

Offbeat Oregon: World's clumsiest drug smugglers were also its most audacious

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NOTE: In last month's Offbeat Oregon column, we explored the unlikely origins and career of Yosuke Matsuoka, the foreign minister of Imperial Japan who was responsible for Japan's military alliance with Nazi Germany. Matsuoka, you'll remember, spent most of his teenage years in Portland as a sort of adopted son of a prominent merchant and smuggler named William Dunbar.

In this month's article, we're going to go into detail on the story of the smuggling ring that William Dunbar operated with his friend and business partner Nat Blum.

NEARLY 50 YEARS ago, the Good Friday Earthquake changed Alaska forever. It killed nine people and slammed the West Coast with tsunamis that killed 122 more, including four in Oregon.

It did something else, too, though: It heaved up the seafloor of the Inside Passage near the ghost town of Katalia by a good 12 feet. And in the process, it brought something up to the surface that was a very important piece of the history of Alaska ... and, earlier, Oregon.

It was a small wooden-hulled steamship with a screw propeller. Most of the wood had been eaten away by time and wildlife, but the steam engine and other hard parts were still there and visible.

This wrecked ship turned out to be the remains of the S.S. Portland, the most famous steamer in Alaska's history, the one that kicked off the Klondike Gold Rush when it arrived in Seattle in 1897 with the famous "ton of gold" on board.

The Portland was almost like the mascot of the Klondike Gold Rush, so Alaskan history buffs were very excited about the find. But Alaska wasn't the only state with cause for celebration. The Portland had a prominent role in Oregon's history too. It had been as notorious in early-1890s Portland as it became famous in late-1890s Alaska.

Before the ship was bought by a Seattle shipping company and renamed the S.S. Portland, its name was the S.S. Haytian Republic. It was based out of Portland, and it was probably the most notorious smuggling ship on the West Coast. It was operated by a group of smugglers whose clumsiness and ineptitude was like something out of a Keystone Cops comedy, so its name was in the newspapers a lot. Every reader in Portland knew that ship, and knew the names of its owners: Nat Blum and William Dunbar of the Merchants Steamship Company.

WILLIAM DUNBAR WAS the senior partner in the operation. Dunbar, a native of Scotland, had come to Oregon in the 1870s or 1880s and established Turner Flouring Mills.

Looking for a market for his flour and the wheat he had contracts for, Dunbar discovered that buyers in China really liked the quality of his Oregon-grown wheat and flour, with which they'd make cakes and noodles of various types. So he started shipping his products to China. China today is a major buyer of Oregon's soft white wheat; Dunbar was the merchant who first opened that door.

And it made him very wealthy. Dunbar was soon making enough money to purchase his own steamship, and then another. He used the two steamers — the Haytian Republic and the Wilmington — to expand beyond the grain freight business into the wholesale grocery business. The steamships ran out of the Dunbar Produce and Grocery wharf, near the site of the Burnside Bridge on the west side of the river.

By the end of the 1800s, Dunbar was one of the most respected and influential members of Portland's business community, and a member of the Arlington Club.

But all was not well with him.

It's not clear what happened to push Dunbar over the edge into industrial-scale criminal enterprise. It may have been the death of his wife. It may also have been the influence of Nat Blum, a flamboyant cigar-store owner who was a junior partner in Merchants Steamship Co. Or maybe he was criminally inclined all along,

believing on a philosophical level that the U.S. government had no right to tell him what he could and could not do with his steamships.

Or, maybe he just hated waste. After all, nobody in Portland was buying shiploads of Chinese goods; each time one of his steamships left Portland, loaded with grain bound for buyers in China, it had to sail back home in ballast. Not only was the return trip wasted, but Dunbar had to pay draymen to load and unload the ballast rocks that would keep the ship stable and safe.

We can imagine him thinking about this: What cargo could I bring from China to Portland, on the return voyages, after bringing wheat from Portland to China?

And we can imagine him realizing that there were two cargoes that would be extremely lucrative for him: People, and opium.

Although both were equally illegal, people would be the safer of the two cargoes. The Chinese Exclusion Act had been passed in 1882, slamming the door on Chinese laborers who wanted to come to America to work. But plenty of Chinese people still wanted to come to America, and in those pre-drivers-license years, once they arrived no one would be able to tell they were in the country illegally. All they needed was a well-connected, sympathetic smuggler to bring them across the sea and either provide forged entry papers or sneak them ashore in the middle of the night. Someone like William Dunbar.

As for the opium, in the 1890s opium was still perfectly legal. But it was subject to a very heavy tax of \$12 per pound — about \$375 in modern money. That, on a product that today sells on the international market for less than \$50 a pound.

But there was a reason for that high tax. The vast majority of Americans viewed smoking opium as the ne plus ultra of debauchery and dissipation. Much of the population wouldn't care about smuggling Chinese workers into the country; but most Americans would, if they learned you were smuggling in opium, rat you out to the police in a heartbeat. The risks, in opium smuggling, were much higher.

But Dunbar and Blum apparently were willing to take those risks, because obviously if you were buying a product for \$50 a pound that was selling on the street for 10 times that, well, you could make some pretty good money ... until, of course, you got caught.

And yes, Blum and Dunbar were definitely going to get caught, sooner or not much later. One of the more striking aspects of their story is the contrast between the size and scale of their organization's capital investments, and the clumsiness of their operations. Usually, smugglers this dumb don't grow this big. But, of course, usually successful businessmen don't jeopardize their success by taking up high-risk criminal enterprises as a side hustle, either.

ACCORDING TO BLUM'S later testimony in court, the criminal enterprise got started circa 1890 after one of Dunbar's friends and fellow members of the Portland business elite, James Lotan, was given a cushy sinecure job as chief customs collector for the Port of Portland. Lotan, the owner of the Stark Street Ferry,

was also the head of the Oregon Republican Party, and this easy, lucrative federal job was basically a political patronage plum.

The chief customs collector, of course, was the top federal official in charge of making sure no one was smuggling anything into the port.

As would quickly become obvious, this was like putting a fox in charge of the chicken house.

Dunbar and Blum were probably already doing some low-key smuggling before this, because immediately upon receiving his new appointment, Lotan (again, according to Blum) approached Blum to see about putting his newfound authority to use.

The scheme they came up with was pretty slick. Lotan was to generate official paperwork for each Chinese passenger. Each passenger would pay \$120 (about \$3,750 in modern money) to be smuggled into the country. (\$50 of that went straight to Lotan, for his help in the process.) The paperwork would identify the Chinese men as employees of U.S. companies, already legal residents, who had been sent to Canada on business and now simply needed to get back home to the U.S.

The passengers would board the Haytian Republic or the Wilmington in China, after all the wheat had been offloaded, and the ship would carry them to Canada, landing in Victoria or Vancouver. There they would finalize the papers with photographs and anything else needed, before getting back on the ship and heading south to Portland. Upon arriving, they would be ushered in to see Lotan, who would ask them a series of questions designed to appear to confirm that the workers were entitled to “return” to America.

These interview questions were carefully scripted, and on the way down Chinese-speaking associates of Blum and Dunbar would instruct each worker carefully on how to answer them.

“They were told of the witnesses to their identity, what firm they belonged to, the amount of money they had as a share where they did business, how long they had been away from the United States, which direction the streets run, and everything they would be asked upon their arrival here,” Blum said.

So this was how they had started out operations. It was a slick system, and if they’d stuck to it, rather than diversifying into drug smuggling, they probably would have been able to keep it up for a good long time.

But, of course, they did not.

IT’S NOT CLEAR when William Dunbar and Nat Blum, owners of the Merchant Steamship Co. in Portland, started smuggling opium on their steamships, the Wilmington and the Haytian Republic. They may have been smuggling opium all along; but the astonishing rate at which opium-related disasters started piling up after mid-1892 following at least 18 months of smooth operations suggests that before that, they were only smuggling people.

Smuggling opium was not only much more lucrative than smuggling people, it was also much more space-efficient. The steamers were making the trips anyway; an extra half-ton of opium wouldn’t make any difference, and would add the modern equivalent of about half a million dollars to the profit on the journey.

To make it work, though, the opium had to be off the ship before it tied up in port. With the help of well-placed friends at Customs, a group of illegal immigrants could be passed off as legal residents returning from business trips in Canada; illegal opium, though, could only be disguised as legal cargo by forging tax stamps, a task the Blum-Dunbar gang didn't have the resources to attempt. Also, opium, legal or illegal, would draw a lot of attention, which obviously was never a good idea for a smuggler.

So the opium, packed in watertight barrels, would be rolled off the back of the steamship in a quiet, lonely part of the Columbia River as the ship steamed past, and retrieved by gang members in rented steam launches or skiffs.

This might seem like a pretty workable arrangement. But, for Blum and Dunbar the problem was, they couldn't just run down to the Kelly Temporary Services agency and hire a couple of guys for a day to fish smuggled opium out of the river. The only people they could trust with an operation like this were actual members of Portland's criminal underworld. Men like Robert Garthorn, Thomas Berg, and Joseph "Bunco" Kelley — sailors' boardinghouse runners and shanghaiers and low-level drug smugglers.

And they all turned out to be pretty bad at their jobs.

BARRELS OF OPIUM were getting away from the gang as early as July 1892. That's when Garthorn, up in Canada, loaded 300 pounds of opium on the Wilmington and returned to Portland by rail. Back in town, he met up with Berg and went down to the spot near St. Johns where the Wilmington was scheduled to make the dope drop, sometime between midnight and dawn the next day.

But the Wilmington was late arriving. So, after Garthorn and Berg had waited all night, they gave up and went back to Portland.

A few hours later, in the dim morning light, the Wilmington steamed by the rendezvous point, rolled the barrels off the back, and steamed onward to port.

When the Wilmington arrived at the Dunbar Produce wharf, Blum and Dunbar learned what had happened. Blum leaped into panicky action. Grabbing another gang member, he raced to St. Johns to rent a steam launch, picking up Garthorn on the way.

They found two of their three barrels easily enough; but the third was a little tougher. As they worked their way down the river, they spotted it perched on an old dock.

Putting in to the dock, they introduced themselves to a man who was standing nearby, a river pilot named J.L. Caples.

Garthorn, who had an old brass star that he wore in order to implicitly impersonate a customs official, thanked Caples for picking up the barrel and offered him a dollar for his trouble.

But Caples had already opened the barrel. He didn't know what opium looked like — didn't smoke the stuff himself — but the barrel was full of tiny little tins with Chinese characters printed all over them, and it didn't

take a lot of imagination to figure out what they were. (Each tin held one tael of opium; a tael was roughly one and a third ounces.)

So Caples counteroffered at \$50.

Blum accepted immediately, but he didn't have \$50 on him — just \$10, plus a couple \$100 bills that Caples thought might be counterfeit anyway. So Caples took the \$10 and an I.O.U.: He was told that he could stop by Dunbar Produce and Grocery, 52 Front Street, later in the day, and there would be \$40 waiting for him.

If Caples had any doubts as to who was doing the smuggling in Portland, that would have laid them to rest right there.

A FEW MONTHS later, disaster struck again — and this time it really was disaster. The Wilmington was on its way into port with another 450 pounds of opium; but someone had gotten suspicious when it was loaded on board in Vancouver, and tipped off the feds. Dunbar learned about this while the steamer was en route, so he hastily sent Garthorn along with Bunco Kelley to Astoria to intercept the ship and warn them that they should dump the opium somewhere right away, as close to the bar as possible, so the evidence would drift out to sea.

Unfortunately, as they approached the Wilmington in their rented launch, they saw that a federal revenue cutter was already on the scene; apparently it had been waiting just inside the bar for them to arrive. They watched helplessly as the cutter hailed the Wilmington and ordered it to put into port in Astoria ... opium and all.

And that was how the Blum-Dunbar gang lost the Wilmington; it was seized by the federal officials along with its load of opium. The gang would now have to get by on just one steamship: The Haytian Republic.

It was probably about this time, or shortly thereafter, that Dunbar informally adopted a young, spunky Japanese teenager to be a companion for his son, Lambert — like Dr. Benton Quest did with Hadji in Jonny Quest. This, of course, was Yosuke Matsuoka, who would graduate from the University of Oregon and go on to become Foreign Minister in Imperial Japan just before the Second World War.

ANOTHER SEVERAL MONTHS later, on Sept. 2, the smugglers brought in a big shipment on the Haytian Republic — 1,400 pounds of opium, which was dumped overboard in the Columbia and retrieved by Dunbar himself. Garthorn and Berg took charge of part of it and hauled it off to Berg's house, where they planned to stage it for later distribution to customers in the Portland and San Francisco Chinatowns.

But there was a problem. It seems a day or two earlier, Berg's wife had gotten into a fight with one of the neighbors, and the neighbor — who clearly suspected something criminal was going on — had started keeping an eagle eye on the Berg home. As soon as she saw this big flurry of late-night loading activity, she picked up the telephone (very few people had them in 1892, but she did) to get her revenge by calling the police.

The timing couldn't have been worse, as there was already more than half a ton of opium in the house in addition to the new stuff being unloaded. But the phone call seems to have been fielded by a friend of Nat Blum's, because instead of the police responding to the scene, Nat himself appeared, knocking on the neighbor's door and introducing himself as a police detective.

While "Detective Blum" was taking her statement, the two of them watched Garthorn and Berg through a window as they hauled the opium out of Berg's house and wheeled it down the street on a cart — getting away with the goods! But Blum smoothly told the neighbor lady not to worry — the two smugglers were walking right into a trap, he assured her. He told the woman, according to the Portland Evening Telegram, "that he had two policemen stationed down the road, who would catch them with the opium and place them under arrest, thus securing her silence until after the opium had been removed to his own house."

Perhaps Blum was too busy congratulating himself on this smooth play to realize that it meant Berg's house was no longer a safe place to stash contraband. This would prove to be an expensive oversight two months later, when another big load came in. Half a ton of it was taken straight to Berg's pad again. Then Dunbar sent over another 400 pounds.

The gang then packed 600 pounds of the dope into steamer trunks, 100 pounds to a trunk, and Blum, along with two other members of the gang, headed to San Francisco, each with two trunks to hand over to contacts in Chinatown there. One of the three "mules" got busted upon arrival, and so there went 200 pounds of the goods.

When they got back to Portland, they found worse news waiting: The remaining 800 pounds of opium had been stolen from Berg's house while they were all gone. It's tempting to wonder if that suspicious neighbor lady, who obviously kept a close eye on the Berg house, had anything to do with it. Maybe she concluded that, if the police were going to be so cavalier about opium smuggling, she might as well get a slice of it herself!

A few months later, Dunbar made a trip to San Francisco with two trunks and lost one of the claim checks on the way. Blum found the claim check but was afraid to claim the trunk himself, so he paid another man \$300 (nearly \$8,000 today) to go get it.

Another attempt to service customers in San Francisco turned into an even bigger fiasco. Dunbar packed several hundred pounds in boxes marked "Playing Cards" and shipped them southward unattended, as freight. But the two draymen he hired to load the boxes — who were not members of the gang, just regular workers — thought it was really weird to be shipping thousands and thousands of boxes of playing cards to a city that was perfectly capable of supplying itself with gambling accouterments, and the next day they told Police Chief Spencer about it. Spencer telegraphed San Francisco, the shipment was stopped and inspected, and the Dunbar-Blum gang was busted again. This time, there was a bill of lading with Dunbar Produce and Grocery's name and address on it.

In all, the gang lost at least half a ton of opium in official seizures. It lost at least twice that much to theft. They also managed to lose a \$30,000 steamer. Regardless of how lucrative opium smuggling was, it's hard to

imagine how this all could possibly have penciled out.

III.

AS YOU WILL have gathered, it didn't exactly take brilliant detective work to figure out what was going on over at Dunbar Produce and Grocery. By November of 1893, word of what they were up to had been filtering up from the waterfront for at least a year and a half.

So, in late November 1893, a grand jury returned indictments against 15 people — including Blum, Dunbar, and Lotan. The charges involved smuggling more than two tons of opium and running a human-trafficking operation smuggling thousands of undocumented Chinese laborers into Portland.

The trial held the city spellbound. But Lotan and his codefendants hadn't much need to worry. The roster of court officers at this trial reads like an excerpt from the Arlington Club directory. As an added bonus, the foreman of the jury — Charles Ladd — was a close friend of James Lotan.

The trial ended with a hung jury. The word on the street was that the vote was 11 to 1; jury foreman Ladd had refused to vote to convict his friend. A new trial would have to be scheduled.

Meanwhile, Blum, having posted a \$1,000 bond, promptly disappeared from the city. The rumor around town was that he had gone east to Washington, D.C., to lobby the president for a pardon.

But he returned to Portland and participated in an attempt at a retrial — and then did it again. There were a total of three trials for the accused smugglers from the Blum-Dunbar ring, and the thing dragged on well into 1895 as public and newspaper reporters alike got increasingly tired of the whole thing and as Blum got more and more “creative” in his testimony. A few of the defendants ended up being convicted, but mostly these were the ones who had been foolish enough to plead guilty. But the more Portland saw Nat Blum on the stand, the less credible his testimony became. Lotan never did get convicted.

There was, however, one exception to this pattern. The government had the goods on William Dunbar, and he knew it. He'd gotten off on the coattails of Lotan in the first trial, but there would have been nothing any lawyer or influential friend would be able to do for him at the next one. Accordingly, Dunbar left for Hong Kong shortly after the first trial commenced on what he claimed was a business trip, and remained there in exile, knowing that he'd be arrested stepping off the boat if he should ever return. Twenty years later, in November 1913, President Wilson pardoned him, and he was able to finally come home.

A few months after the first trial, the impounded Wilmington burned to the waterline and sank in the river, and several months after that, the Haytian Republic was bought up by the Seattle operators and renamed the S.S. Portland. There is a distinct wistful quality to newspaper coverage of both these events. Notorious as both ships were, Portlanders were sad to see them go.

(Sources: *Agony of Choice: Matsuoka Yosuke and the Rise and Fall of the Japanese Empire, 1880-1946*, a book by David J. Lu published in 2002 by Lexington Books; “Yosuke Matsuoka: The Far-Western Roots of a

World-Political Vision,” an article by Masaharu Ano published in the Summer 1997 issue of Oregon Historical Quarterly; Wicked Portland, a book by Finn J.D. John published in 2012 by The History Press)

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