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Property as a pillar of oil-based capitalism: the case of the Southern Pacific Company in Southern California, 1865–1926

Jason Cooke

Department of Geography & Planning, University of Toronto, 100 St. George Street, Room 5047, Toronto, Ontario M5S 3G3, Canada

Abstract

Focusing on the energy history of Southern Pacific Company in Southern California between 1865 and 1926, this paper emphasizes the resilience of private property as a pillar of oil-based capitalism in the United States. As the western segment of the first transcontinental railroad, and as a consequence of land grants provided by the federal government, the Southern Pacific emerged at the turn of the twentieth century as the largest private owner of proven oil territory in California. Based on this ownership, the Southern Pacific became a major producer, consumer and transporter of oil-based energy in Southern California. Even when the federal government threatened this ownership as part of a strategy to conserve fossil fuels in the first two decades of the twentieth century, the rights of private property remained firm and continued to reinforce the dominance of the Southern Pacific as a major regional developer of oil-based energy. This article contributes to existing literature on the political economy of fossil fuels by emphasizing how the durability of private property has culminated in a strong inertia that sustains the dominance of oil-based capitalism.

Keywords: Railroad; Oil; Private property; Energy system; Southern California

Without question, the railroads were the ‘first modern business enterprises’ that facilitated the emergence of industrial capitalism in North America.[1] Indeed, the decades following the Civil War were a period of intensive railroading across the United States, culminating with the building of the first transcontinental transportation network in North America. According to historian Richard White, ‘these railroads formed a lever that in less than a generation turned western North America on its axis so that what had largely moved north–south now moved east-west.’[2] As part of a strategy to facilitate the rapid settlement and development of the western frontier, the federal government of the United States assumed an active role in the building of the first transcontinental system by providing generous subsidies of land and capital to the companies involved. As the western segment of the first transcontinental system, and as a consequence of land grants provided by the federal government, the Southern Pacific Railroad became the largest owner of private property in California.[3]

For the first transcontinental railroads, energy was a major consideration in a competitive transportation business that was dependent the implementation of corporate strategies to maximize operational efficiency. Although the earliest regional railroads in North America burned wood in their fireboxes to generate steam, an eventual transition to coal demonstrated the superior capacity of fossil fuels as concentrated stocks of chemic energy that could be unleashed through combustion. The concentrated energy of fossil fuels made transcontinental railroading possible. However, the lingering problem with fossil fuels is that they are not evenly distributed across geographic space. In Southern California, the Southern Pacific Company faced the challenge of operating competitively in a region where coal was scarce and increasingly expensive to import in the latter decades of the nineteenth century.[4] The development of regional resources of oil-based energy became the solution to this problem.

E-mail address: cookej@geog.utoronto.ca

[1] A.D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business*, Cambridge and London, 1977, 81–121.
[2] R. White, *Railroaded: The Transcontinentals and the Making of Modern America*, New York and London, 2011, xxiv.
[3] R.J. Orsi, *Sunset Limited: The Southern Pacific Railroad and the Development of the American West*, Berkeley and Los Angeles, 2005, 17–21.
[4] J.C. Williams, *Energy and the Making of Modern California*, Akron, 1997, 121–126.

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The energy history of the Southern Pacific Company in Southern California emphasizes the resilience of private property as a pillar of oil-based capitalism in the United States.[5] The distinction between the rights of private property to land on the surface and the rights to claim ownership over subsurface minerals is critical to this analysis. In most regions outside of the United States, the rights of private property do not extend to subsurface minerals, which remain under the ownership of the state. Private capital has to negotiate with the state in order to gain access to oil and other valuable mineral deposits.[6] In the United States, by contrast, the institution of private property is inclusive of subsurface mineral rights unless those rights are explicitly separated by a deed restriction.[7] In the second half of the nineteenth century, a national policy was instituted in the United States that gave the first transcontinental railroads the right to claim ownership over alternating parcels of property along their right-of-ways provided that the lands selected were not known to contain subsurface mineral deposits (other than coal and iron, which were used as construction materials by the railroads). Any mineral deposits discovered (and extracted) after the transfer of ownership were considered to be the private property of the railroads.[8]

By selecting lands where petroleum was eventually discovered, the Southern Pacific emerged at the turn of the twentieth century as the largest private owner of proven oil lands in Southern California.[9] Focusing on the period between 1865 and 1926, this article examines how the Southern Pacific Company used private property to control (and profit from) the emerging regional market for oil-based energy. Based on the private ownership of extensive oil-producing territory, the Southern Pacific Company became a major developer of oil-based energy in Southern California. Even when the federal government threatened this ownership as part of a strategy to conserve fossil fuels in the first two decades of the twentieth century, the rights of private property remained firm and continued to reinforce the influence of the Southern Pacific nexus as a major producer and consumer of oil-based energy.[10]

With a case study of the Southern Pacific Company in Southern California, I argue that private property needs to be understood as a consistent and foundational element of the historical and geographical inertia that sustains oil-based capitalism in the United States. In general terms, the concept of inertia refers to the factors, circumstances and conditions that align to obstruct and impede the transition from one state of affairs to another. When applied to the historical development of fossil fuels, inertia refers to how the dominance of oil has been sustained and made increasingly resilient through the dynamic coproduction of energy, landscape, political economy and environment. 'Modern societies as we have known them could not operate without ample and diverse supplies of energy,' argues historian Jay Hakes, 'suggesting the story of our major fuels can hardly be ignored in any attempt to understand American history.'[11] In North America, over 150 years of urban and industrial development has resulted in a strong inertia that has culminated in a critical dependence on nonrenewable resources of fossilized hydrocarbons. As the backbone of the capitalist mode of production, the institution of private property has always been foundational to the commodification of oil-based energy in the United States.

This article is divided into four sections. In the first section, I assume a historical materialist approach to explain how the concept of private property holds potential for gaining insight into the strong historical and geographical inertia that sustains the dominance of oil-based energy. After emphasizing the foundation of private property, the second section examines how the allocation of federal land grants in the second half of the nineteenth century was an essential precondition for the emergence of oil-based energy in Southern California. Based on the ownership of extensive oil-producing territory provided by the federal government, inclusive of subsurface mineral rights, the Southern Pacific was in a unique position to undertake the development of oil-based energy in a region where coal was scarce. In the third section, I examine the initiatives of the Southern Pacific Company as a major producer and consumer of oil-based energy in Southern California. In the fourth and final section, I explain how the institution of private property represented a significant barrier to efforts made by the federal government to reclaim ownership of valuable oil-producing lands from the Southern Pacific in the first two decades of the twentieth century. As will be illustrated in this case study of the Southern Pacific Company, the durability of private property has culminated in a strong historical and geographical inertia that has sustained the dominance of oil-based capitalism.

This research is based on qualitative analysis of primary source documents. In addition to company records and industry journals that provide insights into landholdings and corporate assets, court documents that detail the lengthy legal struggle between the Southern Pacific and the United States federal government are used to emphasize the resilience of private property as a foundation of oil-based capitalism. During these proceedings, company executives revealed under oath that the 'oil records' of the Southern Pacific Company were destroyed during the 1906 earthquake that ravaged San Francisco. Accordingly, these court documents provide an invaluable source of information on the oil production activities (and landholdings) of the Southern Pacific Company in the first three decades of the twentieth century.

Private property, energy systems and the inertia of fossil fueled capitalism

From the perspective of historical materialism, one of the most important rights of private property is the ability of owners to assume exclusive control over an object of value. The capitalist social order is predicated on the separation of labor from the core forces of production. In the case of land, the institution of private property protects the exclusive rights of owners to generate rents through the extraction of natural resources. In the United States, the rights of private property are even inclusive of subsurface mineral rights.[12] 'Private property in land, like the merchant's capital and usury,' argues David Harvey, 'is as much a perquisite as a product of the capitalist mode of production.'[13] In a capitalist society, the

[5] There is no formal geographic definition of 'Southern California'. However, for the purposes of this article, Southern California is defined as all states below the thirty-sixth standard parallel, including all of Kern County. This definition is consistent with the popular use of the term.

[6] G. Bridge and P. Le Billion, *Oil*, Cambridge and Malden, 2013, 38–39.

[7] B. Mommer, *Global Oil and the Nation State*, Oxford and New York, 2002, 48–64.

[8] P. Sabin, *Crude Politics: The California Oil Market*, Berkeley and Los Angeles, 2005, 20–23.

[9] Orsi, *Sunset Limited* (note 3), 17–21.

[10] Sabin, *Crude Politics* (note 8), 20–23.

[11] J. Hakes, Introduction: a decidedly valuable and dangerous fuel, *The Journal of American History* 99 (2012) 19–23, 19.

[12] Mommer, *Global Oil and the Nation State* (note 7), 48–64.

[13] D. Harvey, *The Limits to Capital*, London and New York, 2006 [1982], 344.