



Alaska & Seattle

Ties that Bind

Lafarge cement, Nucor steel, Prosser watermelons, Leavenworth timber and a thousand other Washington commodities and finished products create a multi-billion dollar bond between Washington and Alaska. With big changes just over the horizon, it's a good time to get smart again about the 49th State.

Our Special Report includes a first-person look at the Alaska supply chain based on a barge run last summer from Seattle to Southeast Alaska, where communities and businesses depend almost entirely on Seattle for their consumer goods, equipment and supplies. That story begins on page 32.

The Special Report begins here by examining the economic issues and tensions that entangle our two regions, along with a look back at the problematic history between Seattle and Alaska that continues to color the partnership today.

No two regions in the country better illustrate our nation's red state, blue state divide. No two regions have bigger self interests in finding some new shades of purple.

THE QUIZ

Our journey begins with a simple question. Is the state motto of Alaska,

- A) The Last Frontier, or
- B) The Last Wilderness?

The question is part history lesson and part Rorschach test. Let's consider the Last Frontier first.

Throughout US history, the desired outcome for all frontiers was to become a Former Frontier. Frontiers were built-up as quickly as possible and if a resource like oil presented itself alongside the path of progress, so much the better.

A vision of Alaska as the "Last Frontier" was captured in a book called *Alaska USA* written by Herb and Miriam Hilscher, a couple from Anchorage who were advocates for Alaskan statehood. Looking into the future, the Hilschers in 1959 envisioned milestones of progress they felt many Alaskans might live to see.

Alaskan agriculture would finally bloom. Pulp and timber would finally mature to join mining and seafood as pillars of the traditional economy. The state would remain a bulwark on a very long frontline with the Soviet Union. A flood of future oil revenue would dramatically improve schools, roads and other public services. A rail connection with the Lower 48 would finally be achieved. The state population would reach one million. A string

of new shipping basins would be created along the Arctic coast by very carefully timed atomic bomb explosions.

With the possible exception of the nuclear excavation idea, most people at the time would have probably found the Hilschers' scenarios perfectly plausible, even acceptable, both in Alaska and in the lower 48.

But a strange thing happened to the Last Frontier. On its way to former frontier status, it was transformed into the Last Wilderness.

This was a concept that emerged with the US environmental movement in the 1970s. It holds that Alaska is the last, best and biggest place left in the U.S. to save true, huge wilderness areas that should be forever off limits to development and, perhaps, all human contact. Some feel this is important to the well-being of the nation. Even if we never go there, even if no one ever goes there, a sense that wilderness remains somewhere in the US is, they say, vital to our collective mental health.

The future of Alaska is presently being debated at a national level almost solely within the conceptual confines of the Last Frontier and the Last Wilderness. No region outside Alaska has a bigger stake in this debate than ours, or a bigger need to strike some new balance.

Unfortunately, this is all taking place at a time when Seattle's collective Alaska IQ seems to languish somewhere between poor and absolutely abysmal.



WAX & WANE

Economically speaking, Alaska functions for us like a giant moon. It may wax and wane, appearing and disappearing on the civic radar screen, but all the while it exerts a tide like pull on our regional economy and billfolds.

It's a consumer market with a population larger than Seattle's, consisting of more than 645,000 people who must be fed, clothed, housed, employed, transported, insured, doctored, lawyered, informed and entertained.

It is also a major industrial market with natural resources of epic proportions requiring all the machines, equipment, tools, supplies, fuel and people required to extract metals, fossil fuels and tremendous volumes of fish.

Nearly everything that is consumed by these two markets comes through central Puget Sound. An amazing amount of the finished goods and commodities are also made or processed here. The volume of this activity was measured in a recent study by the Seattle and Tacoma chambers of commerce called *Ties that Bind: The Enduring Economic Impact of Alaska on the Puget Sound Region*.

The study estimates Alaskan trade brings nearly \$4 billion per year to the economy of Puget Sound. The study also found that over the past 10 years, the volume of trade has increased as Alaska's economy has continued to grow and mature, adding more people, more retail stores, more lawyers, doctors and marketing consultants, and more tourists on cruise ships.

Each and every one of these people results in more demand for goods that will be shipped north from Puget Sound. Alaska's growth over the past 10 years resulted in growth in our region equal to the addition every year of a new business with 1,000 employees.

The ties that bind us contain a thread that has remained constant over the past 100 years and is still true today: whatever is good for Alaska is good for us.

The number of jobs around Puget Sound directly or indirectly tied to all this activity was measured at more than 100,000.

The study points out, accurately, that the growth rate was highest in service industries, but this is one of those accurate findings that obscures a larger truth. The ties that bind are still largely industrial in nature.

Of the 103,000 regional jobs attributed to Alaska, more than 75,000 of them are in fishing, seafood processing, manufacturing, construction, water-borne transportation, trucking and wholesale trade of just about everything from Klondike bars to steel rebar.

Which may explain why Alaska seems at the moment to have dropped so far off the radar screen. It is not glamorous, there is no big biotech factor in it, but as it has for a century, Alaska still lines the pockets of all of us and if we bothered to look out over the horizon, we would discover signs of big challenges and opportunities in the years ahead.

\$18 BILLION AND COUNTING

In October, the US Congress approved loan guarantees of up to \$18 billion to help encourage construction of a new pipeline that may someday bring to market huge amounts of natural gas now beneath the Arctic reaches of both Alaska and Canada. Alaska's share of these reserves is estimated at 30 trillion cubic feet. That much gas would equal 5.3 billion barrels of oil worth more than \$260 billion if the price remains at \$50 per barrel.

No route has been chosen for the pipeline, but the most likely one would stretch for 3,500 miles, coming south along the existing trans-Alaska oil pipeline then veering east into Canada and ultimately bringing the gas to the upper Midwest then throughout the United States. The project would require 5 million tons of steel - so much it would tax the capacity of mills throughout North America.

If the Canadian route is chosen, the pipeline could be developed in tandem with a project that would finally close Alaska's "missing link" for rail service to Canada and the Lower 48. The gap presently extends for nearly 1,200 miles between "North Pole," a suburb near Fairbanks, and Fort Nelson in British Columbia, where Alaska could link up with the national Canadian rail system. Construction costs are estimated at \$4 to \$5 billion.

Close the gap and for the first time ever, you would be able to board a train in Fairbanks that could wind up in Chicago. Conversely, once the gap is closed, for the first time ever you would be able to load a shipment of goods on a rail car in Chicago and ship it north to Alaska.

If the past is any indication, if or when these projects happens, Tacoma and Seattle will cash in on them through the resulting demands for goods and labor. Yet, if these scenarios ever materialize

Whatever is good for Alaska is good for us.



The moment someone puts a shipment on a railcar in Chicago and sends it northwest to Alaska, it will end an era in which Puget Sound held a near monopoly on the shipment of consumer and industrial goods to Alaska.

true, they would come with the potential for momentous change.

With every mile the pipeline and railroad would move east, the closer they would come to supply centers in Canada and US Midwest. The moment someone puts a shipment on a railcar in Chicago and sends it northwest to Alaska, it will end an era in which Puget Sound held a near monopoly on the shipment of consumer and industrial goods to Alaska.

It's all big stuff, but there are reasons to wonder how many of us are paying attention.

The day after a key Congressional vote took place to put up the \$18 billion in loan guarantees, there was no mention of it in one of Seattle's daily newspapers and in the other, it rated only a few lines.

Perhaps it's a good time to return to the quiz with which we began our journey to the north land.

BACK TO SCHOOL

The state motto of Alaska is not A) Last Frontier, or B) Last Wilderness, but C) None of the Above.

Federal law does not require territories to have mottos and Alaska didn't have one when it entered the Union in 1959. Perhaps it was because the Alaskans were too exhausted from the statehood battle to expend energy on a motto. The battle was long and hard because of the fight against statehood waged by Seattle-based fishing and maritime shipping companies that preferred the territorial status quo.

When it comes to Seattle and Alaska, the ties that bind have sometimes rubbed raw. Our regions are rich in mutual history. Unfortunately, some of the history isn't very good.

The father of Alaskan statehood was also one of its leading historians, Ernest

Gruening, a New York City native who earned a medical degree from Harvard, then gave up medicine to become a reporter, editor and author. In 1939, he was appointed Alaska's territorial governor and he remained an Alaskan forever after that. After he led the crusade for statehood, he served as an Alaska US Senator for 10 years.

Gruening wrote a book about the statehood effort and in his version of Alaska's creation story, Seattle looms like a snake in an Alaskan Garden of Eden. In Gruening's view, the contest pitted good hearted, All-American Alaskans yearning to be free against businesses in Seattle concerned only with their own self-interests.

One villain was the Alaska Steamship Company. Contrary to its name, this was a Seattle-based maritime shipping business that flourished with the great Alaskan gold rush under the guidance of its CEO, a young up-and-comer named Joshua Green.

Seattle shipping companies that served Alaska received a major boost in 1920 when the US Congress adopted a law known as the "Jones Act," which requires that maritime commerce between US ports must be conducted by US companies with US crews operating US-built ships. This law precluded Vancouver and Victoria from competing for Seattle-Alaska shipping business and in an era when the water was the only way to reach Alaska, the Alaska Steamship Company gained a near monopoly on the trade.

The other villain was Alaska Salmon Industry, Inc. Contrary to its name, this was a Seattle-based coalition of salmon canning companies infamous in Alaska for their use of "fish traps" to capture salmon runs in an extremely efficient and potentially devastating way. This collection of businesses was personified by its chief lobbyist, a Seattle lawyer named W. C. Arnold.

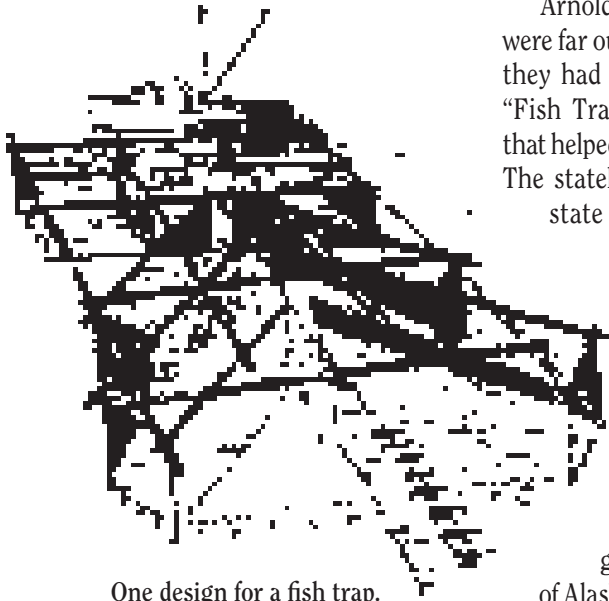


Power Shake

W.C. Arnold (left) and Joshua Green (right) share a handshake and a laugh.

The two men personified Seattle's political clout in Alaska.

Photo Courtesy of the Museum of History and Industry



One design for a fish trap.

FOUR KEY WORDS

The statehood drive gathered steam in an economic boom induced by World War II and the Seattleites worked against it in both Alaska and in Washington DC. At a hearing in Anchorage, W.C. Arnold described their concerns as follows:

“The Alaska Salmon Industry is opposed to statehood. We’re paying most of the cost of running the Territory now. We don’t propose to pick up the check for the additional cost of statehood.”

Opposing this sentiment at the Anchorage hearing and others around the state were hundreds of Alaskans. One was C. Howard Baltzo, a retired commercial fisherman from Wrangell in southeast Alaska where the science of “fish traps” was refined. In Gruening’s book, Baltzo presents the plain-spoken local view.

“A lot of trouble (here) is caused by people who make important decisions who aren’t (from) here. The people who make the most money and make the profits do not live in Alaska. They live in Seattle; they live there, their interests are there. The (local) fishermen never make enough money that they can get out of here. These fishermen do not have and employ lobbyists who can present their case.”

Arnold and other statehood opponents were far outnumbered at the hearings, but they had clout and the “Jones Act” and “Fish Traps” became four magic words that helped drive the crusade for statehood. The statehood advocates did not have a state motto, but they had a handy slogan: Alaskans should run Alaska, not the Arctic Club in downtown Seattle.

Few Seattle children grow up knowing about any of this, but Mark Begich had a sense of it. He’s the first native of Anchorage to serve the city as Mayor. He recalls growing upon with an awareness of Alaska’s dependence on Seattle and a sense that Seattle seemed to regard Alaska as its own private “storehouse.”

“If you needed gold, you came here, took the gold and left. If you wanted fish, you came here, took the fish and left. If you wanted oil, you came here, took the oil and left.”

True enough, but whatever their motives, the boys at the Arctic Club had a couple of valid reasons for their concerns about Alaska’s capacity to support itself. They understood these issues extremely well because, to a point, the two state’s shared them.

TWO PROBLEMS, BOTH BIG

Alaska was, and is, dominated by two immutable, geographic factors. One is “area,” which a dictionary defines as the space within lines. The other is “distance,” which describes the space, time or line between two points.

Alaska’s “area” is its popular claim to fame. Alaska is huge and there are almost endless ways to illustrate this. More than twice the size of Texas, Alaska is ten times the size of the state of Washington. Its areas with permafrost are large enough to equal three Californias. Its glaciers alone cover areas larger than 10 states.

But while Alaska’s area makes it famous, it is “distance” that makes Alaska so ungainly and the combination of the two had a profound impact on Alaska’s development.

Distance was an issue with which some members of the Arctic Club were intimately familiar.

Seattle is among a handful of American cities that are more than 2,000 miles removed from the nation’s capital and Alaska is much farther still. Perhaps it is no coincidence that Washington and Alaska each languished for extremely long periods of time as territories before they were admitted to the nation as states. For Washington, the territorial period lasted 46 years. Alaska’s wait was 47 years. Only three of the 50 states were territories longer.

By contrast, nice, polite, bountiful Oregon was admitted to the nation after just 11 years, and abundant, rich California joined the club after only two.

KIDS LIKE US

But out here in the northwest corner of what became the lower 48, and up there in the most northwestern corner of the entire continent, Washington and Alaska were treated like a pair of wild teenagers whose parents keep putting off the fateful day when the kids are allowed to drive the family car.

Washington and Alaska were each allowed to continue as territories for nearly five decades while serving the nation as extraction centers for timber, salmon, fur, coal and gold, and no matter how the home folks felt about it or the tantrums that they tossed, few people in DC were in a hurry to change things.

Territorial Washingtonians and Alaskans also shared something else: a transportation-based villain in their creation story.

Farmers, merchants and industrialists in Washington relied on the railroads to get goods to and from their distant markets. Right thinking, All-American

“If you needed gold, you came here, took the gold and left. If you wanted fish, you came here, took the fish and left. If you wanted oil, you came here, took the oil and left.”

Washingtonians yearning to be free were positively convinced they were gouged by the railroads and their anger extended to the federal fathers who were forever failing to force the railroads to play fairly.

But the shared challenges posed to Washington and Alaska by distance only went so far before they turned sharply to Seattle's advantage.

Seattle was a long way from Washington D.C., but Anchorage was a lot farther – another 1,440 miles. That's just about the same distance that exists between Seattle and Des Moines, Iowa or Lubbock, Texas, half a continent away.

And once you reach Alaska, you are still a very long ways away from anywhere else inside Alaska and spread across this enormous area there were and are very few people. Anchorage and Fairbanks may seem like neighbors to us, but they are 260 miles apart, twice the distance between Seattle and Portland. The distance between Anchorage and Juneau is 568 miles by air.

In Alaska, distance, area and topography were such huge considerations railroad companies never had a chance to play a role, villainous or otherwise. A railroad connection between Alaska and the US – or even Canada -- was not even a remote possibility in the 20th Century and there is still a long way to go before it becomes a possibility in the 21st Century. This was the reason the Jones Act was such a potent factor and symbol in the statehood drive for independence.

It took World War II and an enemy invasion of the Aleutian Islands to create a crude highway link between Alaska and the US. The highway was improved and opened to the public after the war. Only then did Alaska acquire an overland transportation route and a meaningful transportation alternative to the Alaska Steamship Company.

The opening of the highway was the beginning of the end for the monopoly and today Alaska is served by about a dozen water transportation companies and the availability of land and air competition has helped to significantly reduce Alaska's once notorious consumer costs.

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But the combination of distance and area limited Alaska's growth in another way that increased its reliance on the cities of central Puget Sound.

NOT MADE IN ALASKA

Alaska is a wonderful, lucrative, invisible, totally undemanding addition to the consumer markets of central Puget Sound, but in isolation, Alaskans comprise such a small consumer market they can't support much local manufacturing. On top of that, it is hard and expensive for Alaskan manufacturers to tap into any outside markets.

Add it up and it equals great news for producers down here.

None of this rules out Alaskan products heading south as exports, it just restricts them to commodities of high financial value relative to their weight. Alaskan products must also be able to compete for price or quality against products that may be available from markets throughout the world.

Gold was, and is, an ideal Alaskan export. Seafood and seal furs are, and were, also good. Crude oil works if you have a pipeline to overcome the Alaskan "area"

challenge and if the retail price for oil is high enough to justify the trip.

Put it all together and it helps to explain why the expectations expressed by the Hilschers in *Alaska USA* seemed so reasonable, but proved so hard to achieve.

Take food. Alaska has very limited amounts of arable land available and a challenging climate, and it is hard if not impossible for local farmers to compete with products that can be imported from outside. This fact of economic life was documented in the "Ties that Bind" study.

Of all the goods heading Alaska's way by water during the study period, the largest single group by dollar value was food products, with an estimated worth of \$163 million.

Next largest was petroleum products.

On its face, this doesn't seem to make sense, since Alaska is one of the nation's most important energy suppliers. But Alaska possesses no significant refining facilities. Much of Alaska's crude is shipped south to refineries in northwestern Washington where it is transformed into gasoline, diesel and other products that are then transported and sold throughout the northwestern US including parts of northern California and – yep – Alaska.

In Alaska, distance, area and topography are such huge considerations a rail connection with the lower 48 remains a remote possibility.

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According to the chamber study, the other leading commodities shipped to Alaska from central Puget Sound were industrial machinery; cars, boats and other transportation vehicles; fabricated metal products and lumber.

Lumber helps illustrate that Alaska's economy is shaped not only by market forces, but public policies. Alaska's timber and pulp industries were viable when they had access to trees sold at healthy discounts by the government. When chronic pollution problems at the pulp mills drew the ire of environmentalists and regulators in the 1990s, the government subsidies were sharply criticized. Alaska's pulp mills shut down and to a great extent, so did the larger timber industry.

Timber, as a rule, scores poorly on a scale that balances dollar value versus weight.

SILVER LINING

For all the problems created by its vast distances, Alaska holds one tremendous distance advantage.

This advantage is best illustrated if you have a world globe handy. Pick it up and look at the North Pole. From this perspective, you can see England, France, Germany, Switzerland, Poland, Russia, Siberia, most of China, some of India, all of Japan and nearly every last inch of the United States. By most measures, this half of the world represents 95 percent of the world's industrial capacity.

Now locate Alaska.

The Ted Stevens Anchorage International Airport is less than 9 hours flying time from all the countries listed above and Anchorage is now a leading air cargo hub in the United States, receiving and trans-

ferring more than 2 million metric tons of cargo each year. Sea-Tac, by comparison, receives about 400,000 tons. Alaskans expect their air cargo traffic to grow and it probably will.

Alaska's air cargo boom is also supported by liberalized FAA cargo rules. These rules permit foreign and domestic air carriers to create business partnerships to use the Anchorage airport like a large staging area to mix, match and transfer cargoes among themselves to create the most cost-effective shipments possible for deliveries at airports throughout the United States.

Only two airports in the entire US benefit from these rules. One is Anchorage, the other is Fairbanks. In a sweet, modern day, aviation rendition of the Jones Act, this bonus was awarded to Alaska by the Federal Aviation Administration with a helpful

push from Alaska's congressional delegation. The delegation includes the person for whom Anchorage airport is now named. That's US Senator Ted Stevens, a Republican politician of such cantankerous repute it is difficult to divine when stories about him may be based in legend or fact.

THE STEVENS FACTOR

As a prosecutor long ago in Fairbanks, Stevens allegedly use to sometimes pack a pistol on his hip. In the U.S. Capitol, he sometimes wears a tie with a Tasmanian devil on it to signal when he's feeling ornery. He was also a World War II medal winner, earning two Distinguished Flying Crosses while serving as a pilot with the "Flying Tigers" in China, Burma and India.

Along with all this, he somehow calmed down enough to get a law degree from

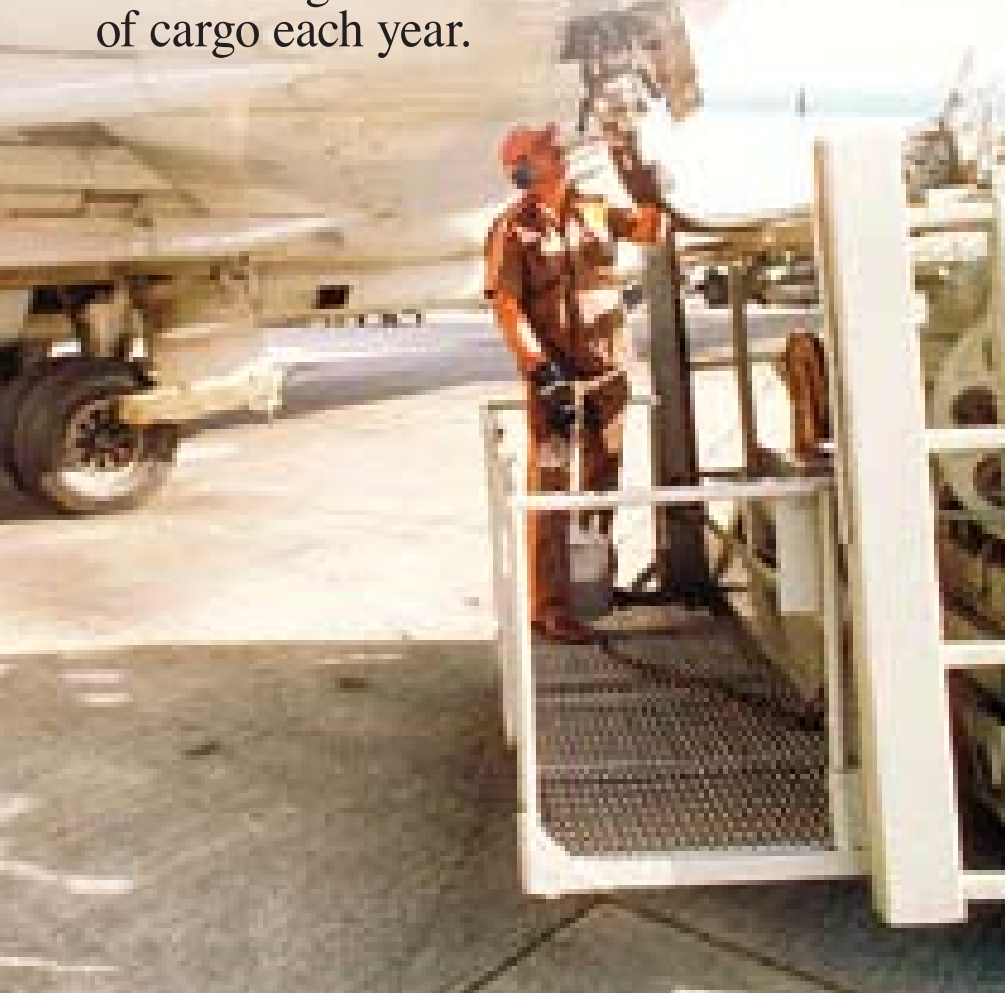
UCLA and make enough allies to become one of the most powerful Senators in Washington D.C. He is the senior member of the Senate and is chairman of the U.S. Senate Appropriations Committee, which puts its fingerprints on just about every dollar that goes through the federal government.

A writer for the UCLA alumni magazine wrote in a recent profile that Stevens described himself as "one mean, miserable SOB." He also explained the Tasmanian devil tie: "When I wear ties like this on the floor, people understand I really mean business."

And what Stevens has meant for Alaskan business is now sometimes described as the "Stevens Factor."

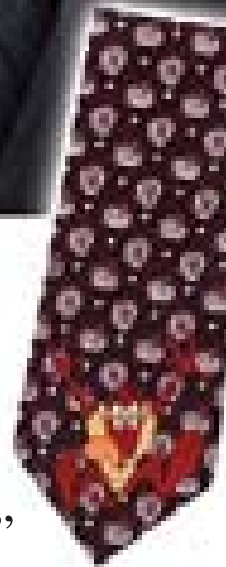
A significant amount of Alaska's growth in the past decade was driven by federal spending. By one measure, Alaskans now receives \$2 in federal spending for every dollar they pay in taxes. Looked at another way, in 1997, per capita federal spending in Alaska was 20 to 50 percent higher than the

Anchorage is one of the busiest air cargo hubs in the United States, receiving and transferring more than 2 million metric tons of cargo each year.



U.S. Senator Ted Stevens

"When I wear ties like this on the floor, people understand I really mean business."



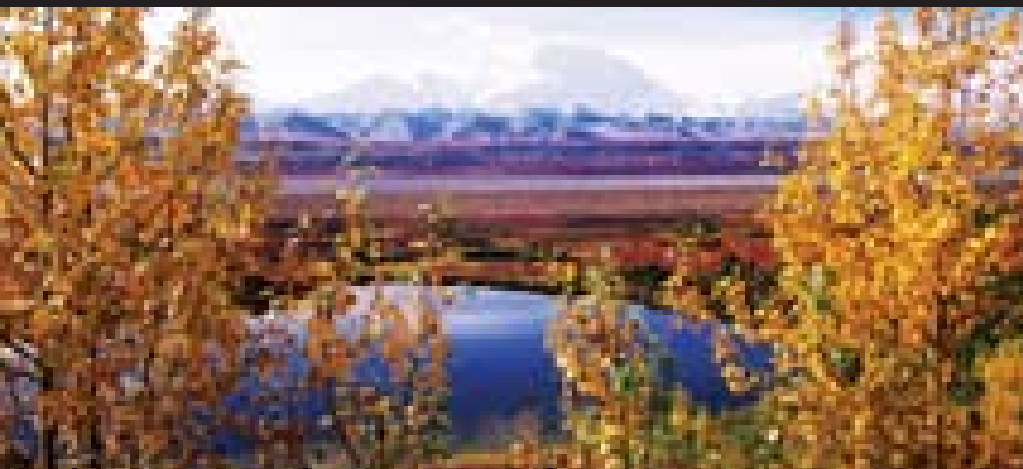
average throughout the nation. By 2002, it was 70 percent higher.

The increases corresponded with a five year period in which Stevens chaired the appropriations committee for three years.

The "Stevens Factor" also brings us to the point where the ties that bind us with Alaska pull both ways.

If Seattle had an elected position for dog catcher, Stevens might be among the last people elected to it. Yet, our economy benefits from all the bounty he brings home and under Congressional rules, Stevens must give up the chairmanship of the appropriations committee in 2005. He'll still have clout, but he's 81 and as Washingtonians learned with our own federal rainmaker, Warren G. Magnuson,

Alaska is so new and so big, and the world around it is changing so fast, it seems likely that two centuries from now, people may still be debating the future of Alaska and its national and international roles.



when the rainmaker leaves the federal spigot starts to close.

WHAT'S AHEAD?

So, what about the future? For Alaska, the question brings to mind a famous quote by a former prime minister of China, Chou En-Lai. Asked his opinion once about the impact of the French Revolution, his answer was “too soon to tell.” He offered that judgment 200 years after the revolution occurred.

Alaska is so new and so big, and the world around it is changing so fast, it seems likely that two centuries from now, people may still be debating the future of Alaska and its national and international roles.

For now, the mammoth natural gas project enjoys bipartisan support in Congress and support from significant environmental groups. That's good, because even with broad based support, the project faces enormous challenges.

Further oil exploration and production in the Alaska Natural Wildlife Reserve (ANWR) was such a hot political potato for so long, it was considered a political non-starter and some insist it must remain forever off limits. But with oil going for \$50 a barrel, “forever” starts to sound like an awfully long time, especially following the Nov. 2 national elections in which Republicans gained control of the US Congress to go along with the presidency.

The prospect for a renewed ANWR push was bemoaned after the election by lower 48 commentators such as Seattle *Post-Intelligencer* columnist Joel Connolley. Connolley warned his readers to also be on guard for new efforts to harvest the Tongass forest, blaming this on Alaska “governor and primitives in its congressional delegation.”

Now, congressional delegations are sometimes quite large. The California US Congressional delegation numbers more than 50. New York has 26. Even a middling sized state like Washington has 11.

Alaska's delegation includes just three people, so when you throw around a term like “primitive,” your aim is pretty clear. This type of rhetoric may be fun for Mr. Connelley but it is not necessarily a good thing for the rest of us.

Stevens will give up the appropriations chair, but Alaska's lone U.S. Representative, Don Young, happens to chair the House Transportation Committee, a group that draws lots of attention from Seattle these days because of its potential value in funneling federal funds toward the Alaskan Way Viaduct. The third member of Alaska's delegation is Senator Lisa Murkowski, who is the daughter of the Alaska governor, Frank Murkowski.

Connolley's piece illustrates that there is a wide gulf these days between the political cultures of Alaska and the urban

centers of central Puget Sound, most notably Seattle.

Once it was steamship companies and salmon canners who played villains in Alaska. Now the villains are pundits and political leaders with knees that jerk whenever anyone mentions “ANWR,” and on a topic like this, Seattle knees are among the jerkiest of all.

This split runs deeper than the usual partisan issues because in Alaska, ANWR is non partisan. Most Democrats agree with their Republican colleagues that ANWR oil production can be safely increased.

“NORTH TO THE FUTURE”

Maybe it's best to end with the question that was posed at the beginning.

Alaska has a state motto. It was chosen in 1968 and was suggested by a Juneau newspaper reporter. The motto is, “North to the Future.” They probably should have hired a professional marketing person. Pizzazz-wise, North to the Future seems hopelessly lame. It evokes none of the adventure of the “Last Frontier,” and none of the passion of the “Last Wilderness.”

Then again, maybe that's what the two old trading partners need. A nice, bland, safe way to initiate a discussion that's long overdue about the nature of our relationship, a discussion with mutual respect for both sides where you aren't called a “primitive” for possessing a different point of view, a chance to figure out what mutual benefits might derive from working together in ways we've not tried or even thought about before.

Anchorage Mayor Mark Begich is all for it and he'll make his case in Seattle Nov. 30 during a banquet at the Edgewater Hotel. Seattle Mayor Greg Nickels will introduce him. The two are working on an action plan to improve business and community relations between their two cities, and who knows? Maybe that's a new starting point that the trade relationship needs.

The ties that bind tells us the future is one our two regions share. ■

“Ties that Bind” is an excellent phrase to describe the trade relationship between Alaska and central Puget Sound and it is used throughout this Special Report to describe different aspects of the relationship. Seattle Industry magazine is solely responsible for the ways in which the term is used in this presentation.

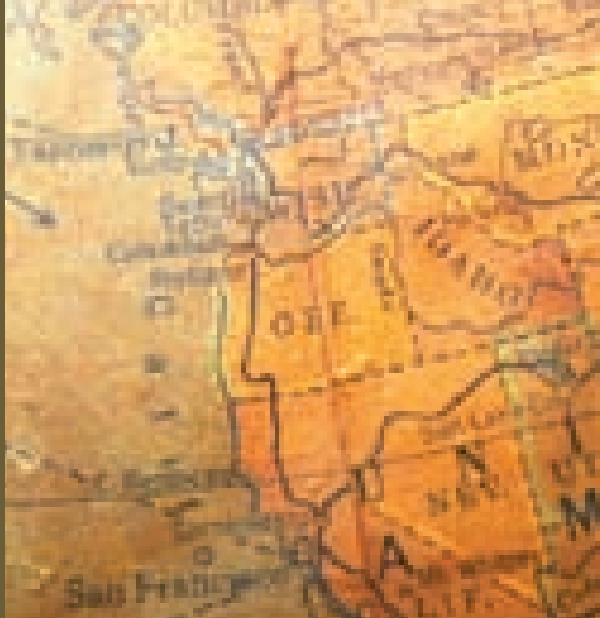
“Ties that Bind” is also the title of a study about the economic impact of Alaska published by the chambers of commerce of Seattle and Tacoma. It is available at www.seattlechamber.com.



They Struck Gold, But We Got Rich!

How we stole the Gold Rush and other stories from the Club and Fang Wing of Seattle's Capitalist Hall of Fame.

Seattle may be known today as a town so tame many of its citizens will not cross an empty street until a traffic signal tells them it is their turn to do so. It wasn't always thus. Seattle was once a bastion of knock-your-head-off, club-and-fang capitalism, a reputation cemented when our city cashed in on the Great Alaskan Gold Rush. But first, we had to steal it. Here's how it all worked.



The Other Contenders

Seattle was not naturally destined to capture the gold rush. When the rush began in July 1897, San Francisco was a world renowned metropolis with a population of 300,000 people. The city also dominated maritime trade with Alaska and was home to many businesses with experience supplying mining companies and outfitting prospectors dating back to the California Gold Rush.

Seattle, on the other hand, was a city of just 80,000 people with a reputation for ... well, what exactly? Surviving the 1889 fire? Losing the race with Tacoma to become the western terminus for the Northern Pacific Railroad?

And if San Francisco wasn't the best bet, how about Vancouver, BC? The gold rush is often recalled as an Alaskan event but it started along the Klondike River in the Yukon Territory of Canada. Vancouver was closer than Seattle and the All-Canadian option presented fewer hassles with customs.

Yet, Seattle won the sweepstakes hands down and some historians attribute this to the fact Seattle was the adopted hometown of one Erastus Brainerd, a pioneer spin doctor supreme.

THE PR GUY

Brainerd was an old-money guy from Connecticut who graduated from Harvard at age 19. After college, he hooked up with a touring group in Europe where he was billed as a "lecturing showman," a job description whose meaning is now lost to us, but which some believe was a 19th century term for "BS artist."

Returning to the US, Brainerd worked as a newspaper reporter and editor, landing in Seattle in 1890. On August 30, 1897, a month after gold was discovered, the chamber organized a new Bureau of Information to capture as much gold rush trade as possible. Brainerd chaired the effort and he quickly kicked the PR push into high gear.

Almost immediately Brainerd placed ads in newspapers across the nation that proclaimed Seattle the "Gateway to the Yukon." He then convinced the *Seattle Post-Intelligencer* to print a special edition amplifying his theme.

The paper produced 212,000 copies of the special edition. The chamber mailed 70,000 of them to postmasters across the US for distribution at local post offices. Twenty thousand were mailed to newspaper editors and business organizations in the United States and Europe. Ten thousand were mailed to mayors, town councils and librarians. Fifteen thousand were distributed through the Great Northern and Northern Pacific railroad companies.

Kaiser Bill

Next came a promotional circular designed to look like official correspondence from the State of Washington. To further the deception, Brainerd convinced the real Washington Secretary of State to provide his signature at the bottom. Officials in France, Belgium, Italy and Switzerland were so impressed with the circular they reprinted it and distributed it. Brainerd's European outreach culminated in December 1897 when he sent Seattle-Klondike Christmas gift packages to European heads of state.

This effort paid off royally when Kaiser Wilhelm II refused to open his gift, believing it might be a bomb. The Kaiser's reaction was used by Brainerd to generate more publicity.

In March, 1898, the Bureau of Information closed. By that point, Brainerd had spent \$9,546.50 while successfully branding Seattle throughout the industrialized world as the Gateway to the Yukon.

Other cities tried to get into the act, but it was too little too late. San Francisco mounted a campaign, but in December, 1897, a writer for a national magazine called the San Francisco effort a "torpid" affair that paled beside the "git-up-and-git kind" of spirit displayed by Seattle. Tacoma initiated a campaign while the Tacoma *Daily News* dismissed Seattle's effort as "hoggish and snarling."

Vancouver, BC and Victoria also promoted their advantages, but their efforts were shackled by a serious flaw: honesty. The Canadians warned prospective prospectors about the physical dangers of the adventure and the high probability of finding no gold. Just for the record, Seattle efforts also acknowledged the risks – and urged travelers to guard against them by purchasing plenty of supplies in Seattle!



Erastus Brainerd

Brainerd toured Europe as a "lecturing showman," an early term for "BS artist."

In the end, the competition wasn't even close. An estimated 100,000 prospectors headed north. About 70,000 of them shipped through Seattle to Alaska and then onto the Yukon while cash registers rang and sang throughout our booming city. The other cities shared the other 30,000.

Stocking Up

The Canadian concern about safety became manifest at the Yukon Border where Mounties demanded proof that each prospector had enough supplies to last a year. If you didn't, you were turned back. It became known as the "one ton" rule, since most prospectors bought about 2,000 pounds of provisions, with many investing up to \$1,000 in food, tools, and clothing.

Do the math and the one-ton rule quickly illustrates the impact on Seattle. Seventy thousand prospectors equaled 70,000 tons. At \$1,000 per ton, that translates into \$70 million.

The European flavor of Brainerd's effort was matched by the international character of the Seattle boom. One new retailer who cashed in was a German immigrant named Edward Norhoff. He opened a department store called The Bon Marche – that's French for "Good Bargain." A Swedish immigrant, John Nordstrom, was among the minority of prospectors who found gold. He gathered up \$13,000 worth then settled in Seattle where he used \$4,000 to establish a shoe store.

Go Dawgs!

Prospectors also needed to transport their ton, and many opted to do so with dog sleds. Seattle was soon among the canine capitals of the universe, with the Seattle-Yukon Dog Company and other retail dog yards holding up to 400 dogs at a time.

Shipping

In the entire decade between 1880 and 1890, shipyards in Seattle produced 75 ships, or less than eight ships per year. In 1898 alone, Seattle turned out 57 steamships, 17 steam barges and 13 tug boats as the maritime center for Alaska moved north from San Francisco to Seattle. One start-up company that thrived in this period was the Alaska Steamship Company, guided by its president, a smart, young up and comer from Mississippi named Joshua Green.

Green earned a fortune with the steamship company and in 1925, he used \$200,000 of it to establish Peoples' Bank in Seattle. He went on to become one of the city's best known business leaders. In 1969, at age 100, he was proclaimed Seattle's "Man of the Century" during the city's 100th birthday celebration.

The Alaska Steamship Company fared well too, controlling much of Alaska's maritime shipping in the era when no alternatives were available for transporting goods and people. Like the competitors it eventually absorbed or dominated, Alaska Steamship received an added boost in the Alaska trade from the federal government and a highly responsive public servant.

Senator Jones

In 1920, the US Congress adopted a new law called the "Jones Act" to help maintain the nation's merchant marine fleet. The Act required that trade between US ports must be conducted by US crews on US-built ships owned by US businesses.

This law applied equally throughout the country but it had an impact in Alaska that was unique. In North America, no other major region of the US lacked rail or land transportation services to compete with maritime companies. The Jones Act eliminated Vancouver and Victoria as potential competitors

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Seattle's
Senator
Jones



for shipping to Alaska, and that helped lock up the traffic for shippers based in Puget Sound.

The sponsor of the Jones Act was Wesley L. Jones, a US Senator from the state of Washington for 23 years. Jones lived in Seattle. After he passed away, the *Seattle Times* took note of his many accomplishments, including the fact he was “active especially in all problems affecting the development of Alaska.”

To which Alaskans would have replied: no kidding. Then again, few Alaskans subscribed to the *Times* since it would have cost so much to have it shipped north via the Alaska Steamship Company.

The “Other” Gold Rush

Thanks to their genetic makeup, there is no rational reason to chase salmon in fishing boats. You can just wait beside the river where they are born and sooner or later they will dutifully swim back to you. This was the operating principal behind “fish traps,” elaborate, highly effective devices erected across rivers to guide spawning salmon into pens and nets where they could be harvested easily.

Starting in about 1900, Seattle-based salmon canning companies began erecting fish traps to harvest Alaskan salmon, especially in southeast Alaska. Alaskans complained bitterly about the traps for environmental and economic reasons, but the territorial government couldn't ban them, and the federal government refused to do so.

Salmon canning was soon the dominant industry in the state. More than 100 canneries were operating in Alaska by 1920 and the banner year for production was 1939, when more than 120 million salmon were trapped, caught and canned.

The political clout of the canning industry was personified by a Seattle lawyer, W.C. Arnold, who moved to Alaska and became a spokesman in the fight against statehood. When the new state constitution took effect in Alaska in 1959, it immediately, effectively banned fish traps. It's believed 4 billion salmon were harvested in Alaska between 1896 and 1959 and most of them were trapped, not hooked.

One positive outcome of the 1959 ban was a dramatic jump in Alaska fishing jobs. That's because “fish traps” required relatively few employees to operate compared to the yield. The traps were capital intensive, not labor intensive. Which was one more thing the Seattle financiers liked, but the Alaskans hated.

In recent years, the Alaska salmon catch returned to similar volumes as were recorded at the peak of the canning industry.

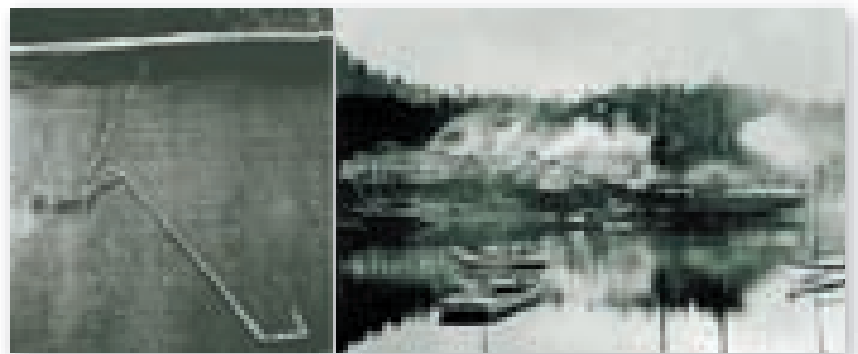
The Founder

Seattle population growth is one of best ways to measure the value of Brainerd's PR campaign. When the gold rush began, Seattle and Tacoma were close to the same size, but between 1897 and 1910, Seattle's population tripled, growing to 240,000. Its regional rivals grew too, but not nearly as much. In 1910, Seattle was twice the size of Tacoma and more than twice as big as Vancouver. But Brainerd's efforts paid off much better for his adopted city than for himself.

He succumbed to his own salesmanship and tried to strike it rich in the Yukon. Like most prospectors, he failed. Returning to Seattle he worked as an editor at the *Post Intelligencer*. In 1920 he became mentally ill. In 1922 he died in the state mental hospital.

He probably received no consideration for Seattle's “Man of the Century” award. Too bad. A pretty good case can be made that he should have won the darn thing. ■

Fish traps were elaborate, highly effective ways to harvest enormous volumes of spawning salmon.



This article is drawn primarily from the book, *Hard Drive to the Klondike: Promoting Seattle During the Gold Rush*, by Lisa Mighetto and Marcia Montgomery, 2002, published by the Northwest Interpretive Association in association with the University of Washington Press. The book is available at the Seattle branch of Klondike Gold Rush National Historical Park in Pioneer Square at 117 South Main Street.

Other sources include *The Battle for Alaska Statehood* by Ernest Gruening, University of Alaska Press, 1967 and *Frozen Embrace: Politics, Economics and Environment in Alaska*, by Stephen Haycox, 2002, Oregon State University Press.