Revenuers in Paradise: The Advent of United States Customs Regulation of the Hawaiian Trade

Roland L. De Lorme

When, in the words of one jubilant reporter, Hawaii joined “the sisterhood of states and territories amid a blaze of glory,” few dedicated customs officers could have shared in the enthusiasm. The law enforcement record of the far western territories was very poor; indeed, some observers charged that the conferral of territorial status, far from ensuring efficient administration, merely drew incompetent job-seekers into government service. California, Oregon, Washington and Alaska supplied a depressing abundance of examples of what one contemporary considered “the blacklegs and . . . carpetbaggers of the West.” An island group thousands of miles from major continental ports, furthermore, posed unusual and difficult enforcement problems. Finally, Hawaii’s reputation for adhering to any customs regulations was, to put it mildly, not the best.

Hawaii had been a chief beneficiary of the commercial invasion of the Pacific following publication of Cook’s findings. The traders who swarmed into the region found the Hawaiian Islands an ideal way-station and haven. Fur traders and whalers provisioned there, and for several decades in the early 19th Century the islands supported a brisk sandalwood trade as well. Of more lasting importance was the fact that Hawaii came to dominate the developing trade routes in the north Pacific. Traded there were whale oil and bone from the Kodiak, Japanese and equatorial whaling grounds, furs, flour, salmon, lumber and spars from the Pacific Northwest, and beche-de-mer, tortoise-shell, pearls and pearl-shell, edible birds’ nests and coral moss, as well as sandalwood from Hawaii and other Pacific Islands. Honolulu emerged as a base of operations in the trade between North America and Asia conducted by the Hudson’s Bay Company and other British, French and Russian

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interests. By far the most active were the New England traders, for whom Hawaii became a vital link in an earth-encircling commerce that tied Atlantic seaboard ports to the west coast of South America, California, Oregon and Puget Sound ports, Russian America, some of the Pacific islands, and China, India and sometimes Britain on the return voyage.4

By the time of Mexican independence, other American trading vessels had been committed to a relay system, sailing from Canton to Hawaii, from there to California, South American ports and on to the Atlantic seaboard, then back to Hawaii. Regular steamship connections augmented the sailing fleets. Honolulu became a port-of-call on the Pacific Mail Steam Navigation Company's San Francisco to Hong Kong run in 1866. By the mid-1880's, that run had been captured by Claus Spreckels' Oceanic Steamship Company, and Honolulu could boast both a semi-monthly steamer connection with San Francisco and a monthly service to British colonies "down under." Trade mounted steadily. Hawaiian Customs reported total annual imports valued at over $1.5 million in 1872—a total that would grow to more than $4.6 million by 1884. In the same years, exports grew from over $1.6 million to nearly $8 million. On the eve of United States annexation, the reported value of exports had risen to $16,021,775.14, that of imports to $7,682,628.09.5

The same advantages that accounted for her rapid commercial growth helped make Hawaii a major base of operations in the Pacific's contraband trade. In the strictest sense, much of the commerce of the Pacific in the early years was illicit, since the mercantilist doctrine of restricting trade to carriers of the mother country remained ensconced in trade regulations, if not actively enforced. Vessels visiting Spanish ports in the Pacific in search of provisions technically violated that nation's customs laws. Ships engaged in trading along the northwest coast of America without expensive licences from the moribund South Seas Trading Company broke British law. Russian attempts to ban trade in liquor and firearms in Russian America, and later Mexican, Canadian and American efforts to regulate and heavily tax trade items from the Pacific region, increased potential profit by increasing the risks, and drew many traders into smuggling. The unpopularity of tariffs and of the officials who sought to collect them, and the seeming futility of attempts at enforcing them, led to a tendency to ignore them altogether. A truly free trade developed, vigorously pursued despite the laws theoretically in force. At the center of that trade, seldom molested by the gunboats of the great powers, Hawaii was potentially a smuggler's paradise.6
The Pacific traders, as one writer has noted, "hung their consciences on Cape Horn as they went by." Whalers from New England often traded illegally along the coast of South America, then sailed for Hawaii to replenish their supplies before undertaking their primary mission. Many other ships that made Honolulu their home port sold contraband goods in the ports of North and South America. Dozens of small sailing craft from Vancouver Island and Puget Sound dashed to and from Hawaii, smuggling back valuable cargoes. Hawaii played a relatively small role in the transport of illegal aliens into the United States after the passage of the Chinese Exclusion Act in 1882, but served as a major port in the contraband opium traffic that assumed important proportions by the 1870s because of the large concentration of Chinese laborers already on the Pacific Slope.

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Her harbors prosperous and crowded partly because of such smuggling activities, Hawaii was not immune to the subversion of her own customs laws. European penetration of the Islands had erased much of the authority of the Hawaiian crown, and the westernized government that had taken shape in the 19th Century pursued policies crafted to facilitate expatriate development and posed no serious threat to the contraband traders. A handful of police and other public officials kept a lassitudinous watch on law enforcement. In Hawaii, where, as in some other Pacific ports, the waterfronts teemed with criminals, an insistence on strict adherence to the law could prove dangerous. An 1852 mob had burned down Honolulu's police station; brawls and riots were common occurrences in later years. Except for intermittent, missionary-inspired attempts to curb a thriving liquor trade, Hawaiian Customs, at least until the establishment of the Provisional Government, appeared to operate on the theory that their main task was to collect duties from honest traders at the principal ports, not chase smugglers among the Islands. Inter-island commerce, in fact, lay outside Customs jurisdiction until American annexation.

The only significant departure from this policy was forced by the public reaction against the massive importation of opium which accompanied the sugar companies' recruitment of Chinese laborers. The 1874 legislative session witnessed passage of a law prohibiting the importation or sale of opium except for medicinal purposes. Smugglers moved quickly to supply the Islands. Considerable official concern was expressed over the ensuing contraband trade, but enforcement staffs and tactics remained virtually unchanged. A growing number of political leaders advocated a licensing system as a remedy, and a measure so providing was finally adopted in 1886. Charges of graft in the franchise issuing
brought a reinstatement of prohibition the following year. A licensing system was introduced again in 1892, after widespread rumors of police and customs connivance in the renewed smuggling, but prohibition returned the next year with the onset of the Provisional Government.\textsuperscript{12} Thereafter, for the remaining years of Hawaiian autonomy, smugglers and Customs officers settled in grimly to an unending, inconclusive struggle.

The opium traders conducted their business with shrewdness and dash. They practiced most of the age-old tricks of the trade—the use of false manifests, caches at isolated locations, the camouflage of contraband as duty-free cargo—while taking advantage of favorable conditions in Hawaii.\textsuperscript{13} The Islands’ long stretches of unguarded sea coast were ideally suited to their purposes. Vessels disguised as sealers or freighters either transferred the opium to small boats and coastal traders or delivered it directly to waiting accomplices on beaches near the sugar plantations or villages where it was to be sold. The large and growing opium market in Honolulu was supplied by entrusting the contraband to crewmen aboard those ships that regularly visited there. Crewmen themselves carried it ashore in small quantities on their persons, or it was hidden in consignments of goods meant for legitimate businesses in the city. There is evidence that some of Honolulu’s “respectable” businessmen were parties to the smuggling.\textsuperscript{14}

Confronting the smugglers was a small, poorly-equipped Customs force that had been organized in 1843. From the beginning, it was a haole organization. At top strength, four men per watch guarded Honolulu harbor, which had been dredged and enlarged in the final years of the 19th Century and sometimes welcomed five entering steamers in a day. Token contingents were stationed at the Islands’ smaller ports: Lahaina, Kahului and Hana on Maui; Hilo, Kailua, Kealakekua, Mahukona and Honoipu on Hawaii; and Koloa, Waimea and Makaweli on Kauai. The Hawaiian Customs Department possessed several old row boats (and on one occasion rented a small steamer), but had no revenue cutter.\textsuperscript{15}

During the 1890’s, successive collectors-general attempted to improve enforcement procedures and conditions. Larger appropriations were sought to increase available manpower. A special fund was created for renting steamers for patrol duty and for employing investigators and informers in Victoria and Vancouver, British Columbia, and San Francisco, major trans-shipment centers for the processed smoking opium smuggled into Hawaii.\textsuperscript{16} The results were disappointing, however. The department’s contacts in British Columbia and California habitually sent warnings of suspicious vessels that reached Hawaii after the ships
had arrived and departed, and in one instance when a rented steamboat
was used as a revenue cutter, it carried a group of customs men and
police to a small cove that seemed a likely site for smuggling activities.
After a long wait, during which the surveillance forces accomplished
only the repainting of the hull of the hired steamer, they returned to
Honolulu. (The smugglers arrived at the expected time but used another
harbor.) Such efforts ended in 1897, and Hawaiian Customs returned
to the "laissez-faire" policies of earlier days.¹⁷

Contraband goods, particularly opium, continued to flow into Hawaii—
hidden in tin kettles, cases of apples, rifle cartridges and hams and
sausages, and slipped ashore at busy wharves as well as uninhabited
beach locations.¹⁸ Despite a few successful raids, Customs authorities
acknowledged defeat. "... An effective surveillance [is] the most
important branch of our work," the Collector-General had averred in
1893. "It remains the most inadequately equipped."¹⁹ A few months
before American annexation, the Collector-General pronounced his
department "inadequate to meet the most ordinary demands."²⁰

How would annexation affect the regulations of Hawaiian trade? Residences would wait nearly two years to find out. Although public
ceremonies honoring the resolution of annexation and the apparent
transfer of sovereignty were staged in Honolulu August 12, 1898,
Congress temporized in the matter of extending actual territorial status
and United States laws, including Customs laws and regulations, to
Hawaii.²¹ Thus President McKinley directed that the structure and
personnel of the Hawaiian Republic would remain in place until
Congressional action.²² A considerable amount of confusion resulted,
and some tried to profit from it.

Trading companies sought to make large-scale profits on goods taxed
at a lesser rate in Hawaii than in the United States by stockpiling them
at Honolulu before initiation of United States Customs regulation. Once
entered at the generally lower rates—the new Dingley Tariff of 1897
was, as Professor Taussig justly characterized it, "the outcome of an
aggressive spirit of protection"—the goods could be stored until territo-
rial status was fully established, then sold on the mainland as domestic
articles of commerce.²³ Merchants importing for the Hawaiian market
also increased their orders to avoid the higher American duties. Imports
from Germany in 1898, for example, grew by 82.4 per cent, those from
Great Britain by close to 49 per cent, from Australia, New Zealand,
British Columbia and Canada by more than 38 per cent. While the
American State Department's special agent in Hawaii, Harold Sewall,
urged his government to hurry the extension of federal customs control
to the Islands to prevent further revenue losses, some Hawaiian residents, angry about the increasing jurisdictional confusion, threatened suit against the interim government, insisting that with the transfer of sovereignty came a constitutional right to uniformity of tariff rates. 24

In the meantime, actual trade regulation in Hawaii, already at a seeming minimum, deteriorated still further. Engaged in a dangerous and costly battle against an outbreak of bubonic plague in Honolulu’s Chinese district, and with the prospect of losing all of the revenue from tariff duties as soon as territorial status took effect, the government of Sanford Dole drastically cut the Customs Department budget. The reduced overhead meant that Hawaiian Customs expended about seven cents for each dollar in tariff revenue, slightly over half of the cost of collecting American tariff monies. It also meant that the customs force was completely overwhelmed by shipping traffic. In addition to rapidly increasing commerce, Honolulu’s harbor was crowded with United States Navy vessels, for early in the war with Spain the War Department had decided to send all transport vessels bound for the Philippine Islands from San Francisco via Honolulu. Between two and three a week anchored there. Seventeen American warships utilized Honolulu’s harbor facilities during the war, as well. Under such conditions, Sewall informed Secretary Hay, it was “now impossible to prevent smuggling, and to protect merchandise on the wharves.” 25

When the Hawaiian Collector-General, Richard Ivers, resigned at the end of September, 1899, Sewall urged the McKinley administration to select a replacement wisely and to make it clear that the appointment issued from the President. 26 Sewall’s advice was acted upon, although Dole made the actual selection: Edward R. Stackable, who had emigrated to Hawaii in 1890 and had served in the Hawaiian government since 1894. Stackable was Hawaii’s last Collector-General. He remained to serve the United States Treasury Department as Collector of Customs for Hawaii through the first decade of territorial government. 27 There was little that Stackable or anyone could have done, under the circumstances, to assert firm control over trade and revenue in the Islands. Stackable did demonstrate considerable administrative talent in using his pathetically small resources efficiently and thus smoothing the transition to full territorial status.

Congress approved an enabling act for the Territory of Hawaii April 30, 1900; it took effect in Hawaii June 14, and with it, the United States Tariff Act of 1897. 28 Hawaiian Customs was transformed nearly intact into a branch of U.S. Customs. Honolulu remained the principal port-of-entry. Subports were established at Hilo, Mahukona and
Kahului. Just as Stackable remained in charge, so he was permitted to keep E. H. Bailey in his post as deputy collector. 29 Most of Stackable’s personnel stayed on, although one inspector, reviewing the list of official duties supplied by the Treasury Department, decided upon early retirement. “Owing to advancing life and infirmity,” he wrote, “it does not seem advisable that I continue connection with the Customs Service, when the change from former methods terminate.”

Staff members (and contraband traders) were soon reassured that, initially, little would be altered under the new regime. The annual visit of a revenue cutter provided no better surveillance than the previous reliance upon occasionally rented steamers. The coastal trade, unregulated before, remained unregulated, at least for vessels of United States registry. Hawaii’s prohibition on imports of smoking opium was replaced with a high tax, which also acted as an inducement to smuggling. 30 The fact that customs returns, which previously had accounted for the bulk of the Hawaiian government’s revenue, now were turned over to the federal government, probably reduced appreciably the zeal of officialdom and public alike in seeing tariff regulations carried out. Although commerce continued to increase—Honolulu was among the twelve busiest United States ports-of-entry by the beginning of the new century—the amounts collected in fines and forfeitures dwindled from only $87.00 in 1897 to nothing in 1899 and 1900. 31

Yet from the standpoint of those who favored improved trade regulations, the future did not appear wholly bleak. Hawaiian Customs had avoided the wholesale turnover in personnel that had been a common feature of other territories, and Collector Stackable utilized the still rather vague and incomplete civil service regulations to protect his staff from the pressures of the patronage system. If it was an exaggeration to claim, as one journalist did, that Hawaii’s territorial government stood among “the highest and purest form of public administration,” it was probably correct to characterize United States Customs administration under Stackable as deserving of “respect and confidence.” 32 In focusing his administrative energies on staff professionalism rather than on expensive anti-smuggling operations, Stackable was following the lead of mainland customs administrators who had concluded that absolute regulation in an age of high tariffs was an impossible, self-defeating objective. Of course, most of his predecessors in the Hawaiian Customs Department had followed a similar approach—tax and regulate those who obey the law, and waste as little effort and funding as possible in hunting down those who do not—but they had not had to cope with the territorial spoils system. 33

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Stackable's staff remained very small, and the cost of revenue collection, .073 cents for each dollar collected, was well below the Bureau of Customs average. Still, Customs receipts totalled about $1,200,000 or more annually between 1901 and 1905; the yearly total in fines and forfeitures climbed to $3,764.28 by 1905.\textsuperscript{35} At least temporarily, the emphasis on cost-effectiveness seemed to be working. It did so because the triumph of steam-powered vessels on the high seas and the consolidation of oceanic shipping into a few large companies reduced the number of independent trading vessels crowding into Honolulu and plying coastal waters searching for trade, legal or illegal. By the early years of this century, most of Hawaii’s shipping was conducted by deep-draught steamships that could visit only large, improved harbors like Honolulu’s. Even the inter-island trade was largely in the hands of the Wilder Steamship Company, which had merged with its chief rival, the Inter Island Steam Navigation Company, in 1905. Customs officials found it easier to work with representatives of a few large firms in attempting tariff enforcement.\textsuperscript{36}

Installation of cable communications with the mainland in 1903 and improvements in Customs Bureau organization and equipment in this period also improved the efficiency of such trade regulation as was attempted.\textsuperscript{37} Smuggling continued, of course, the eternal sideline of ships’ officers, crewmen and dock workers, and increasingly, the activity of entrepreneurs specializing in the high-risk, high-profit drug trade. But in the first years of the 20th Century, before the completion of the Panama Canal revolutionized trade routes, and before the momentous political decision that made Customs officers the enforcers of liquor and drug prohibition on an unprecedented scale, it appeared that all was well. Hawaii had survived, even benefitted from territorial rule. “Behind [was] the garland and the song; before [was] the whirr and rush of commercial life, a realization of Seward’s dream of Pacific empire, a sound of hoarse whistles and rushing wheels at the cross-roads of the ocean. . . .”\textsuperscript{38}

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1 HG, 15 June 1900, p. 1.


11 Letter, Frank B. McStocker, Deputy Collector, Hawaiian Customs Department, to S. J. Ruddell, Deputy Surveyor, United States Bureau of Customs, San Francisco, 23 June 1896, copy in letter-book 16, Customs Records, AH.


13 Since opium, like most drugs, brings a high return even in miniscule quantities, it can be profitable in amounts hidden in hollowed out bread and books, as well as in packages and casks surrounded by legal goods. Perhaps the highpoint in ingenuity was that practiced by Egyptian smugglers in 1939, who secreted zinc boxes of drugs.


15 Collector-General of Customs, Annual Report, 1897, pp. 7–8; Frank B. McStocker, comp., Hawaiian Tariff and Digest of Laws Relating to the Administration of Customs, Report to the Collector-General of Customs (Honolulu: Hawaiian Customs Department, 1897), p. 51; Auditor-General, Annual Report, 1898, p. 1; and letter, McStocker to G. H. Williams, 3 June 1896, in letter-book 16, all in Customs Records, AH. Also, inventory memorandum, Henry E. Cooper, Minister of Finance, to Harold E. Sewall, Special Agent of the United States, 24 January 1899, in United States Department of State, Dispatches from United States Ministers in Hawaii, 1843–1900, National Archives and Records Service Microfilm Publication T 30 (cited hereafter as T 30).

16 Collector-General of Customs, Annual Report, 1893, pp. 1–2; letters, Castle to S. M. Damon, Minister of Finance, 10 September 1894, to P. Crowley, Chief of Police, San Francisco, 23 May 1893, and to R. P. Rithot, San Francisco, 17 October 1894; McStocker to Major Isador Simon, San Francisco, 7 December 1894, and to George H. Williams, Victoria, B. C., 30 November 1895, in Customs Records, AH.

17 Letters, McStocker to Williams, 13 January and 24 May 1897, to J. J. Spooner, Chief Excise Officer, British Customs, Hong Kong, 22 January 1897; and J. R. Macauley to Castle, 13 April 1897, in letter-book 16, Customs Records, AH.


19 Collector-General of Customs, Annual Report, 1893, pp. 1–2, Customs Records, AH.

20 Ibid., 1897, p. 7. The report was not issued until early 1898.

21 Form letter, Cooper to all foreign emissaries, 8 August 1898, copy in T 30.

22 The President reserved the right to remove and replace government officers, but in practice relied, for the most part, on Dole’s recommendations. See letter, R. J. Tracewell, Comptroller, United States Treasury Department, to Secretary of the Treasury, 1 October 1900, copy in Governors’ Papers, AH.


24 Letters, Sewall to Hay, 26 January, 1 and 3 February, 13 March and 7 July 1899, and 5 March 1900, in T 30. The confusion was understandable. The American flag had been raised officially, after all, and the Hawaiian policy of permitting entry to Chinese laborers had ceased in the fall of 1899, when a United States Chinese Inspector arrived and presented his credentials. See letters, James W. Girvin, former Secretary, Chinese Bureau, to W. O. Smith, 12 January 1899; and Cooper to Sewall, 16 January 1899, copies in T 30.

Correspondence File (hereafter cited as ICF); letters, Stackable to S. DeFreest, 21 March 1900, copy in ICF, Customs Records, AH; E. A. Mott Smith to Sewall, 6 January 1900; Major George Ruhlen, U. S. Army, to J. A. King, Minister of Interior, Hawaii, 1 October 1899; and Sewall to Hay, 15 September 1899 and 2 March 1900, in T 30.

26 Confidential letters, Sewall to Hay, 5 September and 24 October 1899, in T 30.


28 Letters, Stackable to Dole, 29 April 1901, in Governors’ Papers; E. A. Hitchcock, Secretary of Interior, to Governor of Hawaii, 7 July 1900, in ICF, Customs Records, AH; and Sewall to Hay, 21 August 1900, in T 30.

29 Stackable, “Department of Customs,” pp. 63–64; letter, Stackable to Bailey, 8 June 1900, in ICF, Customs Records, AH.

30 Letter, W. Chamberlain to Stackable, 23 June 1900, and miscellaneous letters in ICF, Customs Records, AH.


32 HG, 31 July 1900, p. 2, 21 February 1902, p. 4, 6 May 1902, p. 4, and 30 December 1902, p. 6; also, Collector-General of Customs, Annual Reports, 1893–1900, passim.

33 For examples of Stackable’s resistance to political pressure in matters of appointment, see letters, Stackable to J. F. Clay, Olaa, 30 July 1900, in ICF, Customs Records, and to Governor Carter, 24 July 1906, in Governors’ Papers, AH. The Hawaiian Gazette’s editor credited Theodore Roosevelt with inspiring civil service adherence in Hawaii: HG, 20 June 1902, p. 4.

34 Former Treasury Secretary Hugh McCulloch, for many years an avowed protectionist, had reached this conclusion many years before. For his recollections, see Hugh McCulloch, Men and Measures of Half a Century (New York: Charles Scribner’s Sons, 1900), pp. x, 296. The contrast between Hawaii and some other territories in terms of the quality of customs leadership can be seen in De Lorme, “Liquor Smuggling in Alaska,” passim.

35 HG, 30 December 1902, p. 6; Hawaiian Annual, 1906, p. 64; letter, Stackable to Carter, 2 September 1905, in Governors’ Papers, AH.

36 Letter, Stackable to Carter, 7 August 1906, in Governors’ Papers, AH; Ralston, Grass Huts and Warehouses, pp. 15, 19; Kuykendall, Hawaiian Kingdom, III, pp. 102–107.


38 Mears, Maritime Trade, p. 8; HG, 15 June 1900, p. 4.