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INVENTING SAN DIEGO

What is the matter with San Diego? Why is it not the metropolis and seaport that its geographical and other unique advantages entitle it to be? Why does San Diego always just miss the train, somehow?¹

It was with some justice, back in 1923, that San Diego's preeminent business leader John D. Spreckels chided earlier generations of city builders for their sincere but ineffective efforts. Even a casual observer at the time, however, would have noted how dramatically circumstances had changed for the better in just the past few years. In fact, the city and its economy had grown prodigiously after 1913 as a new development strategy gradually gained traction. During the first two decades of the twentieth century, San Diego emerged as a player of note on multiple stages—California, the nation, and the Pacific Rim. After more than fifty years of frustration, indeed failure, to put their town “on the map,” San Diegans had at last invented a means of urban development for themselves that worked. They had found a way to harness the limited, problematic resources endowing their region such that they could now attract investment, in-migration, industrialization (of a very peculiar kind, to be sure)—in short, most of the trappings of modern urban growth.

What San Diegans of the nineteen-teens and twenties had wrought remains largely visible today: an attractive seaport city well-appointed with desirable amenities for business and tourism; a large military presence; impressive institutions devoted to culture, the arts, and higher education; a beautiful outdoors-oriented environment that includes beaches, bluffs, mountains, and desert; and a sprawling, bustling urban/suburban presence. Beneath that surface, though, lies a complex process of successive reinventions: Contemporary San Diego is a product of a distinctive pattern of evolutionary development, the investigation, interpretation, and understanding of which might provide valuable insights for engaged citizens in cities across the United States in search of new opportunities for progress.

San Diego of course suffers from the same kinds of urban problems found almost anywhere, including economic inequality, ethnic and racial tensions, government corruption and fiscal mismanagement, decaying infrastructure, congestion, and pollution, to name the most prominent. Despite these, the city has still found a way to maintain its reputation as a relatively bright spot on the map, even in the face of major crises. Since the global economic downturn that began in 2008, for example, San Diego has managed to steer clear of many of the difficulties that have mired other cities in gloom. According to federal statistics, San Diego's overall economy "not only continued to grow in 2008, but the pace of expansion accelerated," even "as the rest of California and the nation significantly slowed."² The U.S. Department of Commerce's Bureau of Economic Analysis attributed this feat to three factors: First, federal military spending and defense procurement—longtime anchors of the local economy—increased; second, the rebuilding activities that followed a series of horrendous wildfires during the previous year generated considerable economic activity around the city and county; and third, professional and business service industry groups contributed greatly to the city's strong performance, offsetting declines in other sectors such as real estate and trade, both wholesale and retail.³

A closer look at two of those areas in particular reveals a great deal more about the invention and reinventions of San Diego's economy, political as well as otherwise. The federal component included not only increasing military payrolls, retirement benefits, and activities of the Veterans Administration, but also aerospace manufacturing and shipbuilding. Of greater significance was growth in the information sectors, which encompass "professional and business services, educational and health services, leisure and hospitality and government services." The public sector alone contributed 17 percent to the region's GDP (gross domestic product), a much higher percentage than anywhere else in either the state or the nation. A long history behind that is one of the themes this book will explore in greater detail in the pages that follow.

Before traveling back in time, it will be useful to examine today's San Diego and the pillars that support its civic culture and political economy. Although the statistics enumerated in the following discussion may at first appear to be nothing more than straightforward economic indicators, they demonstrate something more profound about the nature of the community and its identity—issues hard fought and won over generations.

Many people from outside the region identify San Diego first and foremost as a prime vacation destination. The beaches, world-famous Zoo and Safari Park, Sea World, resorts to accommodate any taste or budget, and myriad other attractions

bring visitors to San Diego by the tens of millions each year.⁴ Their economic impact on the city is tremendous: The “visitor industry” contributes nearly 10 percent of the gross regional product (GRP), or \$17.1 billion in 2011, and employs 160,000 workers; the transient occupancy tax alone adds \$177 million to the city’s coffers. Tourism is in sum the city’s third-largest source of income. Second largest, as already noted, is government, composed of activities and income derived from state, federal, local, and military agencies. San Diego is perhaps equally well known as a Navy town, a reputation that began to emerge during the World War I era and that, we will argue, became the city’s predominant and most durable signifier ever after.⁵ The total economic value of the military in the San Diego region amounted to \$22.3 billion in fiscal year (FY) 2007, or 8.3 percent of GRP, which represents a combination of highly diversified direct and indirect spending. In and around the city reside fourteen major Navy and Marine Corps installations, dozens of tenant commands, 107,800 sailors and marines, and tens of thousands more military family members. The Department of Defense (DOD) employs 19,600 civilians in San Diego (down from 24,000 a few years earlier). Military retirement and disability benefits (267,000 veterans live in San Diego County) bring \$1 billion a year to the region, plus another \$1.1 billion from “direct payments to individual veterans; spending, salaries, and contracts to administer the VA; hospital, nursing care, and other grants; and guaranteed and insured home loan programs.”⁶ And all this comes before accounting for DOD-administered procurement contracts performed in San Diego by local businesses and other major defense contractors such as Northrop Grumman and Science Applications International Corporation (SAIC)—these amount to 52 percent of DOD revenues in San Diego County. Looking beneath the surface of the aggregate figures, however, reveals an issue that defines the heart of this book. As the *San Diego Economic Ledger* has noted,

Professional, scientific and technical services now dominate San Diego’s defense industries, supplanting aerospace and shipbuilding, which led the local defense industry for much of the past century. . . . The Defense Department is focusing more on high tech equipment and weaponry that can be used to fight insurgents in places such as Afghanistan, and spending less on fighter jets and other large weapon systems designed for more conventional wars. “Technical services” in San Diego with military applications are led by computer programming, engineering, and other scientific research and development.⁷

In other words, while the artifacts of San Diego’s invention remain highly visible and essential to local identity and economy—the ubiquitous warships, fighter planes, uniformed servicemen and -women, and military bases—the real attributes

of the city's reinventions have become even more important. And these facts refer only to the defense-related elements of San Diego's knowledge industries, while the nondefense technology sector endeavors, involving the life sciences, software, and communications, are nearly as important. San Diego hosts 6,023 technology companies (as of 2010), which generate 20.8 percent of the county's total payrolls, at remarkably high rates of pay. The *San Diego Economic Ledger* pointed out, moreover, that the 138,800 tech jobs produced a huge multiplier effect, which "indirectly accounted for 103,000 more jobs and induced another 120,400 local jobs."⁸ Defense and civilian high-tech manufacturing have experienced astonishing advances during the past few years, in part a result of increasing value-added mechanization and fewer but more highly skilled workers, whose productivity has grown by \$1.2 billion between 2009 and 2011.⁹ And as they have engaged in the wars against cancer and other devastating illnesses, San Diego's health research institutions have gained world renown in their quest for cutting-edge treatments.

In a similar vein, the educational and health services component of the information sector has expanded recently despite the Great Recession, although local economists have noted its gains have "lagged the rest of California and the nation."¹⁰ The city's great public institutions of higher education, San Diego State University (SDSU) and the University of California San Diego (UCSD), have suffered massive cuts in their share of the state budget; even so, UCSD in 2012 was ranked fifth in the nation for annual federal research and development spending, and its research faculty includes numerous Nobel and Pulitzer prizewinners, members of the National Academies, and recipients of MacArthur Foundation "genius grants." With regard to the health industry, San Diego's hospitals and health care providers rank among the county's largest employers—106,000 workers—and receipts from operations generated \$10.9 billion in income in 2007, or 9.3 percent of the county's total economic activity.¹¹ San Diego during the past twenty-five years has built five new clusters of technology-based companies, which today include fifty research institutes, 600 action sports companies, 600 life sciences companies, 1,100 wireless and software companies, 250 energy and environmental companies, and 300 defense and security companies—an astounding record of growth in a very short span of time.

While these facts and figures present a picture of San Diego's economic endeavors that is both rosy and biased, some salient conclusions nevertheless emerge. First, all of these industries have deep and persistent sociocultural roots in the community, and all were present to a significant degree in the invention of modern San Diego that occurred at the turn of the twentieth century. With the exception of tourism, they may have appeared in a different form back then; for example,

early experiments in aviation represented the high-tech sector, while the city's reputation as a health resort was once based on at least some notorious quackery. Institutions of higher education and scientific research were dreams that San Diego's turn-of-the-century leaders worked hard to conceive, gestate, and birth, although they didn't mature until decades later. Thus the military element was the one that really took off first and formed the core of the city's civic culture and political economy. Second, the role of the national government, in particular its capability and willingness to fund these endeavors in whole or in part, was always a key to San Diego's twentieth-century development. Third, given the nature of the undertakings in combination with federal underwriting, these activities were all at least to a degree immune to economic downturns, which meant that San Diego rode the nation's political/economic roller coaster somewhat securely during times of depression and recession as well as during war and peace. This is not to say that such security came comfortably or easily: It required several massive reinventions along the way, although more in the form of evolutionary change rather than Schumpeterian "creative destruction." Fourth, all the elements of San Diego's development depended on the natural capital of the region, as limiting as some of the region's natural assets always were. San Diegans, however, saw opportunity in the environment and found particular ways to modify it and harness it to their needs while protecting and preserving some of its most precious attributes. Finally, we must credit the city's lively human capital—its visionaries, its political and business leaders, its ordinary citizens. Some saw the region's potential, others engineered it and made it work, and others supported it with their votes, their tax dollars, their labors, and their enthusiasms. These ideas encompass precisely what we mean by the terms *civic culture* and *political economy*—how citizens identify their needs and wants, how they marshal the necessary resources, and how they generate the social capital and political will to make the pieces fall into place, over and over again.¹² That is the story of San Diego we propose to illuminate.

SAN DIEGO AND OTHER "PIONEER CITIES": EARLY ADVANTAGES OF PLACE

To bring San Diego's socioeconomic history into sharper focus, a brief look at three other pioneer cities that were founded during the same era as San Diego, but emerged as thriving centers of activity much earlier, will prove instructive. It will demonstrate how civic entrepreneurship has made creative use of natural resources to generate distinctive economic outcomes. St. Louis, Missouri; Detroit, Michigan; and Chicago, Illinois present valuable insights, whether in contrast or

similarity to what occurred in Southern California during the latter half of the nineteenth century.

The four cities shared some remarkable similarities during the early period of their development. They all required copious boosterism to help them take off;¹³ they all required significant alterations to the natural landscape for the sake of productivity and transportation infrastructure (often financed and executed by the state and/or federal government); they all rode the same boom–bust roller coaster that characterized the American economy during the nineteenth century; and they all took great advantage of technological progress to build their individual urban economies, undertaking major programs of innovation at strategic moments. Moreover, these cities' civic cultures during the early years were all imbued with what their boosters liked to call the frontier or pioneer spirit because they all perched at least for a time at the edge of American civilization as they sought to establish themselves as successful, permanent urban places. Their initial periods of urbanization occurred between the 1810s and 1830s, following the opening of the Northwest Territories after 1789 and Louisiana Purchase (1803) with the subsequent movement of American settlers into the Ohio and Mississippi River valleys. All three places had attracted the attention of colonial explorers and traders long before the onset of serious trans-Appalachian migration. Their town sites were all claimed or founded by French voyageurs: Chicago as early as 1673–1674, Detroit in 1701, and St. Louis in 1763. (Spanish explorers/conquistadors had visited San Diego in 1542 and 1602, but the first Spanish colonizers didn't arrive there until 1769.)

According to Robert Spinney, most of the several hundred newcomers to Chicago in the early 1830s were “Easterners looking for a fresh start and cheap land in the west,” as was the case for a majority of the migrants during this period of intensifying westward movement.¹⁴ They dreamt first of successful subsistence farming, but before long they began to eye the growing market economy of what by then had become known as the “Great West,” an urban phenomenon inseparable from the agrarian experience. As Howard Chudacoff and Judith Smith have pointed out, though, “Cities accompanied and even preceded the western frontier, acting as commercial outposts and depots from which settlement radiated.”¹⁵

For settlers, the commercial possibilities of early Chicago, Detroit, and St. Louis far outweighed the creature comforts available at the time. By all accounts, these places were physically inhospitable, especially in winter, and they lacked all the basic amenities of civilization. Their geographic locations, however, suggested bright futures for adventurous entrepreneurs who had the fortitude (and capital) to endure some substantial hardship. Indeed, all three settlements enjoyed strategic

locations at natural breakpoints on centuries-old transit routes that positioned them well to generate and capitalize on future commercial development. Such was apparent to French explorers in the Chicago area in the 1670s and 1680s who, despite the lakeside area's cold marshiness, understood its value as a crossroads, soon to be exploited by European fur trappers and traders. As early as 1682, the French voyageur Robert Cavelier Sieur de la Salle predicted that the site would someday be "the gate of empire," and "the seat of commerce."¹⁶

Chicago's position on the southern shore of Lake Michigan and its proximity to a mini-continental divide connected it to the Mississippi River Valley and the great river's outlet at New Orleans as well as to the Great Lakes system, engendering a huge potential for waterborne commerce within a vast region of the continent; once the Erie Canal opened for business in 1825, it connected the lakes to the Hudson River and New York City and to the whole universe of Atlantic trade. Despite those advantages, the nonnative village that began to emerge at "Chigagou" (the "place of wild garlic") after 1750 seemed to have little to offer its pioneers for generations to come. A report prepared by mineralogist William H. Keating for the U.S. Army Corps of Engineers in 1823 noted the wretched condition of the climate, soil, scenery, commerce, and housing; in short, it was a place that offered "no inducement for the settler." Even its perch on the lake appeared to be of scant value, its potential as a harbor yet undeveloped and perhaps undevelopable. As such, "it must ever prove a serious obstacle to the increase of the commercial importance of Chicago."¹⁷ In 1830, fewer than 100 people lived there.

Central to Chicago's evolution from frontier outpost to capital of the Great West, as William Cronon put it, were "the connections and disconnections between city and country, consumer and producer, humanity and nature," shaped by those who saw and seized the opportunities to build, inhabit, and benefit from the great gateway city. As agricultural productivity grew along with the settlements that supported them, Chicago's early city builders had to make huge, expensive alterations to the landscape for the city's merchants to take good economic advantage of the hinterland. This in turn depended on "cheap lake transportation to the east" as well as strong and extensive ties with the American northeast. Here, according to Cronon, emerged a winning combination of human and geographic determinism. Because they couldn't lower the troublesome water table to eliminate the ubiquitous swampiness, they raised the city above it. To connect the city with the countryside, they built roads and dug canals, all difficult and costly to finance, which "brought striking changes to the regional economy," in particular by expanding Chicago's economic backyard all the way to the Mississippi River just north of St. Louis.¹⁸