

THE BOX: HOW THE SHIPPING CONTAINER MADE THE WORLD SMALLER AND THE WORLD ECONOMY BIGGER. By Marc Levinson. Princeton, NJ: Princeton University Press, 2006. Pp. xi/376. USD 24.95. ISBN: 0691123241

BOX BOATS: HOW CONTAINER SHIPS CHANGED THE WORLD. By Brian J. Cudahy. New York: Fordham University Press, 2006. Pp. xii/338. USD 29.95. ISBN: 0823225682

It is not often in the United States that two books of non-fiction telling roughly the same story are published within weeks of each other by university presses. It is even rarer that they are both quite good. These two books represent one of those rarities.

#### THE STORY

The books' basic plot-line concerns the huge, radical change that has taken over maritime shipping since the 1950s: the shipping of solid cargo has moved from break-bulk ships to containerized shipping. Roughly speaking, containerized shipping is the putting of cargo in containers at factories, or some location of that sort, and then shipping in mass. The "boxes" resemble, and often constitute, the trailers of semi-trucks, or train cars. Huge cargos are then shipped around the world without having to be individually—package-by-package, bag-by-bag—carried onto ships, stowed, and then transported.

This method has simplified shipping, saved enormous amounts of time, reduced pilferage and theft, speeded up shipping, and formed a network (as it were) with sophisticated computerization. It both kept track of locations and planned trips. Not only has shipping become faster and cheaper, it has transformed ports. Their organization has changed as loading and unloading no longer particularly involves longshoremen but uses ship- and land-based cranes instead. Even the sizes and organizations of ships have changed. That is not all. According to Levinson (pg. 265), containerized shipping has made "just-in-time" manufacturing rationally possible on a truly international basis.

In addition, government regulation has changed substantially around the world: sometimes it has disappeared; sometimes it has been transformed; sometimes it has adopted radically different approaches. Indeed, a very different thinking has swept both government and business. This includes

administration, law, freight costs, accounting, and insurance. It even includes business management technique.

The two books tell the history of the growth and evolution of shipping in "big boxes" and the creation of "box boats" in somewhat different ways. Both focus on the life and achievements of Malco[l]m McLean.<sup>1</sup> He went from running a service station to owning and running a huge commercial trucking outfit based in North Carolina. McLean successfully conceived and brought into being the idea of containerized shipping, although he was not actually the first one to think of it or even the first to try it. But he was the first one to aggressively pursue it and, as it were, make it happen. Apparently, McLean was something of a business genius in a variety of ways. He was gifted in business mathematics, colleague selection and cooperation, business finance, and in the gutsy pursuit of intuitive insights.

This process of containerization involved adapting existing ships, designing new ones, convincing governmental agencies of the need for changes, spending and borrowing enormous sums of money, purchasing corporate subsidiaries, consolidating many companies, transforming old companies, and creating new ones. Containerized shipping companies in turn caused major transformations in geographical, political, and economic—not to mention business—organization.

One of the most interesting parts of this story is the role the Vietnam War played in the development and evolution of box-based shipping. The United States needed supplies delivered to Vietnam quickly and in an orderly way. Beginning in the winter of 1965, with the rapid buildup of U.S. military forces in Vietnam, the government "created what may have been the greatest logistical mess in the history of the U.S. armed forces. The resolution of that mess represented containerized's coming of age." This quotation is from Levinson (pg. 171), but both books discuss these events.

McLean bid and got the job. His containerized ships went from U.S. ports to Cam Ranh Bay; they turned around and went to other ports, picking up new containers, returned to the United States, then went back to Vietnam.

There are wonderful stories in this area of discussion. They include how cranes got from the Philippines to Cam Ranh Bay; how cargo pilferage (e.g., of whiskey and brandy) was reduced; and how all of this contributed to the rise of McLean's principal company, Sea-Land. As Cudahy remarks at one point, "Sea-Land was able to transport ten percent of Vietnam-bound cargo aboard two percent of the hulls used in such service." (Pg. 108.) What McLean and his colleagues accomplished in this unhappy chapter in

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<sup>1</sup>The bracketing is used in McLean's first name because—according to Levinson—he was named "Malcolm" at birth, but he changed it to "Malcom" later in life. (Pg. 37.) Cudahy does not mention this odd fact. Perhaps he didn't see it as particularly relevant. Perhaps he didn't know.

American history “was yet another dramatic demonstration of the efficiency and the effectiveness of containerized transport,” according to Cudahy. (Pg. 184.) The theme in Levinson’s book is exactly the same: “McLean’s persistence in pushing containerization was vital to the U.S. war effort in Vietnam. Without it, America’s ability to prosecute a large-scale war half way around the world would have been severely limited.” (Pg. 184.) He continues: “Containerization enabled the United States to sustain a well-fed and well-equipped force through years of combat in places that would otherwise have been beyond the reach of U.S. military might.” (Pg. 184.)

Both books discuss the evolution of containerized shipping. Both books discuss its probable near future. There is very little, if any, disagreement between them. Both discuss, in some detail, the changes in the Port of New York and the rise of New Jersey port locations.<sup>2</sup> The last chapter in Cudahy’s book, however, is a more typical final chapter. Interestingly, it dwells upon the growth of southern ports in the United States, such as Savannah, Norfolk, and Charleston. It also points out that most of the other countries that are leading participants in the international “box boat” trade are Asian countries, including China, Japan, Hong Kong, South Korea, and Taiwan—the five leaders, aside from the United States.

Both of the authors discuss the role of Wal-Mart in all this. Here is what Cudahy says:

Wal-Mart, the largest single transpacific shipper of containerized cargo, routes considerable traffic through the port of Savannah to its inland distribution centers, while such other retail giants as Home Depo and Best Buy also make heavy use of southern ports. (Wal-Mart is so dominant a presence in the container-ship industry that the firm is also rumored to be on the verge of establishing its own container-ship line!)

Pg. 234-235. The last sentence of this quotation illustrates Cudahy’s inclination for humor. Levinson also discusses Wal-Mart, and his remarks likewise occur in the last chapter:

<sup>2</sup>See also Terrence F. Hoverter, *Comment: Containing Maritime Terrorism: Federal Initiatives Post 9/11*, 16 U.S.F. MAR. L.J. 353, 354 (2003-2004) (“Just across the Hudson River from Ground Zero, [the Port of New York/New Jersey, in the City of Elizabeth] accounts for nearly 13% of the nation’s cargo that arrives each year from international ports. With the fallout from the events of September 11, 2001 still lingering, the shipping containers sitting on the port’s docks represent one of the world’s newest concerns—the detonation of a nuclear device smuggled into the country inside a shipping container.”) (footnotes omitted). Hoverter indicates that Bethann Rooney, then the Manager of Port Security for the Port Authority, informed Congress that “of the 90% of the U.S. trade that flows through the top ten ports, 13% comes through the Port of New York and New Jersey.” This amounts to a “total of 3.7 million containers” passing through that port in 2002. *Id.* at 354 n.1. Rooney testified that this amounted to \$90 billion worth of cargo. *Id.* at 354 n.2.

In the United States, inventories began falling in the mid-1980s, as the concepts of just-in-time manufacturing took root. Manufacturers such as Dell and retailers such as Wal-Mart Stores have taken the concept to extremes, designing their entire business strategy around moving goods from factory floor to consumer with minimum time in between. In 2004, nonfarm inventories in the United States were about \$1 trillion lower than they would have been had they stayed at the levels of the 1980s, relative to sales. Assume that the money needed to finance those inventories would have to be borrowed at 8 or 9 percent, and inventory reductions are saving U.S. business \$80–\$90 billion per year.

Pg. 266-267. Interestingly, these quotations also illustrate important differences between the two books.

### SOME DIFFERENCES

Levinson is an economist, a business journalist, and an economic journalist. He has been an editor at the *Economist*, a writer for *Newsweek*, and an editorial director of the *Journal of Commerce*. In addition, he has written about political economy for *Foreign Affairs* and he has written reviews for the *Harvard Business Review*. He writes extremely well.

Levinson has published several books in the past. One of them, *Guide to Financial Markets*, is in its fourth edition. Another, *The Economist's Guide to Financial Markets*, is in its second edition. His book, *After Reagan*, first published in 1988, is still in print and still semi-popular. It examines the revival of "activist economics" and it was preceded by a lengthy article in *Foreign Affairs*. The ideas in Levinson's post-Reagan book are also in his *Beyond Free Markets: The Revival of Activist Economics*, first published in 1990.

In contrast, Cudahy is a historian, of sorts. He has written books on maritime tales, New York ferry boats, New York subways, and cruise ships. Often, he writes with more gusto, and humor, than Levinson does.

As you might expect, the differing orientation of the authors suggests how the books will differ. Levinson's book is very much about economics. His historical chapters are mainly about economic history, and its interaction with politics. His chapter on changes in port unions, such as the International Longshoremen's Association and the International Longshoremen's and Warehouseman's Union, are particularly interesting.

In contrast, Cudahy discusses many of the same economic trends and changes more broadly and briefly. Cudahy spends much more time discussing what types of ships were initially involved in "box boating," what types of ships came to be used, a little bit about how they were designed, and so forth. It is perfectly clear that boats—as beings—are much more significant to Cudahy than they are to Levinson. The former refers, several times,

for example, to “the magnificent SL-7.” Levinson mentions it too, of course, but he never conveys Cudahy’s senses of attachment, aesthetic appreciation, and love. His history of World War II cargo ships is also much briefer.

Levinson’s book is somewhat better written than Cudahy’s. It reads in a more stimulating way—not that Cudahy’s is poor. Levinson gets a prose grade of A, while Cudahy gets a B+.

Levinson also pays a little more attention to the interaction between law and shipping than Cudahy does. Although each has a little to say about it, neither will educate the lawyer interested in how containerized shipping has changed maritime law, or any other area of the law.<sup>3</sup> Cudahy’s book contains a significant number of photographs in two groups, while Levinson’s contains none. Cudahy even has a photograph of McLean. Levinson’s bibliography and footnotes are more detailed than Cudahy’s, from a variety of points of view. In contrast, Cudahy had access to the McLean Foundation and its archives, whereas Levinson apparently did not. On the other hand, Levinson found and interviewed many of the players.

There are also trivial differences. For Levinson, the word is “breakbulk,” while for Cudahy, it is “break-bulk.”<sup>4</sup> There is more discussion of administrative law in the Levinson book, but—even though he is an economist—there are no charts and no graphs in his book, whereas there are many of them in that of Cudahy, the maritime historian. One is nearly 30 pages long; it is entitled “Sea-Land Vessel Roster, 1956-1999,” and it has 85 explanatory notes. A second chart, entitled “Sea-Land Liner Services, 1999,” follows. These specifics illustrate fundamental differences between the two books: Cudahy is far more interested in the details of maritime history than Levinson is. He is not, however, utterly uninterested in the economic impact of containerized shipping, he just tells that part of the story in less detail.

Interestingly, the two authors characterize their topic in roughly the same way, although they tell the stories differently. Levinson’s main title speaks only of container shipping, whereas Cudahy mentions both it and boats. The books reflect their titles. The subtitle in Levinson’s book emphasizes both container shipping and economics. The subtitle in Cudahy’s book has nothing explicit about economics, although it too emphasizes change. Interestingly, the Levinson book emphasized the connection between computerization and containerized shipping more than the Cudahy book does, although Cudahy is not ignorant with respect to this interconnection.

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<sup>3</sup>Cf. *infra* note 7 and accompanying text.

<sup>4</sup>As of May 31, 2006, there were about 151,000 entries for “breakbulk” on Google, while there were about 625,000 entries for “break-bulk” (a search that appears to pick up “breakbulk” as well).

## INSURANCE: A NEGLECTED TOPIC

There are at least four topics that neither author spends very much time on, gets very far into, or traces, although both of them mention it here and there—each only a little. These are changes in cargo insurance, containerization and politico-legal controversies (such as the rise of terrorism),<sup>5</sup> other legal controversies,<sup>6</sup> and containerization and the Carriage of Goods by Sea Act.<sup>7</sup> Occasionally, according to Cudahy's very interesting last chapter, there were accidents involving containers, even though "container ships have maintained

<sup>5</sup>See Hoveter, *supra* note 2 (principally a discussion of the Maritime Transportation Security Act of 2002, Pub. L. No. 107-295, 116 Stat. 2064 (2002), amending Title 46 of the U.S. Code to incorporate post security initiatives, and discussing the relationship between containerized shipping and just-in-time merchandising). See also Sung Y. Lee, *Note: The Container Security Initiative: Balancing U.S. Security Interests with the European Union's Legal and Economic Concerns*, 13 MINN. J. GLOBAL TRADE 123 (2004), a truly first-rate law student essay. Interestingly, Lee remarks that the "United States receives about forty-six percent of its trade imports by containers. Although forty-six percent may not seem significant, in 2001 alone more than 214,000 vessels and 5.7 million sea containers entered the 102 U.S. sea ports. Furthermore, whereas the United States relies on its land-bordering NAFTA partners for a significant amount of trade, there are many nations such as the United Kingdom that rely almost exclusively on sea container trade. Therefore, sea ports are a crucial part of the world's economic activity." *Id.* at 126-27 (footnotes omitted). Lee's essay is mainly about the Container Security Initiative of the United States Customs Service. She, like most others, flatly states that "U.S. seaports are ideal targets for terrorism" and that a "terrorist attack at a major U.S. seaport would essentially halt international trade and devastate the world economy." *Id.* at 123-24 (footnotes omitted). She recounts the extremely interesting story of a suspected Al Qaeda member, Amir Farid Rizk, using a container on an Italian ship to make a trip to Canada. *Id.* at 130.

<sup>6</sup>Consider, for example, the relationship between containerization and the language of insurance policies. Some marine cargo insurance policies insure only against what happens during transit. In one case, the question was whether items were in transit once they were packed into the container, which was apparently sitting in the street outside the manufacturers' facilities, when it was subjected to fumigation that ruined the contents (76 model wooden ships coming from the Philippines). *Pacific Tall Ships Co. v. Kuehne & Nagel Inc.*, 76 F. Supp. 2d 886, 2000 AMC 866 (N.D. Ill. 1999), modified, 102 F. Supp. 2d 923, 2000 AMC 879 (N.D. Ill. 2000). For another aspect of the case, see 94 F. Supp. 2d 928, 2000 AMC 2250 (N.D. Ill. 2000). (This interesting case distinguishes between "insureds" and "assureds," although it does not say how the distinction works. See 76 F. Supp. 2d at 891, 2000 AMC at 872.)

<sup>7</sup>46 U.S.C. App. §§ 1300-15. See Craig Still, *Thinking Outside the Box—The Application of COGSA'S \$500 Per-Package Limitation to Shipping Containers*, 24 HOUS. J. INT'L L. 81, 82 (2001) ("The introduction of the shipping container revolutionized the maritime shipping industry."); *id.* at 93-94 ("Containerization has achieved enormous cost savings for both carriers and shippers. These cost savings included the following: (1) the use of containers has substantially reduced the export costs involved in crating, packaging, or otherwise preparing cargo for stowage in the hold[s] of ships; (2) by eliminating the manual loading of cargo by longshore workers, containerization has reduced the cost associated with damaged cargo; (3) since containers are weatherproof, containerization has eliminated costs associated with building shoreside warehouses to protect conventional cargo from the weather; (4) it costs much less to load and unload containers by crane than it does to load and unload individual packages; (5) a ship's in-port time is greatly reduced due to the speed at which cargo containers can be loaded and unloaded; and (6) container ships can carry much more cargo than conventional ships.") (footnotes omitted). See also Meagen Leary, *Say What You Mean and Mean What You Say: Edging Towards a Workable Container Solution*, 28 TUL. MAR. L.J. 191 (2003).

excellent records in the way of safety at sea.” (Pg. 245.) Nevertheless, “[h]eavy seas have been known to dislodge containers from their above-deck securement devices, and oceangoing yachts have experienced difficulty, from time to time, when such containers fail to sink.” (Pg. 245.) According to Cudahy, so did a major cruise ship, the *Norwegian Dream*, in route to Dover, when it had to pick up out of the English Channel boxes containing cylinders of cyanide. Fortunately, nobody was hurt.

The price of insurance has dropped dramatically as a result of containerization. “Electronic exports had been on the rise since the early 1960s, but the lower freight rates, inventory costs, and insurance losses from container shipping helped turn Japanese products into everyday items in the United States,” according to Levinson. (Pg. 218.) Also, according to Levinson, “[i]nsurance claims for Europe-Australia service was running 85 percent lower than in the days of breakbulk freight.” (Pg. 220.)

One would think that a transformational change in maritime cargo insurance would be important enough to discuss in books of this nature. Alas, it did not happen.

Here is a little bit worth knowing. The textbook literature on containerization and insurance is not deep—at least not yet. A principal textbook on ocean marine insurance by the Insurance Institute of America, published in 1988, contains a three-page discussion. In contrast, its chapter on underwriting cargo insurance contains no discussion of containerization at all, including no discussion of the relationship between containerization and pricing. Here is the most interesting thing said in the entire textbook on the subject:

There is no question that containers have solved many problems for the shipper, but by the same token they have created some relatively new ones. Containerization does not eliminate the need for adequate packing . . . . The elimination of bothersome small claims for losses [e.g. such as from pilferage, rough handling, and non delivery of individual packages] has been a boon to the underwriter. This benefit has been offset by the increase in total loss of containers overboard due to heavy weather, hijacking, and severe losses due to condensation. Maintenance of the containers also presents a problem to the shippers.<sup>8</sup>

In fact, insured losses from shipping by cargo containerization, unaggregated, are much less than they were before containerization. This is true even though containers probably account for the “carriage of close to 95% of international shipments, excluding bulk and other specialized cargos.”<sup>9</sup> Occasionally con-

<sup>8</sup> Arthur E. Brunk, Victor P. Simone & C. Arthur Williams, Jr., *Ocean Marine Insurance* 60 (1988).

<sup>9</sup> Peter Jones, *The 1980 Convention on Multimodal Transport Twenty Years Later!*, at 2 (paper delivered to the U.N. Conference on Trade and Development’s Expert Meeting on the Development of Multimodal Transport and Logistics Services, Geneva, Sept. 24-26, 2003) (available at <http://r0.unctad.org/tl/ppt-2003-09-24/pdf/MMT%2020%20years%20later%20-%20PeterJones.pdf>) (visited May 31, 2006).

tainers are lost off ships—a rare event. In one case, half of a cargo ship carrying containerized cargo was lost, while the other half was not.<sup>10</sup>

At first, insurance for containers was included as part of hull insurance. Those days “are definitely over.”<sup>11</sup> Containers are now owned by shippers, non-vessel operating common carriers, groups, and competitors. “Most of the world’s insurance markets regard container insurance as an independent line of business. In view of the mobility intrinsic to containers, it is usually classified as a type of marine insurance.”<sup>12</sup> Insurance for containers covers three areas: physical losses, confiscation, and liability. The first two of these are relatively standard. The third one, however, liability coverage, is often tailor-made. There are a number of problems: Boxes are of various qualities. Some are quite weak; Boxes are globetrotters; Boxes are often handled roughly; Boxes are in various ways cheap, either to buy or to rent. Both insurers and owners have to depend on third parties who are not likely to cherish boxes they handle; There are substantial moral hazards inherent in container insurance. “[T]he parties involved are normally exposed to fierce global competition and extreme pressure on their profit margins.”<sup>13</sup>

Remember, of course, that “box” insurance is to be distinguished from hull insurance. It is also to be distinguished from ordinary cargo insurance.

### CONCLUSION

For those of us who love the contexts of the law—its history, commerce, economics, and surprising events—these are two excellent books. If you like pictures, buy Cudahy. If you like complicated footnotes and complex bibli-

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<sup>10</sup>*Rationis Enterprises, Inc. of Panama v. Hyundai Nipo Dockyard Co.*, 426 F.3d 580 (2d Cir. 2005). In this case, a ship was extended in a Korean shipyard. Years later, in a storm, it came apart in one of the places where the extension had been welded into the hull of the ship. The extension of the ship was a simple enough process: “just as a midsection is welded into a bisected car to construct a limousine, the [ship] was elongated.” *Id.* at 582.

<sup>11</sup>Munich Re Group, *Containers: Transport. Technology. Insurance* 51 (2002) (available at [http://www.munichre.com/publications/302-02657\\_en.pdf?rdm=5589](http://www.munichre.com/publications/302-02657_en.pdf?rdm=5589)) (visited May 31, 2006). The quoted passage is in Chapter 03 of the book. Chapter 05 is also helpful. It pertains to insurance for container carriers and container terminals.

<sup>12</sup>*Id.* at 51.

<sup>13</sup>*Id.* at 54. This book contains a variety of marvelous photographs of “boxes,” “box boats,” and “troubled or endangered containers.” The best pictures of smashed up, overboard, and sinking containers are on 68-73. These pictures are extremely valuable for one who comes away from the Cudahy and Levinson books impressed with the amount of safety-at-sea created by containerization. On page 2, even before Chapter 01, there is a chart showing large container losses. Most of the losses come from cargo fires; a few come from smashing into docks; some result from storms, including typhoons, i.e., Pacific hurricanes, and one of them was caused by an earthquake.

ographies, buy Levinson.<sup>14</sup> If one of your children has to write a term paper on recent economic and business developments, get them both, because they recount different events and themes in the evolution of McLean's various companies. If you want to study the impact of containerized shipping on maritime law, you may start with these books as contextual background, but be ready to go to other sources.

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<sup>14</sup>Recently, a witty cartoon accompanied Levinson's partial summary of his book. See Marc Levinson, *Comment, Unforeseen Consequence: How a Box Transformed the World*, *Financial Times*, April 25, 2006, at 17. See also Marc Levinson, *Container Shipping and the Decline of New York, 1955-1975*, 80 *Bus. Hist. Rev.* 49 (2006) (containing many charts and graphs—in contrast with the book—but still no pictures).

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