Someone who maintains that the relations between government and business in the United States during the past century have been essentially fascist could find no better example than ocean shipping. Here we observe all the requisite elements of economic fascism: government-authorized and -supervised cartels, the semblance of private property rights without the substance, and the ever-present rationale of preparation for or actual engagement in warfare.

Because many ships historically have been capable of serving both commercial and naval or military purposes, the government always has had an interest in the ocean-shipping business—between 1848 and 1858, for example, the federal government paid three shipping lines more than $11 million in subsidies—but the government’s actions in relation to the building and operation of merchant vessels remained ad hoc and transitory prior to World War I. After enactment of the Shipping Act of 1916, however, the government became deeply and permanently involved.

The onset of war in 1914 created an immediate severe shortage of ocean-shipping services, which only grew worse with the passage of time and the sinking, diversion, or internment of ships. Shipping rates increased enormously. Treasury Secretary William Gibbs McAdoo, a leading Progressive, proposed as early as August 1914 that to alleviate the crisis the U.S. government should be authorized to regulate shipping rates and to operate competing vessels on its own account. President Woodrow Wilson strongly supported this plan, writing in September 1914, “The idea in the proposal is not that the government should permanently embark in these things, but that it should do the immediate and necessary thing”—a classic example of diving into quicksand.

The Wilson administration’s proposal met substantial opposition in Congress—Senator Elihu Root declared it to be “a measure of state socialism which, if established, will inevitably destroy individual liberty”—and both Wilson and McAdoo devoted much time and effort to gaining its approval. Proponents urged that the government’s merchant ships would serve also as naval auxiliaries and thus contribute to national security. In promoting the proposal McAdoo began to emphasize the national-security aspect, having learned from experience, he later wrote, that “people as a rule are far more interested in fighting, and in preparations for fighting, than they are in any constructive commercial or industrial effort.”

Finally, whatever had restrained Congress from projecting the government into the shipping business gave way before the combined weight of the extraordinary shipping costs, the lure of lucrative trading opportunities, and the growing national insecurity. After two years of politicking, spearheaded by Wilson, McAdoo, and their fellow Democrats in Congress, a shipping bill was passed.
passed, and the President signed it into law on September 7, 1916.

This law created the U.S. Shipping Board and empowered it to regulate the rates and practices of waterborne common carriers in foreign and interstate commerce and, through a subsidiary, to acquire, construct, and operate merchant vessels. The subsidiary, known as the Emergency Fleet Corporation, was created on April 16, 1917. During the war, executive orders, amendments to the act, and related legislation greatly extended the government’s authority over the ocean-shipping industry. Government agencies gained the power to acquire vessels by requisition, commandeering, and seizure; to assign cargoes and routes; to regulate not only shipping and shipbuilding but also the wages, hours, and working conditions of laborers in those industries; and even to build residential housing, stores, and transport systems for them. By the autumn of 1918 “government control of merchant shipping in American service was absolute.”

The Emergency Fleet Corporation’s shipyards had just begun to operate at a high rate when the war ended. Interested parties pressed the government to keep building, however, and it did so, in disregard of the long-term consequences, producing far more in 1919 than it had produced in 1918. Altogether, between 1917 and 1922, the government built more than 2,350 ships (hundreds of them nearly worthless wooden vessels) at a cost of more than $3 billion—approximately one-tenth of the entire financial cost of the war.

The shipping business remained depressed during the interwar years, however, and the government’s ventures incurred chronic losses, which the taxpayers had to cover. Many of the ships rested at anchor—rusting monuments to government ineptitude and waste.

No salvation lay just beyond the horizon, however. In 1936 a new Merchant Marine Act authorized the U.S. Maritime Commission to assume the Shipping Board’s functions and set in motion another round of government subsidies, ship construction, and cartelization. When World War II began, the War Shipping Administration took complete control of all private shipping operations, while the Maritime Commission plunged into a massive ship-construction program that dwarfed its World War I antecedent, then left the government at the end of the war in possession of a gigantic fleet of unemployed and, for the most part, unemployable vessels, including thousands of poorly constructed, slow-moving Liberty ships.

Statutes enacted in 1950, 1961, and 1984 repositioned deck chairs on the government’s shipping Titanic. Nowadays an independent regulatory agency called the Federal Maritime Commission oversees the cartels, while the Maritime Administration (in the Department of Transportation) channels taxpayer money into the pockets of favored parties by means of subsidies to shipbuilders and shipping lines, loan guarantees for construction and repairs in U.S. shipyards, and maintenance of the National Defense Reserve Fleet, among other boondoggles.

Ship Sale

The government now found itself in possession of thousands of ships no longer needed for composing, in the words of a wartime slogan, “a bridge of ships” across the Atlantic. The Merchant Marine Act of 1920 authorized selling the ships to U.S. firms on easy terms and provided for subsidies to private operators. It also approved the operation of government shipping lines. The shipping business remained depressed