state department, worried over the impact of the Canadian steamships on the future status of Hawaii, feared that the diversion of the carrying trade to Canadian ports and railways would lessen the chances for annexation of the island at a later time. And in 1889 Congress began two investigations into the whole question of railroad aggression from the north.¹³

AS the most important potential competitor of the Canadian Pacific for the through business to the Orient, Hill naturally took a part in these debates. In a little-known speech given in West Superior, Wisconsin, on August 7, 1889, he first formalized the intimate relation between the expansion of trade in Asia and American foreign policy. He emphasized that the most prosperous and most powerful nations were universally those "who controlled the commerce, and in controlling commerce they controlled it through transportation." The decline of the American merchant marine signified that the United States is "driven behind the ramparts of our own territorial boundaries."¹⁴

For many years the country had grown and prospered without much concern for

¹² Holbrook, *James J. Hill*, 90.

¹³ Ensign W. I. Chambers, "The Reconstruction and Increased of the Navy," in *United States Naval Institute*, 1885, *Proceedings*, 11:9 (quote) (April 3, 1884); Merze Tate, "Canada's Interest in Hawaii," in *Canadian Historical Review*, 44:28 (March, 1963); 51 Congress, 1 session, *Senate Reports*, no. 1530, vol. 10, part 1, p. 1, *Relations with Canada* (serial 2712); 51 Congress, 1 session, *Senate Reports*, no. 847, p. 2.

¹⁴ *Proceedings of the Waterways Convention Held at Superior, Wisconsin*, 11, 12 (West Superior, 1890).



Driving the last spike on the Great Northern in the Cascade Mountains

the rest of the world. "We have to unlearn such ideas," Hill warned. "We must go back and take our place in the column and march to the music of the times." As an example of how America's vaunted progress was slowing down, Hill cited his own experience of seeing seventy carloads of cotton goods from New England going to China via the Canadian Pacific. No American transcontinental road would quote through rates because of inadequate steamship connections. The government, he concluded to great applause of his listeners, should provide a million dollars a year for a line of regular steamships to South America and Asia in order to promote the foreign trade of the country.¹⁵

Because Hill had been an original member of the Canadian Pacific syndicate, he was a star witness at the Senate hearings of 1889 on Canadian competition with American transportation interests. He did nothing to lessen the concern of the senators conducting the investigation. The British government, Hill explained, was doing everything it could to keep London the financial and commercial capital of the world. Subsidizing the Canadian Pacific steamships meant that the British did not have to rely solely on the Suez Canal to reach India. Hill suggested that the United States government provide steamship subsidies in or-

der to compete with the British on equal terms.¹⁶

"When we built the Great Northern Railway to the Pacific coast, we knew that it was necessary to look to Asia for a part of our traffic," Hill recalled in 1897. As the Great Northern hammered its way through Marias Pass in the Rockies and down to Spokane, Hill made preparations for securing an adequate terminal at Seattle and for investigating the necessities of trade with the Orient. Judge Thomas Burke of Seattle handled the legal problems by working through local railways to purchase traffic facilities for the Great Northern on Puget Sound. Hill then called Burke into his St. Paul office in 1891 and outlined "a system of transportation by land and by water which would reach from New York to Yokohama and Hongkong." As the details of the project were laid before him, Burke remembered, "the boldness of the conception and the colossal character of the undertaking made me think that the author was dreaming."¹⁷

¹⁵ *Proceedings of Waterways Convention*, 13.

¹⁶ 51 Congress, 1 session, *Senate Reports*, no. 847, p. 179.

¹⁷ James J. Hill, "History of Agriculture in Minnesota," in *Minnesota Historical Collections*, 8:289 (quote); Clarence B. Bagley, *History of Seattle from the Earliest Settlement to the Present Time*, 1:262 (quotes) (Chicago, 1916); Joseph G. Pyle, *The Life of James J. Hill*, 1:458 (New York, 1916).

One of the details Hill may have mentioned to Burke was his intention to send Herman Rosenthal, a company representative, to visit Japan, China, and Korea before the Great Northern opened for transcontinental business. Rosenthal arrived in Japan in August, 1892, remained in the Orient for eight months, and submitted his published report to Hill in May, 1893. The feeling between Japanese and foreign merchants, Rosenthal observed, was not very pleasant. Nevertheless, the statistics on trade, commerce, and shipping indicated the United States had an important role to play in the Japanese economy. Rosenthal concluded that it would take a small effort "on the part of the American leading manufacturers and business firms to gain their share of the exports to Japan and China, while maintaining their present position as the leading importers from Japan."¹⁸

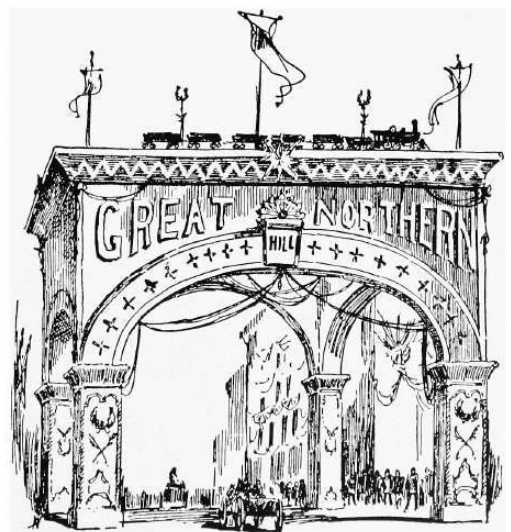
Matters in China did not appear very bright. Under the "rotten form of government" in China, foreign culture and trade were practically nonexistent. Rosenthal did predict, however, that fear of foreign intervention, especially from Russia, would force improvements in the army and navy, telegraphic communications, steam navigation, and railroads. In all these changes American firms might find a profitable business. Summing up, Rosenthal suggested to Hill that a steamship line under the control of the Great Northern from Seattle to Hong Kong, Nagasaki, and Yokohama would be a sound venture. Competition for the oriental trade was increasing, he warned; the Northern Pacific had just put on a line of steamers from Tacoma; the Santa Fe had made a contract with a Japanese steamship company for a run from San Diego; and the Canadian Pacific express steamers were diverting traffic away from the Great Northern. "I am fully convinced that you should lose no

time in making a start for this purpose; and, as it takes considerable time to establish a regular steamship line, it would probably be advisable, in order to keep away unnecessary competition, to begin with chartered steamers."

HILL'S INTENTIONS of entering the oriental trade were not secret. This was indicated by a huge, three-day celebration in St. Paul in June, 1893, to mark the opening of 1,800 miles of the Great Northern tracks for through passenger and freight traffic to Seattle. "The products of the Orient will find their way over this line to St. Paul," predicted the *Pioneer Press* in a special supplement issued for the occasion. At the large banquet held in his honor, Hill spoke of the communications revolution that had brought the whole world closer together than the different states of the Union had been before the Civil War and of its importance in conducting international trade.¹⁹

The jubilation in St. Paul was short-lived. A parallel celebration in Seattle was canceled. The deteriorating financial situation, Hill explained in a public letter of regret, prevented him from keeping a commitment to bring three hundred businessmen to Seattle to show them the great resources of the

Great Northern arch, Third Street, St. Paul



¹⁸ The quotations here and in the following paragraph are from a 72-page report prepared for Hill. See Herman Rosenthal, *Report on Japan, Corea and China*, 4, 5, 8 (St. Paul, 1893).

¹⁹ *Daily Pioneer Press* (St. Paul), June 8, 1893.

Pacific Northwest. By the end of 1893, the downturn in the business cycle had culminated in a panic, throwing the Northern Pacific, Union Pacific, and Santa Fe into the hands of receivers. Only Hill's strict attention to grades, curves, and financing during the period of construction enabled the Great Northern to survive the worst years of the depression and to continue to pay its stockholders dividends of more than 5 per cent.²⁰

Nevertheless, the depression created severe problems for Hill and delayed until 1896 any active attempt to open the oriental trade. Nowhere were conditions worse than among the farmers of Minnesota and North Dakota. Hill wrote to President Grover Cleveland in June, 1893, that along five hundred miles of the Great Northern line farmers did not even have money to pay for binding twine. The next year the American Railway Union struck the Great Northern for higher wages. And even more serious than the agrarian and labor difficulties was the competition of the Northern Pacific. No longer responsible to stockholders and bondholders, the bankrupt road slashed its rates. Finally, despite an early setback, Hill and his banking ally, J. P. Morgan, purchased a controlling interest in the Northern Pacific and in 1896 completely reorganized the line. For all practical purposes the Northern Pacific thereafter became a second track of the Great Northern.²¹

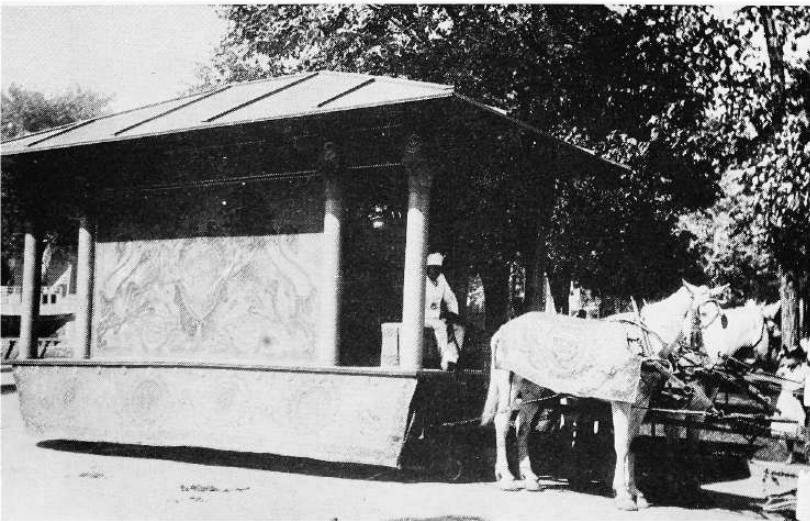
Amid all these difficulties a significant change in the traffic pattern of the Great Northern stimulated anew Hill's long-held hope of developing trade with the Orient.

The Great Northern stretched through sparsely populated areas of Washington State where the chief natural resource was large forests of high-grade timber. "Unless I can move that crop," Hill had told Judge Burke in 1890 before the road ever reached Seattle, "I might as well not have built the railroad. First, it is a natural product which is in demand; second, unless it is moved there will be no room for farmers." Hill liked to tell the story of how he then called representatives of the lumber industry of Washington to discuss rates which would enable them to ship the product to the East. The going rate was 90 cents a hundredweight on lumber to St. Paul. Though extremely cheap, the rate was still prohibitive. The lumbermen told Hill that a rate of at least 60 cents was needed. "They're crazy," Hill recalled telling a good friend. "At that rate they couldn't compete with southern pine. I think I'll have to make the rate 50 cents." In the end, the Great Northern rate on lumber from the tidewater area in Oregon and Washington to St. Paul was held at 40 cents a hundredweight for more than ten years, enabling the northwest product to compete successfully in the midwestern market against southern pine.²²

²⁰ *Post-Intelligencer* (Seattle), June 9, 1893; Edward G. Campbell, *The Reorganization of the American Railroad System, 1893-1900*, 292-297 (New York, 1938).

²¹ Horace S. Merrill, *Bourbon Democracy of the Middle West, 1865-1896*, 240 (Baton Rouge, Louisiana, 1953); Holbrook, *James J. Hill*, 120, 127-129.

²² Clarence B. Bagley, *History of Seattle*, 258 (quotes); Ralph W. Hidy, Frank E. Hill, Allan Nevins, *Timber and Men: The Weyerhaeuser Story*, 212 (New York, 1963).



A pagoda float, emphasizing East-West trade, was part of the celebration in St. Paul on June 8, 1893.

THE VERY SUCCESS of the new rate policy for lumber created a serious traffic problem. In the early years of the Great Northern, westbound tonnage of local supplies for Montana, Washington, and Oregon stations was in excess of the eastward movement. But Hill estimated that sometime in 1895 (or, at the latest, in 1896) the eastbound quantity of lumber became so large that empty cars returned to the West Coast. Moreover, even with the addition of the merchandise trade of Alaska and Hawaii, the imbalance of east and west traffic remained. Only the oriental trade, Hill decided, provided the necessary market to restore the balance of traffic on the Great Northern.²³

Thus, in 1896 Hill sent agents to China and Japan to obtain a manifest of every ship that entered or left the Asian ports and to determine the feasibility of putting on his own line of steamers. "I was quite delighted at the prospect for trade with Asia," Hill reported in January, 1897. But building his own steamships appeared out of the question. "I found that we could not do it profitably. I found that the little yellow man could do it a great deal cheaper than we could. Therefore we made an arrangement with the general steamship company of Japan to run its steamers to Puget sound." As Hill recalled, once the contract was made on August 31, 1896, "we had to consider how to give them loading back. There was no trouble about loading this way."²⁴

One of the first items the Japanese told Hill they needed was steel for the railroads of Japan. Orders had already been placed, however, in Antwerp, Belgium, and Middlesboro, England. Using the cable to Lon-

don, Hill obtained quotations on rails from Europe to Japan. He then telegraphed to Chicago for prices on American rails. The outcome of those efforts was that a Chicago firm agreed to sell rails for \$19.50 a ton, the Great Northern agreed to a 40 cents per hundred carrying charge between Chicago and Yokohama, and the total cost to the Japanese was \$1.50 lower than the English or Belgian quotations. The Japanese placed an initial order for 15,000 tons of the American product.²⁵

The same year Hill prevailed on a group of Japanese industrialists to meet him in Seattle, where he convinced them to buy a shipment of cotton to mix with the short-staple imports from India. He even guaranteed that if the manufactured product did not satisfy them he would pay for the cotton himself. But the Japanese apparently came to prefer the American product. Early in 1898, the *Manufacturers' Record* published data taken from congressional testimony given by Hill on raw cotton and cotton sheeting for export to the Orient over the Great Northern during the previous two years: Texas sources exported more than 33 million pounds of raw cotton; South Carolina shipped 25 million pounds of cotton sheeting; and the South as a region shipped 20 per cent of its cotton goods on the Great Northern to China. Senator Cushman K. Davis of Minnesota tied Hill's testimony directly to foreign policy. "Mr. Hill's statement demonstrates clearly the interest of the United States in the Asiatic trade and in the changes that may occur in European interventions in Chinese commerce."²⁶

However, flour was more important to Hill than cotton, rails, or other exports. One of the first contracts with the Japanese steamship company was a three dollar per ton rate on flour, four dollars less than on the Pacific Mail steamships out of San Francisco. The purpose of such a rate, as Hill first explained in 1897—and repeated in different forms for the rest of his life—was to "send all the export wheat of the entire Pacific coast to Asia, to be eaten by people

²³ Northern Securities Company, *et al. v* United States, *Transcript of Record*, no. 277, Appeal from the Circuit Court of the United States for the District of Minnesota, 1:667, in the Supreme Court of the United States, October term, 1903.

²⁴ Hill, in *Minnesota Historical Collections*, 8:289.

²⁵ Northern Securities Company, *et al. v* United States, *Transcript of Record*, no. 277, vol. 1:669.

²⁶ *Manufacturers' Record*, 33:19 (February 18, 1898).

who heretofore have lived almost wholly on rice." To the extent that this could be done, midwestern and eastern farmers would benefit because western wheat had formerly gone around Cape Horn to European markets in competition with wheat from the rest of the country. By withdrawing that grain from the European markets and sending it to Asia as flour, Hill predicted that the value of all the wheat in the country could be raised by a third.²⁷

At the Farmers' National Congress in St. Paul in the summer of 1897 Hill asked rhetorically, "Could we get the people of China to displace some of their rice for our wheat? I interviewed many intelligent Chinamen on this subject." Hill explained to Chinese merchants in Seattle and Portland how bread should be baked from wheat flour and provided them with Chinese language literature teaching the use of flour. "I will make wheat flour as cheap as rice for the millions of the Orient," Hill boasted, "and our farmers will profit by a new demand." Total flour exports to Asia from 1897 to 1901 increased from 1.2 to 2 million barrels, a large proportion of which came from the Puget Sound terminal of the Great Northern Railroad.²⁸

Thus Hill was actively and profitably engaged in trade with the Orient before the Spanish-American War and the accession of the Philippines in 1898. This involvement in the Far East helps to explain his response to those events. He publicly and vehemently opposed going to war with Spain in Cuba. But he told a reporter for the *Seattle Post-Intelligencer* on June 1, 1898, that he did favor the annexation of the Philippines. "If you go back in the commercial history of the world you will find that the people who controlled the trade of the Orient have been the people who held the purse strings of nations."²⁹ The war served as an important fillip to Hill's efforts; it was not the origin of his interest in the Far East.

THE FIVE YEARS after the Spanish-American War were the most active in Hill's career as an exponent of the expansion of

trade with the Orient. He joined the American Asiatic Association, a powerful pressure group formed to encourage government assistance in opening Asian markets. And one of his first plans was to work with Phillip D. Armour and Marshall Field, two of Chicago's leading businessmen, in purchasing the Baltimore and Ohio Railroad. The *Manufacturers' Record* explained that the negotiations were based on the extensive "interests abroad" of the three men and on Hill's hope of establishing a major world trade operation in connection with steamships from Puget Sound to Asia. No public explanation apparently was ever given for the failure of this effort.³⁰

The need for more ships outweighed that for additional railroad connections in developing the oriental trade. By 1899 the increase in traffic had begun to exceed the capacity of the Japanese ships. In addition, the war had taken many of the tramp steamers away from the Pacific Coast, and exports were much curtailed for want of tonnage. Not too surprisingly, therefore, Hill vigorously joined in the campaign to secure federal subsidies for the American merchant marine and testified on January 12 before the Senate committee on commerce in favor of the Hanna-Payne Bill which was designed to restore the service to its former status. The great increase in cotton exports and flour exports to Asia, he said, had even inclined him to build his own steamships.³¹

²⁷ Hill, in *Minnesota Historical Collections*, 8:290.

²⁸ James J. Hill, "Farming from a Business Standpoint," in *Proceedings of the 17th Annual Session of the Farmers' National Congress*, 36 (St. Paul, 1897); John Foster Carr, "Creative Americans: A Great Railway Builder," in *Outlook*, 87:397 (October 26, 1907); *Statistical Abstract of the United States, 1901*, 295, 300 (Washington, 1902).

²⁹ Quoted in Julius W. Pratt, *Expansionists of 1898*, 271 (Baltimore, 1936). For a complete statement of Hill's view of the Spanish-American War, see Joseph G. Pyle, *The Life of James J. Hill*, 2:77.

³⁰ Charles S. Campbell, Jr., *Special Business Interests and the Open Door Policy*, 22 (New Haven, 1951); *Manufacturers' Record*, 34:142 (September 23, 1898).

³¹ *Daily Pioneer Press*, January 13, 1899.

As the demand for flour increased in the first few months of 1899, Hill became even more sanguine about the prospects for trade and more anxious to secure adequate shipping facilities. He tried to explain to one western senator the importance of voting for the Hanna-Payne Bill. It was not outside the range of possibility, he suggested, that the Great Northern could ship wheat from Devils Lake in the eastern portion of North Dakota to the Pacific Coast and China. Pulling Washington wheat out of the European markets accounted for 15 to 18 cents of the 20 to 25 cent rise in the average price of wheat for 1899.³²

The Hanna-Payne Bill failed to pass the Congress, but early in 1900 Senator William P. Frye of Maine proposed another subsidy bill. Hill bitterly opposed that legislation, however, because it stipulated that no more than 30 per cent of the total amount could be used for Pacific Coast steamers. Touching on what the press had come to call his favorite theme, Hill told the Minnesota Agricultural Society that the new bill was a "national scandal and disgrace" because it did not help to enlarge Asian markets. It would not give "a particle of relief to depressed agriculture. Its benefits would be absorbed by Atlantic greyhounds carrying passengers and not commodities." Hill favored subsidies for the merchant marine that were based on the value of "products carried to new markets, markets whose development would afford agriculture its only relief by increasing consumption, absorbing any possible surplus, and making the prod-

uct scarcer." A few weeks later the Tri-State Grain Growers' convention elected Hill to testify before Congress against the Frye Bill. The opposition of such friends of the Hanna-Payne subsidy bill was a deciding factor in the defeat of the Frye measure.³³

Impatient with Congress, Hill proposed to his stockholders on June 30, 1900, the construction of Great Northern's own line of Pacific steamers. "The growth of the lumber and timber business from west of the Rocky Mountains begins to call for more cars than are loaded westbound. The growing Oriental trade has already reached a point where the traffic is practically limited to the ships which can be secured to carry the commodities seeking an outlet to China and Japan." Applying the principles of transportation he had found successful on land, Hill planned ships of much greater carrying capacity than anything afloat in order to offer the lowest carrying rates from the Pacific Coast to the Orient. The Great Northern Steamship Company was organized in 1900 at a capitalization of over six million dollars, and contracts were placed for the construction of two huge steamships. The "Minnesota," launched in 1903, and the "Dakota," launched the next year, had a capacity of 28,000 tons each, more than the entire capacity of the five steamers in the Canadian Pacific fleet. Hill described the vessels as "the greatest carriers in the world."³⁴

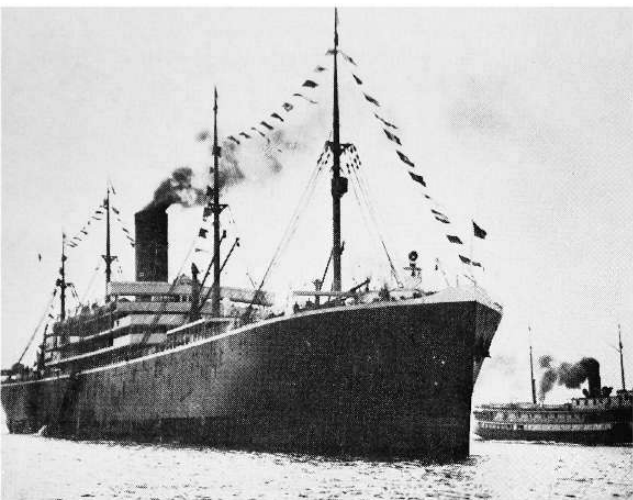
HILL would not have contemplated such ambitious plans for expanding trade with the Orient if he had not been sure of the co-operation of the producers, manufacturers, and politicians in the states through which the Great Northern crossed. To weigh the influence of these groups on his thinking would be impossible, but there is no question that Hill, whose name was a household word in the Northwest, dramatically shaped public opinion on the importance of the oriental market to the prosperity of the nation.

The Seattle Chamber of Commerce, for example, reviewed Hill's efforts in opening

³² Mary Harriman Severance, "James J. Hill, A Builder of the Northwest," in *American Monthly Review of Reviews*, 21:673 (June, 1900).

³³ 56 Congress, 1 session, *Senate Reports*, no. 473, p. 5 (serial 3887); Marguerite M. McKee, "The Ship Subsidy Question in United States Politics," in *Smith College Studies in History*, 8:50 (October, 1922); *Daily Pioneer Press*, January 10 (quote), 27, 1900. The Frye Bill was Senate Bill No. 727.

³⁴ Great Northern Railway Company, *Eleventh Annual Report*, 27 (quote) (June, 1900); James J. Hill, "The Future of Our Oriental Trade," in *World's Work*, 10:6465-6467 (August, 1905); Hill, *Highways of Progress*, 166 (quote).



The "Minnesota" on Puget Sound

oriental markets for Washington wheat in 1903 and asserted that "it is a matter of common knowledge here that more has been done by the Great Northern . . . to open up, develop and extend our trans-Pacific trade than by all other agencies combined." Hill appears to have impressed deeply on farmers of the Northwest the need for greater overseas markets. Representing the National Farmers' Alliance and Industrial Union of America and the National Grain Growers' Association, John C. Hanley of St. Paul testified before the federal Industrial Commission on Agriculture and Agricultural Labor in August, 1899, that he had worked with Hill on problems of the storage of grain. From that experience Hanley concluded that in order for farming to be profitable through the country but one thing was necessary: "I can sum the whole thing up in two words—oriental markets. Give us oriental markets."³⁵

At the highest level of influence, Hill, a lifelong Democrat, came into close contact with President Cleveland. Cleveland thought Hill one of the most remarkable men he had known. "He knew more about Oriental trade and its relations to the business of this country than any man I ever saw," Cleveland revealed. "My surprise dis-

appeared when I learned that for ten years he had spent more money than the Government in sending competent men to Japan and China to study the need of those countries." Not only did Hill dispatch agents to the Orient but he had checked all their reports and absorbed the important information in them.³⁶

At the Northern Securities trial Hill argued that it had been necessary to purchase the Burlington line to provide both a market for western lumber and a supply source of meat products, raw cotton, textiles, iron, and steel for shipment to the Orient. The premise is plausible when one considers the expensive commitment to the expansion of Far Eastern trade and the widespread popularity achieved by the policy of redirecting the course of exports from Europe to Asia. Throughout the lengthy litigation, Hill spoke out in favor of enlarged markets in the Orient for agricultural and manufactured surpluses, usually implying that this was the motive for the formation of the Northern Securities Company. He always pointed to the challenge of European competition in the new markets and the necessity of meeting it with low transportation rates.

At Fargo, North Dakota, in January, 1902, Hill told farmers that, while the favorable balance of trade depended on the export of agricultural commodities, the government had not reciprocated by helping farmers to open new markets. In Crookston later the same year, he argued that the future of farming in the state depended on finding a new market for Pacific Coast wheat in Asia. And in Chicago he encouraged the Illinois Manufacturers' Association to challenge Great Britain in the sale of manufactured goods in the Orient. So often and so forcefully did he speak on the topic during the Northern Securities case that Hill remarked

³⁵ The Seattle group was quoted in *St. Paul Globe*, January 14, 1904; 57 Congress, 1 session, *House Documents*, no. 179, p. 287 (quote)—293 (serial 4340).

³⁶ George F. Parker, *Recollections of Grover Cleveland*, 326 (New York, 1909).

early in 1904 that he had been charged with everything "from being 'an Oriental dreamer' to a crank, but I am ready at all times to plead guilty to any intelligent effort within my power that will result in getting new markets for what we produce."³⁷

THERE is little doubt that the dissolution of the Northern Securities Company disappointed the president of the Great Northern. The opposition forces led by Edward H. Harriman of the Union Pacific received a paper profit of approximately \$58 million. But control of the Burlington—the principal objective of the merger—remained in the hands of Hill and J. P. Morgan. "Two certificates of stock are now issued instead of one," Hill remarked. "They are printed in different colors. That is the main difference." And he complained mildly of "keeping track of two different sets of securities."³⁸

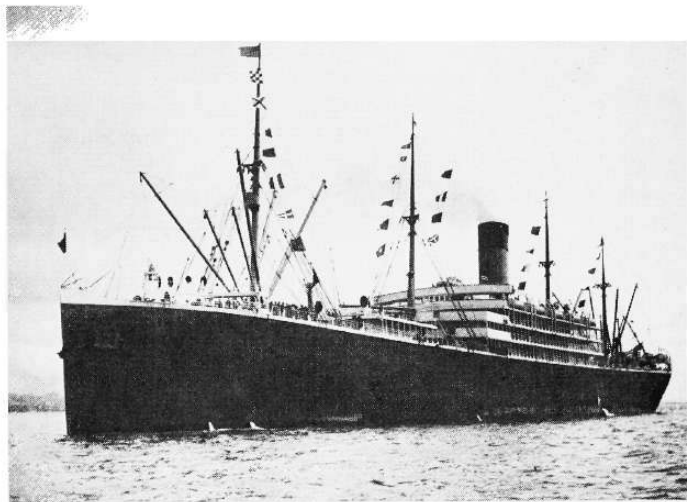
The Supreme Court decision against the Northern Securities Company did not, at least in Hill's view, prove a serious obstacle in the development of the oriental business of the Great Northern Railway. The decline and ultimate collapse of these efforts he blamed on a decision of the Interstate Commerce Commission (ICC) of February 5, 1904. Since its founding, the ICC had assumed and, in several instances had ruled, that railroads were obliged to publish and file import and export rates just as domestic rates were published and filed. But until the passage of the Elkins Act of February 19, 1903, no effective means existed to implement this regulation. Fearing that such enforcement might be injurious to the carrier and public alike, the commission held two hearings in the winter of 1903–04.

³⁷ James J. Hill, "The West and Its Railroads," in *Northwest Magazine*, January, 1902, p. 15; James J. Hill, "The Minnesota Farmer and His Future," in *Northwest Magazine*, November, 1902, p. 10; *Pioneer Press*, June 5, 1902; *St. Paul Globe*, January 14, 1904 (quote).

³⁸ Holbrook, *James J. Hill*, 144.

³⁹ Interstate Commerce Commission, *Eighteenth Annual Report*, 49 (Washington, 1904).

⁴⁰ *St. Paul Globe*, January 14, 1904.

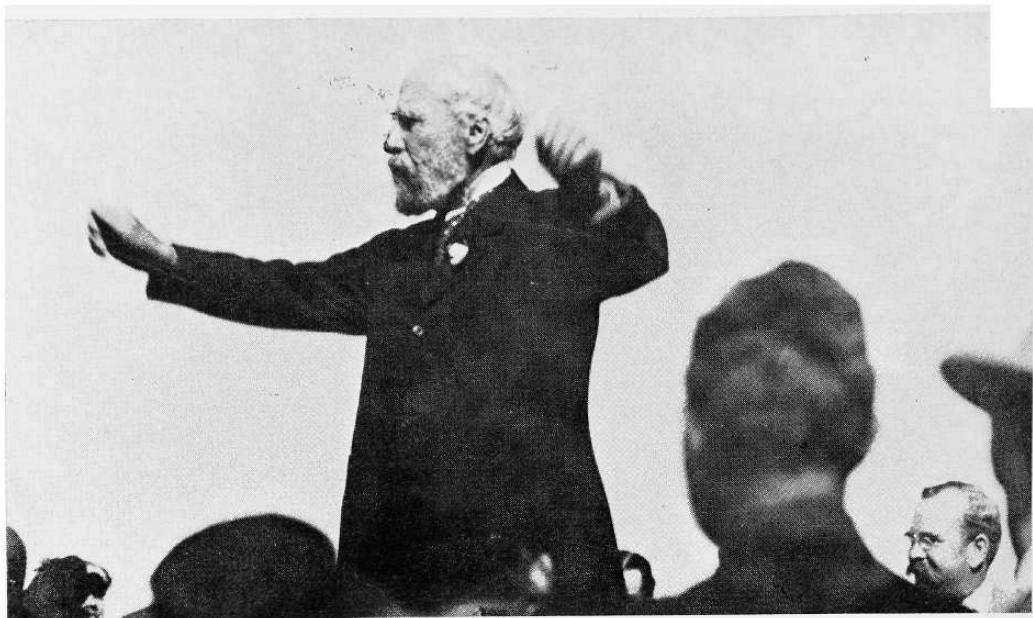


The "Dakota," a sister ship

They were attended by representatives of railroads, export and foreign trade associations, and shippers from all sections of the country.³⁹

The leaders of the transcontinental lines were the most vehement opponents of the requirement of publishing export and import rates. Hill argued that the market for American products was not yet established, whereas European governments supported the efforts of their railroads and steamship lines in making the lowest possible rates to the Orient. "They do not say to them: 'Publish your rates so that the Yankees will know what your rates are, and then keep them there until they have a chance to make a rate under you.' They don't do that. What we are asked to do is to make a rate that we cannot change without publishing it . . . thus giving these people long enough to make a rate that will take the business. That is what is before the interstate commerce commission at this time." Since the search for new markets was a joint venture between the producer and the railroad, Hill concluded, the latter must be permitted to adjust transportation rates in order to meet competition in foreign markets.⁴⁰

The decision confirming the requirement



Hill addressing an audience at Bend, Oregon, in 1911

that export and import rates be published and filed with the ICC emphasized that there was no intention to limit the foreign market for American products. Railroads having connections to Atlantic or Gulf ports, however, abused the privilege of making such rates by discriminating between shippers and indirectly making concessions on domestic shipments. The opinion argued that more elastic rates were necessary to compete for the oriental market. Moreover, the transcontinentals had their own lines of steamers. The commission admitted that the new requirement might work a "substantial hardship" on Pacific Coast shippers and carriers. Despite these disclaimers, however, the new regulation carried heavy fines for its violation.⁴¹

Hill dated the decline in his oriental business from that decision. The growing flour business from Minnesota to Australia, China, and Japan ceased entirely due to the new ICC regulation, he told the members of the Hepburn committee the next year. In pleading for a change in the ruling, Hill claimed that the oriental trade was not crucial to the Great Northern. He emphasized that it "was an advantage to everybody—to the country and the railroad and to the people of our section—to

have the additional markets and to extend our trade."⁴²

After he turned over the day-to-day operation of the Great Northern to his son, James J. Hill devoted his time to writing and speaking on the best methods of building up American foreign trade. He repeatedly attacked the government policy of forbidding the railroads to make competitive export rates, and only a few weeks before his death in 1916 lamented that such requirements had been an "effectual barrier to any activity of importance or value on the part of the railroads to build up American foreign trade."⁴³ Although Hill kept his vision of reversing the trade routes of the world in a westerly direction to the Orient, he had been unable to realize those dreams to the extent that he had hoped.

⁴¹ Interstate Commerce Commission, *Decisions of the Interstate Commerce Commission, January, 1904, to April, 1905*, 10:79 (Rochester, N.Y., 1905).

⁴² 59 Congress, 1 session, *Senate Documents*, no. 243, p. 1476.

⁴³ Pyle, *James J. Hill*, 2:63–65.

THE ILLUSTRATIONS on pages 179, 181, and 183 were taken from the *St. Paul Pioneer Press*, June 8, 1893; those on pages 188 and 189 are from the Elwin M. Eldredge Collection, Mariners Museum, Newport News, Virginia; all others are from the society's picture collection.



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