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James D. Dole and the 1932 Failure of the Hawaiian Pineapple Company

There are fewer case studies of entrepreneurial failure than of entrepreneurial success. The records of failed businesses usually do not survive. The Hawaiian Pineapple Co. is an example of a failed company where the records survived. In 1932 a new company was organized that acquired the failed company's name and assets. One of the assets was the brand name "Dole". Today "Dole" is one of the leading brand names in fresh and processed fruit and vegetables. The origin of the brand name is the eponymous James Drummond Dole, who founded the Hawaiian Pineapple Company in 1901, which is one of the predecessors of today's Dole Food Company, Inc. It is ironic that his name has survived as an international brand name because Dole lost control of his company in 1932, in what was the American Territory of Hawai'i's largest inter-war business failure. This article explores and analyzes the reasons for the failure of the Hawaiian Pineapple Co.

Dole migrated from his native Massachusetts to the Hawaiian Islands in late 1899 to take up the cultivation of coffee at a homestead settlement. However, at the time coffee turned out not to be a

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viable crop in Hawai'i so he switched to pineapples. Exporting fresh pineapples to the continental United States resulted in a high level of wastage in the era before modern refrigerated sea and air transportation. So Dole decided to process the fruit before it was exported. At the time fruit was often preserved in glass containers and one of his fellow pineapple growers at the settlement adopted this method of preserving his fruit. However, Dole chose to preserve his fruit in tin cans.[1] This proved to be a wise choice.

After incorporating his company Dole sought out investors. At this time Hawai'i's economy, society, and government was dominated by a business oligarchy that derived its fortune from the cultivation of sugar cane.[2] The oligarchy was very skeptical about the prospects of pineapple cultivation and canning. Two previous attempts to develop a pineapple canning industry in Hawai'i had been unsuccessful. So Dole had to raise the capital for his company from outside Hawai'i. Early investors included Sussman & Wormser of San Francisco and Joseph H. Hunt and August C. Baumgartner of Hunt Brothers Packing Co. of Santa Rosa, California.[3] Dole has sometimes been portrayed as an outsider. However, he was from the very beginning part of Hawai'i's business oligarchy. Sanford Ballard Dole, his second cousin, was the first governor of the United States Territory of Hawai'i, which had been established in 1900. Although his cousin did not invest in his business,[4] Walter F. Dillingham, the son of one of Hawai'i's leading businessmen, actively supported Dole's enterprise from the very beginning.[5]

During the first years of the industry the demand for canned pineapple in the continental United States grew quickly and several other entrepreneurs entered the industry. However, the Panic of 1907 in the continental United States resulted in a reduction in demand for Hawaiian canned pineapple. Dole was the prime mover in the industry's successful response to this crisis. An industry association was created to organize a cooperative advertising campaign in the continental United States to revive demand.[6] At this time Dole and the other canners had not developed their own brands. Most of their output was sold with wholesalers' brand labels such as "Sussman & Wormser." Demand for Hawaiian canned pineapple revived perhaps as a result of the advertising campaign.

Production rose steadily from 243,000 cases in 1909 to 1,775,000 cases in 1920.[7] During this period Dole invested heavily in cannery technology. The invention of the Ginaca machine was one of a series of notable breakthroughs at the Hawaiian Pineapple Co.[8] Although production had risen steadily in every year since 1909, Dole now faced a serious production constraint that could not be overcome by investment in technology or advertising. The industry was facing increasing difficulty purchasing or leasing additional land for pineapple cultivation. At the beginning of the 1920s, the Hawaiian Pineapple Co. produced 90 percent of its fruit on 10,000 acres of land owned or under lease to the company. The remaining ten percent came from independent growers under a sliding scale contract, based on the price of the canned product. In 1920 for the first time in the history of the Hawaiian Pineapple Co., another company, the California Packing Corporation, had achieved a higher output of canned pineapple. The company was in second place the following year.

Dole began a quest to acquire additional land in order to both meet the growing demand for canned pineapple in the continental United States and to regain first place for his company. In 1922, the company made an agreement with the Waialua Agricultural Co., a sugar plantation affiliated with Castle & Cooke, one of Hawai‘i's "Big Five" sugar factors, obtaining more permanent tenure of 4,000 acres of land that the company had leased before the war, and another 8,000 additional acres. In return for a 17 year prepaid lease and $1,250,000 in cash, Dole relinquished a one-third interest in the Hawaiian Pineapple Co. to the Waialua Agricultural Co. This gave Castle & Cooke representation on the pineapple company's board and a say in its direction. This was a major strategic error. Like the other "Big Five" sugar factors in Hawai‘i, Castle & Cooke used a web of interlocking directorships to ensure that the companies affiliated with it made purchasing decisions that favored each other. The "Big Five" had similarities with the Japanese *zaibatsu* [financial combine]. Dole was not prepared to accept the rules of the system he became part of in 1922. Castle & Cooke tolerated Dole's defiance during the 1920s when the Hawaiian Pineapple Co. was going from strength to strength under his leadership.

While this transaction was sufficient to regain first place in 1922 from the California Packing Corporation, the additional land would not meet the expected increase in demand during the remainder of the decade. So Dole was much more ambitious. The company also exercised an option using the cash from the Waialua transaction to purchase the island of Lānai from Henry A. and Frank F. Baldwin for $1,100,000. Lānai contained at least 20,000 acres of potential pineapple land out of a total of 89,000 acres. The deal was completed in December 1922, and the company began a huge development project, the transformation of a sparsely inhabited island into a pineapple plantation. A previous attempt around 1906 to develop a sugar plantation at Keamoku, opposite Lahaina, had failed. The company spent as much as $5,000,000 on the project between 1922 and the early 1930s.[9]

A windbreak five miles long was thrown up, and large gang ploughs and caterpillar tractors were set to work 24 hours a day, turning hundreds of acres of soil and preparing it for planting. The company's development project included the construction of two reservoirs at Ka'ihoelana, with a capacity of 3,390,000 gallons of water. The water was lifted 750 feet by electric pumps from the tunnels in the bottom of the Maunalei Gulch and carried to the reservoirs in six inch redwood pipe over a distance of 5,300 feet. Water was distributed through an elaborate pipe system to the pineapple fields. The company spent $1,500,000 on the construction of an artificial harbor which was named Kaumalapau Harbor. On the shoreline the company blasted cliffs and threw out a 30 feet long breakwater of 116,000 tons of rock obtained by breaking up and moving a rock face, 65 feet deep and 300 feet at its base, creating a harbor with a depth of 27 feet and a channel entrance of 65 feet. Ships tied up at a wharf constructed from 4,000 cubic yards of concrete. At the back of the wharf, a large open square was built surrounded by the harbor buildings. From the harbor, through the pineapple fields, the company laid a seven mile 20 foot wide macadamized road rising 1,600 feet to the plantation village of Lānai City.

Lānai City was built to house Dole's plantation employees. Within its boundaries were schools, churches, model playgrounds, baseball fields, a swimming pool, tennis courts, an auditorium, a cinema, and radio telephones. Lānai City was conceived of as a model village, and did indeed contrast favorably with the deplorable conditions in many of the sugar plantation villages.[10] Dole was a paternalistic Christian employer in the mold of the great nineteenth British Nonconformist businessmen. While he was opposed to labor unions, he was an enthusiastic welfare capitalist. This was undoubtedly the result of his father's influence. Charles F. Dole, was a member of an abolitionist family and a Unitarian church minister.[11] James D. Dole regarded as his greatest achievement

> . . . the *esprit de corps* and teamwork of the Hawaiian Pineapple Company organization that was built up during my leadership. With few exceptions this existed from bottom to top; so far as possible every man an individual, treated as such and paid as such as many different rates of pay as could be justified; my office door open to any employee; a non-contributing pension system inaugurated in 1920; a profit-sharing system that rewarded those and only those who could affect the profits and who could realize in advance and throughout the year the importance to themselves of the company's success. For others, different incentives . . .[12]

In practice, as has been the case with many similar model housing projects, Dole's employees found the village to be far from ideal. Plantation rules regulated almost every aspect of their lives. Dole's manager, Bloomfield-Brown, even decided what plants employees might grow in their backyards; the cultivation of vegetables was expressly forbidden. Bloomfield-Brown is alleged to have ruled Lānai "like a dictator." Lānai City was also effectively racially segregated. Dole's Asian and Native Hawaiian employees lived in small homes with no running water, no electricity or gas, and no inside bathrooms. Dole's white employees were separated from the rest of the workforce, and lived in palatial detached houses on what the other employees called "Snob Hill," a parody on San Francisco's pretentious "Nob Hill".[13]

Dole's Lānai project was a great operational success. By 1929 the Hawaiian Pineapple Co. was processing 50,000 tons of fresh fruit from Lānai, the equivalent of 1.5 million cases of canned fruit, more than one third of the company's total pack.[14] During the 1920s, the Hawaiian Pineapple Co. was the only one of the three major canners that produced for the private brand market. The California Packing Corporation and Libby, McNeill & Libby sold their product using their own brands, "Del Monte" and "Libby's" respectively. With such a large proportion of the Hawaiian Pineapple Company's annual pack being sold to private brand buyers, no promotional effort was put on the brand names owned by the company. The company had marketed its products under a number of different brand names, including "Diamond Head," "Outrigger," "Hawaiian Club," and "Paradise Island." However, by the 1920s production and consumer acceptance of the company's products had reached a point where it became commercially unsound to continue on this basis. The company decided that it was time to develop a single standard brand for its product. In a carefully devised plan, the Hawaiian Pineapple Co. began a national advertising campaign in April 1927. This was the first time the company had advertised its product independently of the Association of Hawaiian Pineapple Canners. Hundreds of thousands of dollars were earmarked for a campaign over several years.

The advertisements were centered on the brand name "Dole," which was stamped in bas-relief on the top of every can of pineapple produced by the company. This was a practice which had previously been adopted by California Packing Corporation during the World War I boom. It was another kind of cooperative marketing venture, in as much as it added to the selling force of "own brand" labels. In this period, pineapple was packed in three grades: fancy, choice and standard. The can tops were stamped "Dole 1," "Dole 2," and "Dole 3" to identify those grades. The advertising was designed to enable consumers to identify the Hawaiian Pineapple Co.'s products from other company's products, no matter what label the can carried.[15]

The advertising campaign was launched in a spectacular way. On May 25, 1927 James D. Dole offered $25,000 to the first flyer to cross from the North American continent to Honolulu, Hawai'i, in a non-stop flight. Dole, a member of the National Aeronautic Association, set up the competition four days after Charles Lindbergh successfully completed his solo flight across the Atlantic from New York to Paris.[16]

The competition was held on August 16, 1927. Four airplanes left Oakland Airport, California, bound for Honolulu. On August 17 the two prizes of $25,000 and $10,000 were won respectively by Arthur C. Goebel's "Woolaroc" and Martin Jensen's "Aloha." Unfortunately, these men's triumph over the "tyranny of distance" was marred by the fact that the other two competitors who left Oakland failed to arrive. Despite an extensive search by the United States Navy and one hundred sampans belonging to the Japanese American fishing associations of Hawai'i, nothing was ever seen of these two planes again. Indeed, to exacerbate the tragedy, an unsuccessful competitor in the "Dole

Race," who flew along the route taken by the competitors looking for the missing planes also disappeared and was never seen again.

The Dole Race highlights the difficult relationship between Dole and Hawai'i's business leaders. Martin Jensen, whose plane won the second prize for Hawai'i, had to mortgage everything he owned, borrow money on notes, and rely on charity to secure funds to enter the race. Although Hawai'i's business oligarchy expected to get hundreds of thousands of dollars of free advertising out of the Dole Race, as Dole put up the prize money, they showed no generosity to the Territory's own entry in the race. Neither the Honolulu Chamber of Commerce nor the Hawai'i Tourist Bureau contributed any money. Jensen's pilot, Paul Schluter, did not even have enough money to pay for his return trip to California. No steamship company was prepared to pay his fare, although the business oligarchy's steamship companies and hotels in Hawaii expected to benefit from the free advertising. Schluter's passage home was eventually paid for by Dole.[17]

This confirmed Dole's view that the business oligarchy was after "his scalp." Earlier in the year he had been involved in a public dispute with Lorrin A. Thurston, publisher of the *Honolulu Advertiser,* a leading member of the oligarchy. Dole had objected to the *Advertiser's* support for a legislative appropriation to the Tourist Bureau on the grounds that it was no longer an infant industry. He alleged that "Unfortunately for me *The Advertiser* did not take the same interest in the pineapple business in the early stages that it now takes in the Tourist Business!" Thurston strongly refuted the charge. He recalled that in the early days of the industry he had been attorney and adviser to James B. Castle, then the controlling owner of the Wahiawa Consolidated Pineapple Co. (Castle had also acted as Honolulu agent for the pineapple canner, Captain Cook Coffee Co., in the early twentieth century. His brother, William Richards Castle, had purchased W.W. Brunner's interest in the company around 1905.) Thurston was the representative of this company on the Hawaiian Pineapple Growers' Association committee, which under the leadership of Dole had initiated the first cooperative advertising campaign. Thurston was adamant that he had backed the advertising campaign to the limit.[18]

The Dole Race established a general sales momentum for canned pineapple. In 1928, the Hawaiian Pineapple Co. packed more than 3.2 million cases, sold them for just under $16 million, and earned a net profit of $2.8 million. During 1928, Robert I. Bentley, president of California Packing Corporation, visited Honolulu to discuss the possibility of a merger with the Hawaiian Pineapple Co. James D. Dole and his company's board rejected Bentley's terms as unsatisfactory.[19] Dole declared that the "Hawaiian Pineapple Co. is not making and has no intention of making any effort to sell out."[20] In retrospect, given what was to occur four years later, Dole should have accepted California Packing Corporation's cash offer. However, at that time Dole could not have foreseen the collapse of his company. He was still seeking to acquire even further production capacity—this time outside the United States in the British colony of Fiji.

In the late 1920s, the Fijian government was actively promoting the development of a pineapple canning industry in the colony. In 1928, the president of the Suva Chamber of Commerce visited Honolulu and attempted to interest the Hawai'i pineapple canners in the possibilities of developing the pineapple industry in Fiji. Sir J. Maynard Hedstrom, a colonial businessman in Fiji, met with the board of the Hawaiian Pineapple Co. in April to discuss his ideas regarding the growing and canning of pineapples in Fiji. He suggested that Fiji would be ideal for exporting to the British Empire and in particular Canada. As a result Dole and the board decided to send one of its directors, Kenneth B. Barnes, and two of its technicians, a plant superintendent, W.A. Cleghorn, and its chief engineer, S.T. Hoyt, to Fiji in late 1928, to consider the possibility of extending its growing and canning activities to the colony.[21] The Hawaiian Pineapple Co. subsequently took up an option from the colonial government of more than 60,000 acres for three years as an experimental stage on certain attractive concessional terms with regard to rent, commencing at the end of 1929.[22] In April 1932 the company decided to discontinue the Fijian project as of June 30, and not take up its land option from the Fijian government. The experiment had not been a success.[23]

After California Packing Corporation's cash offer had been rejected, the Hawaiian Pineapple Co.'s shares were listed on the New York Stock Exchange for the first time at the end of November 1928.[24] The company continued to face an expanding market for its products. In 1929 production was so short, that the company had prorate deliveries 15 percent below sales. Stocks on hand fell to a bare minimum. It was during this year that the company began a prolonged national advertising program featuring the can top concept.[25] On November 1, 1930 the Hawaiian Pineapple Co. began an advertising campaign in continental United States newspapers. This was the first time that the company adopted newspapers as an advertising medium. The company also increased its advertising space in magazines in 1931.[26]

The Great Depression of the 1930s had a delayed impact on Hawai'i's pineapple industry. Demand for canned pineapple in the continental United States did not begin to collapse until the second half of 1931. At the same time, Californian canners dumped their products on the market at below the cost of production. The result was a huge increase in inventories of canned pineapple and a collapse in the wholesale and retail price. In Hawai'i, as in the continental United States, the large canners had more resources to restructure than the small canners. Small canners in both Hawai'i and the continental United States went out of business. The large national canners, such as California Packing Corporation, increased their domination of the industry. Price cutting meant consumers could still purchase canned foods in essentially the same quantity as before.

Unlike in the continental United States, the Depression in Hawai'i proved to be relatively short-lived. Perhaps this was a reflection of the institutional structure of Hawai'i. Noel Kent argues that Hawai'i's business oligarchy sought to protect the Territory's existing socioeconomic structure during the 1930s. But he does not believe that this structure provided the Hawai'i's economy with the capacity to isolate itself from the Depression.[27] In fact Hawai'i's business leaders did succeed in insulating the economy from the worst effects of the Depression.

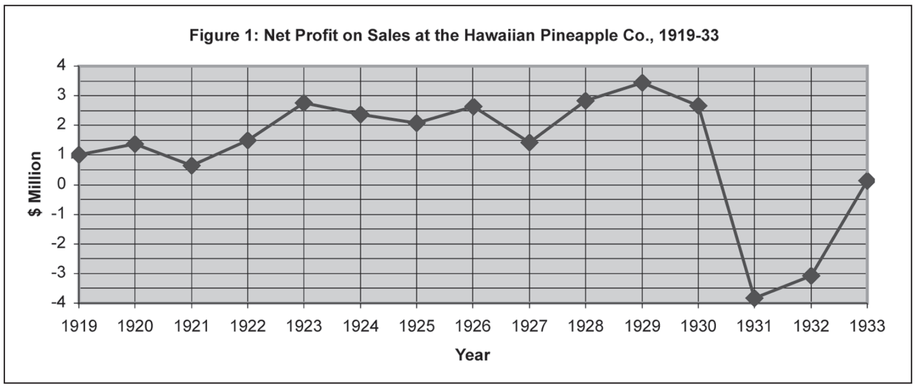
The sugar planters sought to adjust to the Depression by adopting three measures. The first was the repatriation of unemployed Filipino laborers. Thus they exported a significant part of Hawaii's unemployment to the Philippines. Unemployment peaked at estimated 6.9 percent and a year later was only about 3.0 percent of the civilian labor force, compared to 21.7 percent in the continental United States. The second was a reduction in their costs of production. The principal means of achieving this was to substitute machinery for labor. The third was economic diversification. The sugar industry diversified into pineapple canning.[28]

The immediate effects of the Depression for the pineapple industry were catastrophic. The cost of the Lānai project meant that Dole's company became financially over-exposed after the Great Depression began to adversely affect sales of their product in the continental United States. Between 1931 and 1932 the production of canned pineapple by the Hawaiian Pineapple Company fell by over 80 percent from 4,862,000 cases to 847,000 cases as can be seen in Figure 2.[29] The Hawaiian Pineapple Co. was already under severe financial pressure at the beginning of 1931. Figure 1 shows that the company posted a net loss of $3.8 million in 1931. In April, James D. Dole was forced to raise a $5 million loan. The loan was underwritten by a syndicate of banks and finance houses controlled by Hawai'i's business oligarchy, Bank of Hawaii, Bishop First National Bank, Hawaiian Trust Co., and the Bishop Trust Co., distributed through a continental group headed by the American Securities Co. of San Francisco and Pierce, Fair & Co.[30] This was to prove in retrospect a fatal error of judgment on the part of Dole, as will be shown below.

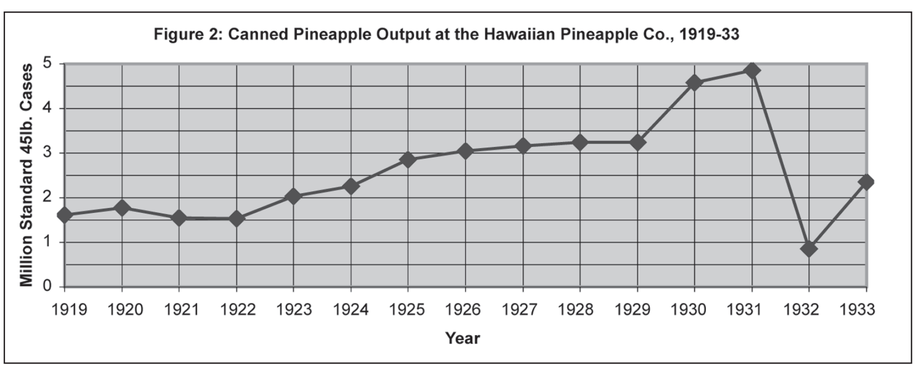
Dole sought to avert the impending crisis by adopting a "conservative financial policy."[31] One of the most important parts of this policy was the reduction of the excessive cost of shipping the company's product to the United States. Prince Kuhio, the Hawaiian Delegate in Congress, had observed in 1911 that the water transportation monopoly in Hawai'i helped explain why small industries did not seem to thrive in the Territory.[32] The Hawaiian Pineapple Co. had paid very little attention to this large component of their costs until after the beginning of the Great Depression in the continental United States in late 1929. However, it seems to be the case that shipping costs had been high throughout most of the history of the company.

During World War I, according to Dole, the Matson Navigation Co. maintained rates that under the circumstances were very low. So after the resumption of peace in November 1918, he was very reluctant to press them for a lower freight rate, or to force a considerable part of the movement of their goods back to their natural channel, which was by sea from Hawai'i ports to the large metropolitan centers on or near the East Coast. However, the matter was occasionally discussed by the board of the Hawaiian Pineapple Co., particularly as freight rates began to fall between the Pacific Coast and the Atlantic ports, thus leading to heavier shipments at low rates, of canned fruits and other competitive products from Pacific ports to the Atlantic.

During the 1920s the Hawaiian Pineapple Co. established the practice of shipping canned pineapples by the Matson Line to San Francisco, rehandling it in the port, and reshipping it from San Francisco to the East Coast by the inter-coastal shipping lines.[33] In 1924, for example, 83 percent of direct water-borne trade in canned pineapple between Hawai‘i and overseas ports was with San Francisco. Another



Sources: Moody's Manual of Railroads and Corporation Securities, No. 20, Industrial Section, 1919, New York: Poor's Publishing Co., 1919, p. 2888; Honolulu Stock Exchange, *Manual of Hawaiian Securities:* Statements of 1925, Honolulu: 1925, p. 99; *Moody's Manual of Industrials: American and Foreign Securities 1930,* New York: Moody's Investors Service, 1931, p. 1334; *Commercial and Financial Chronicle:* Vol. 136, No. 2, May 20, 1933, p. 3552; Vol. 137, No. 1, July 22, 1933, p. 699; Vol. 139, No. 1, August 4, 1934, p. 765.



Source: 1941 Western Canner and Packer Yearbook, p. 132.

5.8 percent was with other West Coast ports. Only 10.3 percent was with Gulf and East Coast ports.[34] This was an inefficient method resulting in increased damage to the goods caused by the extra handling. It entailed the payment of the full freight rate from Honolulu to San Francisco and the full rate from San Francisco to the East Coast ports. The freight rate for this reached a peak of $14.95 per ton, and was later reduced to $13.95 per ton.

The reduced profit margins on its products that followed the financial collapse in New York in the fall of 1929 resulted in a need for lower costs, which led the Hawaiian Pineapple Co. to give increasing attention to the desirability of taking advantage of the lower rates offered by shipping lines in the Pacific. It became apparent to Dole that the sugar planters were ahead of his company in this direction, shipping sugar from Hawai'i by the Isthmian Steamship Co., a subsidiary of the U.S. Steel Corp, to the East Coast at $7.5 per ton, later reduced to $7.

In 1929, someone forcefully drew Dole's attention to the fact that he was paying a price for cans based on a Honolulu price for tin plate, which was devised by adding to the f.o.b. [free on board] East Coast price the full combination freight rate by way of San Francisco. The same Isthmian Line ships were going through Honolulu with tin plate in their holds, which they were delivering in Japan at a freight rate from the East Coast of between $7 and $8 per ton. Dole accordingly, requested the American Can Co. to take up the matter with the U.S. Steel Corp. which immediately inaugurated a $9 freight rate from the East Coast to Honolulu.

The new $9 freight rate for tin plate and the increasing volume of sugar being shipped from Hawai'i at a low rate by this route caused Dole to give further attention to the subject. He took it up "very vigorously" with the Matson Navigation Co. over a period of many months, pointing out the necessity of direct shipment to the East Coast and lower rates between Honolulu and San Francisco. The Matson Line, after suggesting that they might be prepared to reduce the rate to $10, changed their minds, and decided not to take any action.

In February 1931, after weeks without any action, Dole took up the matter in person with E.D. Tenney, chairman of Castle & Cooke, and chairman of the Matson Navigation Co. (Castle & Cooke were the Honolulu agents for Matson). After outlining the problem, Dole asked Tenney to advise him as to the best course of action. Tenney replied that it was clearly Dole's duty to secure the desired freight rate for his stockholders if he could do it. He suggested that Dole ought to give Matson a chance at it. Shortly thereafter Dole received a communication from Matson, through Castle & Cooke, offering the Hawaiian Pineapple Co. an $11 rate to the East Coast, it being understood that Matson and the Isthmian Line would be working together.

However, Dole thought that the $11 rate was altogether too high under the circumstances. He did not feel that his company would be justified in accepting it. He was fully convinced that shipping conditions in the world were such that the Hawaiian Pineapple Co. could secure a rate of $10 or lower, even if he did not use the Isthmian Line. Dole decided to put the matter before the ten directors of the Hawaiian Pineapple Co., five of whom were also directors of Castle & Cooke. After a full discussion of the subject, and with no arguments following the example of the sugar planters in shipping to East Coast ports by the Isthmian Line, a motion was unanimously carried that the proposition on behalf of the Matson Navigation Co. be rejected. Furthermore, Dole, as president of the company, was given full authority to use his own judgment in negotiating a freight contract. However, Dole failed to note an important qualification "that the Matson Navigation Company are to participate in the agreement if such participation can be arranged without too great a sacrifice."[35]

In May 1931 Dole finalized a three year contract with the Isthmian Line in New York. It provided for the direct shipment of canned pineapple from Hawai'i ports to Gulf and Atlantic ports at a freight rate of $10 per ton, as compared with the former rate of $13.95. It represented a saving of $72,000 compared with the $11 quoted by Matson. Even taking into account Dole's assumption that direct eastern shipments would increase from 44 percent to 60 percent of the total, the saving was still only $96,000.[36] Dole was aware of the wider implications of this agreement. As he said,

> . . . it seems economically unsound to ship Honolulu-New York freight to San Francisco, break bulk and reload. . . The San Francisco aim is that Hawaiian freight should move via San Francisco, and take a rate equivalent to the rate from Honolulu to San Francisco plus the rate from San Francisco to the East Coast . . . The heart of the matter is that

> over a period of time the cheaper we can get out Hawaiian products to the people of the United States, the sounder is the economic structure of Hawaii. To this end we must constantly be at work.[37]

The Isthmian agreement was welcomed by many of the opponents of the business oligarchy that controlled Hawaii. The editor of the *Hawaii Hochi,* Frederick Makino,[38] regarded it as one of the most important recent developments affecting the interests of everyone in the Territory.

> The transportation tentacle of the Octopus which has held Hawaii in its grasp for so many years has been given a severe blow. It is writhing and twisting in a desperate attempt to renew its hold, but its suckers are loosening and slipping. Already a large share of the pineapple business has escaped from its clutches. Other shippers are threatening to follow the example of Jim Dole and break away from the monopoly . . .
>
> Jimmy Dole certainly started something when he slipped this one over the people who had been squeezing him on freight rates . . . Now [William P.] Roth [president of Matson] is frantically trying to repair the damage and prevent a stampede of competition that would free Hawaii from the grasp of the Octopus! . . .[39]

Unfortunately, for Dole, the businessmen who controlled the Matson Navigation Co. did not appreciate his unwillingness to accept their control over the Hawai'i's economy.[40] As the *Hawaii Hochi* had observed, in the 1920s Matson had secured a virtual monopoly of all freight and passenger shipping touching Hawai'i. By the late 1930s, Matson controlled over 98 percent of the freight carried to and from Hawai'i and the West Coast ports. This situation was the result of extensive advertising and the establishment of modern hotels and recreational facilities in Hawai'i, and in particular its inter-corporate relationship with the sugar industry of Hawai'i.[41] They had no wish to see the re-introduction of open competition and deeply resented being forced to respond to this agreement by reducing to within fifty cents of the Isthmian rate, their rate for shipments from Hawai'i to Atlantic and Gulf ports with San Francisco.[42]

After having made a net operating loss of $3.8 million in 1931, the Hawaiian Pineapple Co. made losses of $5.5 million during the first nine months of 1932. Dole tried unsuccessfully to raise a new $5 million loan in San Francisco in April. This provided the opportunity for the sugar factor, Castle & Cooke, a minority shareholder in his company, to force through a plan for the reorganization of Dole's company. Dole was deposed. The assets of his failed company were transferred to a new company in which Castle & Cooke had a 56.25 percent share, thus giving them majority control. The new company was placed under the leadership of Atherton Richards.[43] The *Hawaii Hochi* observed that the reorganization was praised by propagandists as an example of the care taken by the "local financial moguls" to protect the interests of the small investors in the company. However, as the *Hochi* correctly observed, in fact "it [took] Mr. Small Stockholder for a ride—and [left] him to walk home!" Small investors who could not afford to participate in the reorganization were left with stock in a shell company worth a small fraction of their original investment.[44]

It is clear that Dole had not expected Castle & Cooke to take this course of action.[45] As he despondently wrote in 1934,

> Apparently the conclusion of this contract with the [Isthmian Line] caused considerable stir, resentment and bad feeling in Honolulu. This is something I have never been able to understand. I think that the record . . . shows that my action throughout was clear, clean and that if any of the Castle & Cooke directors [on the board of the Hawaiian Pineapple Co.] sensed danger to the . . . [c]ompany in allowing me to do what they authorized their warnings should have been expressed at the time of the directors' meeting [of March 1931] either by their vote or by some word of caution.[46]

Castle & Cooke had also been worried that the Hawaiian Pineapple Co. might be purchased by a continental United States corporation. General Foods had offered to purchase the Hawaiian Pineapple Co. both in 1929 and in 1932.[47] The official history of Castle & Cooke later observed that "The idea of outsiders purchasing Hawaiian Pineapple [had] sent shivers up the spines of local business leaders, who prided themselves on the home ownership of practically every island industry."[48]

The editor of the *Hawaii Hochi* had predicted Dole's downfall several weeks before he was removed from control of his company. The editor, proved correct, observed

> . . . The interests of the territory . . . require that a firm doing local business on such a large scale as the Hawaiian Pines should be protected from any internal weakness of organization that might endanger its stability and affect an industry that furnishes support to thousands of people . . .
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> . . . At one time it is understood that Dole obtained considerable financial backing from transportation interests which expected to retain the bulk of the pineapple shipping business. But Dole has always been impatient of restrictions and risked the charge of ingratitude in the matter of the Isthmian contract and in the purchase of cement from Japan.
>
> The personal element does not enter into big business operations. If the policy of a firm runs counter to interests of powerful transportation groups they will use every means to force a change in that policy. Such an influence has undoubtedly been exerted in their reorganization of Hawaiian Pines, and Jimmy Dole seems to be the unfortunate victim. However much we may admire the initiative of the man whose persistence in the face of sneers and discouragement laid the foundations of Hawaii's second largest industry, we must recognize the industry he created is now of more importance than the man himself . . .[49]

Contrary to some accounts, Castle & Cooke did not seek to exclude Dole from any further role in the company that he had founded. They valued his invaluable knowledge of the canned pineapple industry. However, Dole refused to accept that he had lost control of his company and tried to continue to manage the company. In July 1934 the situation became intolerable after Dole submitted a report to the company making several allegations, including that the new régime was trying to discredit him. However, the Hawaiian Pineapple Co. believed that no such attitude toward Dole had existed.

> . . . Certainly no group could spend so much money in the enthusiastic advancement of Mr. Dole's name and at the same time do anything to disparage or belittle the person . . .

No organization the size of the Hawaiian Pineapple Co. could function with more than one executive head. Since Dole found it impossible to cooperate successfully with the man who succeeded him as head of the company, it was decided by the company that it was in everybody's best interests that he sever his relationship with the company as an executive officer. Dole was offered and accepted the position of consultant with a retainer from the company of $30,000 per annum when the net profits of the company for the previous year available to shareholders exceeded $2,500,000.[50]

After his dismissal as general manager of the Hawaiian Pineapple Co. in October 1932, Dole tried to find a new career in the continental United States. In July 1933 the Roosevelt Administration appointed Dole to the Agricultural Adjustment Administration (AAA) as Chief of the Food Division. Dole soon decided that he was not well-suited to the life of a government bureaucrat and not in sympathy with the New Deal. He tendered his letter of resignation in December of the same year.[51] Hawai'i's business leaders must have been horrified to learn a month earlier that Dole was being considered for the position of governor of Hawai'i.[52] After the AAA Dole became involved in a gold dredging venture in Ione, California. It produced mixed results. At the end of 1937 he returned to the food business with the formation

James Drummond Dole as a senior citizen, undated.
Dole Food Co. Inc.

of James Dole & Associates, this time with more success. This was a company organized to develop new products and processes.[53]

Dole provides a good example of what David Skeel has recently described in *Icarus in the Boardroom* (2005) as an "Icaran failure."[54] Dole was a talented risk-taker who overstepped his bounds. The very qualities that made him special—self-confidence and visionary insight—spurred him to take misguided chances. Dole was well aware that Hawai'i's economy was controlled by a business oligarchy and that those businessmen who defied it rarely fared well. His company kept scrapbooks with copies of all the newspaper articles about it—including the prescient ones from the *Hawaii Hochi* cited in this article. He would have been aware of the fate of the last major businessman who had challenged the oligarchy, Claus Spreckels.[55] Dole believed that he was a victim of the business oligarchy. In fact, as the article shows, he had recklessly sought to challenge the oligarchy's domination of the Hawai'i economy, despite being warned on several occasions not to do so. It is probable that he would have been able to refinance his debt if he had not challenged the oligarchy's hegemony. Furthermore, Dole believed that after losing control of his company, he was unfairly forced to sever all connection with it. The company's papers show that in fact the oligarchy tried to retain Dole's services as a consultant because of Dole's talent for innovation and the importance of the "Dole" brand. However, Dole continued to act as if he was still in control of the company. The new management found his attitude intolerable and reluctantly had to part company with him. It could be argued that some business leaders who have been in charge of a company for a long period of time—Dole led his company for 30 years—begin to believe that they are infallible. Both of Dole's two immediate successors as head of the Hawaiian Pineapple Co. had to step down in similar circumstances to Dole. Dole clearly failed to recognize that the senior executives of Castle & Cooke had different commercial objectives than his but were willing to reach a compromise. It is somewhat ironic that the new Hawaiian Pineapple Company's strong revival during the remainder of the 1930s had much to do with the visionary Dole's investment in the development of a new product, pineapple juice, and proposals for new kinds of advertising in the years immediate to his downfall.

* * *

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