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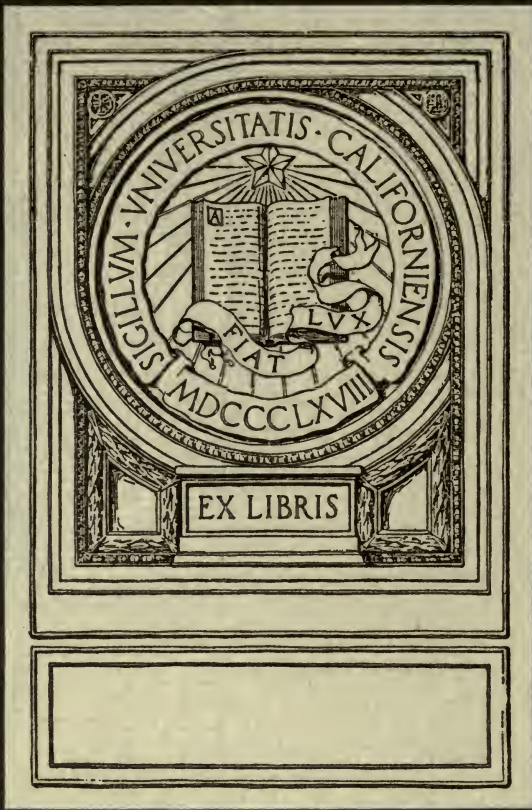
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Government Ownership of Telephones

by

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Government Ownership of Telephones

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Mitchell Mannering

Experience in other countries, where the telephone service is under government control, warns that retrogression from American high standards would result, were the government to assume ownership of the telephone system

TELEPHONE statistics are like astronomical calculations in their immensity. More than twenty million miles of wire are used in the construction of the telephone lines in the United States, a gain of nearly fifteen million miles during the last decade. Nine million telephones are jingling every hour of the day in this country; twelve years ago there were only three million. During 1912 nearly fourteen billion messages or talks were sent over the wires of telephone companies having an income of more than five thousand dollars. This includes all kinds of conversations, long or short, counting as one call the fifteen-minute gossip of the neighbors in the early evening, to say nothing of the lingering love chats. These figures do not include the messages carried over the million and a half telephones operated by smaller branch companies, which were not required to make a report.

In the light of these facts, talk of government ownership of telephones does not appeal to millions of telephone subscribers who know what real telephone service means. Evidence accumulates that the solution of industrial problems depends more upon internal evolution than upon external legislation, just as the medical profession has learned that a mere application of soothing liniment, or "cupping and bleeding," does not cure or prevent disease.

While there is nothing basically wrong with the proposition of public ownership,

it has its uses and abuses, despite the fallacy that public ownership is indicative of progress. Russia and India, two of the most undeveloped countries in the world, have the most extensive government ownership. The experiences of the last decade, sharp and harassing as they have been, suggest that the government could better own, regulate and check abuses of private corporations after proving efficiency in operating what it already possesses. Before the government seeks further to extend ownership activities logically, it should first prove that it can conduct public affairs more efficiently and profitably in the interest of the people than can private corporations. Has this been done hitherto?

SELF-INTEREST has always been a cohesive factor in society, and naturally inspires efficient management of a private enterprise—where a management under mere government control grows indifferent, ineffective and too often arbitrary. Officials, appointive and elective, usually have not the requisite training to manage an industrial undertaking, and to place the country's most vital method of communication—the telephone—in the hands of political adventurers, with appointees in prospect, is retrogression rather than progress. The necessary training and experience of an army of employees in corporation service requires years of concentrated control, with an opportunity to assimilate and care for the recruits added

from time to time. Chaos in government telephone management would result in an outburst of public indignation that would find speedy expression with a universal blast from telephone trumpets.

A vital point often overlooked in the discussion of public ownership is that the state and nation sacrifices the present large income derived from taxation, which is usually in excess of any possible profit to be realized by public management, thereby throwing the burden of deficits and mismanagement back upon the people without recourse. The necessities for future development anticipated by private corporations in the natural expansion, if left dependent upon the log-rolling methods of the Rivers and the Harbors Pork Barrel Appropriation in Congress, would reflect sectional bias and political power. The real success that has commended the admiration of the world in American industrial operations has been due to a freedom of action, not possible from public officials who, with their ears to the ground, are naturally first concerned in protecting their political life. The best men for management could not be secured under such conditions. Public accounting of public ownership operations seldom reflects the true state of affairs, for government departments naturally perform free service for one another without charge, making it difficult to compute actual cost and definite expense, but it all shows up when the government revenues begin running behind millions of dollars every day, as at the present time. Even the highest type of government official often sees no harm in making political capital by skimping needed repairs and improvements, only to pass a possible defeat on to his successor, while the public suffers as a consequence.

THERE are some public utilities that naturally and logically should be owned by the government, but this does not mean invasion of the fields of general business, on the ground that the government can obtain capital at lower rates of interest than private corporations for expansions. It should be remembered that in this case the government would pledge the property of all citizens, no matter whether they objected or not.

Money so raised is simply forcing a

mortgage, indirect though it may be, on every man, woman and child without his consent or vote, and means an increased amount of outstanding government bonds, with a tendency of higher rates, for when the government enters the field as an increasingly big borrower, the rates gradually go up. Interest on the capital and fixed charges must be paid by the government, whether earned or not, which is not true of private corporations, which often operate many years without a dividend.

The labor question, too, is involved in every question of public ownership. What has the experience of other countries taught us? In France and elsewhere, strikes have not been eliminated by public ownership. On the contrary, labor disturbances have been aggravated, and in striking against the government the laboring man is met with the stern edict of the bayonet. There is no appeal or industrial "goats" to shear. Rather than alleviating the relations between labor and capital, government ownership tended to make the strained conditions of the laboring man more and more hopeless. This personal equation is not to be overlooked. Contrast today the employee of a well-managed corporation with the employee of the government. In one there is hope and aspiration, in the other the lethargy of governmental red tape. The government employee's one hope of advancement comes from political influence, or from promotion after the death of someone ahead—and initiative effort is not inspired—for, as they see—what's the use?—when higher up officials have their records first to serve.

RECENTLY I came upon a memorandum of conclusions carefully prepared by a public ownership librarian, who had begun his work with a firm belief in public ownership. The result of his study of the matter is interesting, even to the casual reader:

"If I were to sum up, in a single word, the object lesson to be derived from a compilation and study of public ownership literature, I should say that 'inadequacy' appears to be the one dominant characteristic of all publicly-owned utilities; inadequacy to satisfy the public need with anything like the completeness of which private management is capable. The de-

gree of inadequacy varies with the country and the character of its government. It also varies with the utility. In the telephone service, public management has shown itself to be particularly inadequate.

"Adequacy in telephone management, to my mind, means primarily two things: dependability of service, and extent of service. In both these particulars public ownership has shown itself to be distinctly a failure. Dependability, for instance, is almost wholly lacking in the French telephone system. The French subscriber, if he has an urgent message, with much depending upon prompt communication, will not infrequently prefer a messenger, or his own legs, to his telephone instrument. Previous experience has taught him that the chance of a ten or fifteen-minute delay in reaching his party—indeed, of not reaching his party at all—is not altogether remote. The same is true, in a measure, of the other European countries with government telephone service. The Hon. C. S. Goldman, M. P., has described the British telephone as 'the get-them-when-you-can-service.' Remarkable testimony was given in a German court some time ago by a Commissioner in Lunacy, to the effect that the exasperation from getting no reply from 'Central' was sufficient to make men actually mad; and in the long distance service, it is not an uncommon occurrence, in Germany, to wait in line for hours for an out-of-town call, only to be told by a government official, at the end, that the trunks are all engaged. Dependability, to the extent enjoyed by the American telephone subscriber, is wholly unknown to the publicly-operated telephone system of Europe.

"Extent of service is equally important. A single telephone, however perfectly constructed, can be no more than a mechanical curiosity. A million isolated telephones are no more useful than a million isolated orators talking to the sands of a beach. Two telephones, with a connection between them represent the smallest unit of service. The efficiency and value of the service increase in geometrical proportion with the number of telephones capable of being reached. A restricted telephone service is, therefore, more than in any other business, a commercial tragedy.

WE can readily see this when we realize that the whole fabric of American civilization is, to a large extent, built around the telephone. In the cities, for instance, the telephone has made possible the skyscraper's airy accommodations, the closely-knit, time-saving offices, the apartment house and hotels, which raise people above the noise and dust of the street. Outside the city, it has made suburbs blossom out of waste places; where the business man might before have balked at suburban life, with the distance it throws between business and home, he now knows that, aided by a shining instrument and two wires, he can be put in instant touch with the business world. Beyond the suburbs and into the rural districts, the telephone has made its way, furnishing the American farmer and his family facilities for communication unknown in any other part of the world. It is safe to say that no other influence has stimulated the 'back to the farm' movement, as has the telephone. It is rapidly banishing the loneliness which, in the past, so discouraged the rural population, and drove people from the large and solitary areas of American farms and ranches. Politically, too, the telephone has made its influence felt; wiping out the local prejudices imposed by state lines, county lines and township lines, knitting the country together, and relegating the roorbach to the limbo of the past. The Bell Telephone System lays claim to a total of 7,500,000 telephones, but this is no adequate indication of the extent to which the telephone has worked its way into the warp and woof of American life. In the cities, particularly, there are thousands of public telephones, many of them used by hundreds of different people a day. Money is moved by telephone; trains are moved by telephone; buildings, bridges, tunnels, reservoirs and all sorts of public works are built by telephone; carriages and cars are called, employees secured, emergency help summoned—the whole machinery of American civilization kept going by the use of an instrument which many a Frenchman and Englishman today refuses to use in place of his legs.

WHEN we consider what an intimate part of American civilization the telephone utility has become, we can see

what an advantage we have over those countries where the telephone has been made to wait at the government's door, and beg for such financial sustenance as political expediency can afford to throw it. There are now, in this country, nine million telephones. The United States has sixty-five per cent of all the telephones in the world. It has only five and five-tenths per cent of the population of the world. We have, per inhabitant, ten times as many telephones as Europe, where government ownership is the rule rather than the exception; and this despite our comparatively sparse and widely-scattered population.

"Great Britain has but seven hundred thousand or one and five-tenths telephones for every hundred Englishmen, as against eight and eight-tenths telephones for every hundred Americans. The American can reach by telephone six of his fellow citizens, where the Briton can reach one.

"In all France, there are only slightly more than the number of telephones in New York City alone.

"In Germany there are but one and eight-tenths telephones per hundred population, so that the American instrument is five times as useful in reaching people as the German.

"Sweden, Norway and Denmark have given more freedom to private initiative than any other of the important European countries, so that the telephone development, in proportion to population, is greater than in any other country of the old world.

"In Stockholm, the Stockholm Telephone Company operates in competition with a State system, and the Company not only has twice as many telephones in Stockholm as has the State, but has about one-third of all the telephones in Sweden. Even at that, the influence of State development is so far felt that the total development of the country is but three and six-tenths telephones per hundred population, making its telephone facilities not half as great as those of the United States.

"In Norway, the development of the telephone service was originally left entirely to private initiative. About fifteen years ago, however, the government decided to administer the telephone service, but instead of seeking to develop new

fields, it confined itself chiefly to absorbing exchanges of the more populous and profitable areas. This threw the burden of the less profitable rural development upon private parties, a serious handicap. And yet the State has, today, only about one-half of all the telephones in Norway, the rest being private. The total development of the country is two and seven-tenths telephones per hundred of population, or less than one-third the development of the United States.

"In Denmark, public ownership is confined solely to inter-company long distance lines, exchange service being entirely operated by private ownership under public supervision. Danish conditions are, therefore, in part comparable to those in the United States, and it is not surprising to find that the telephone development of Denmark is three and nine-tenths telephones per hundred population, which, although less than one-half that of the United States, is nevertheless higher than anywhere else in the world, except in Canada.

"As to Canada, the telephone service is chiefly supplied by private initiative, although in three western provinces the service is a government monopoly. Canadians have, in the main, the same characteristics as Americans, so that their telephone service is more like ours than that of any other nation. Canada has 354,000 telephones, a development of four and nine-tenths telephones per hundred population, compared with eight and eight-tenths telephones per hundred population in the United States. Canadian experience in government (provincial) ownership has been of short duration, and results have been far from convincing, notably in Manitoba, where dissatisfaction with the telephone service reached such a stage last year, that it was necessary to appoint a Royal Telephone Commission to investigate the government's operations.

"In Switzerland the telephone system is owned and operated by the government, with the result that there are two and two-tenths telephones per hundred population.

"Italy has not quite as many telephones as the city of San Francisco. The whole of Russia has fewer telephones than Chicago, and Greece has less than a single American

building—the Hudson Terminal Building in New York City.

“The total number of telephones in all the other countries of Europe is considerably less than may be found in two American cities—Chicago and Philadelphia; the whole of South Africa has less than Boston; and the remainder of the world, including Asia, Africa and Oceanica, has less than the single city of New York.

“The Imperial Government of Japan has pointed with pride to its telephone service, because its apparatus and operating methods follow those of the Bell Telephone Company in the United States. But Japan, with all her wonderful imitative skill and thoroughness of execution, has been unable to escape the inexorable law of government operation, and the service has been so restricted by governmental policy, with its multitude of ‘other political exigencies,’ that a Japanese telephone subscriber considers himself a privileged character, and can sell his privilege at a good round premium.

THE fact that inadequacy is so universal, as a mark of government administration of the telephone service, leads inevitably to the conclusion that the one is a result of the other. The cause is obvious. Governmental machinery is itself inadequate to handle the requirements of a service so complicated as the telephone. No government, for instance, is capable of the financial prevision which has been required to build up the American Bell System. It is inconceivable, for instance, that Congress would devote itself to an accurate and scientific mapping out of telephone requirements, twenty years in advance—a practice which the present high standard of telephone efficiency has demanded in private initiative in this country. The present stage of telephone development in the United States would have been impossible, but for an absolute guaranty of stability for a definite period of time in the future; a complete freedom from the gusts of opposing policies, political or otherwise, an atmosphere or reasonable expectation that deliberate and painstaking planning would be followed by equally deliberate and painstaking execution. What government on earth is capable of this sort of management?”

As the people analyze some of the alluring propositions which attracted them during the past decade, they realize that even a good policy, if pursued too far, may become a mania. Such is the experience of the good people of New Zealand, whose public debt, after the government assumed operation of the public utilities including the telephone, amounts to the entire capitalized values of all the railroad, telephone and telegraphic interests in that country; this shows that some of the wild theories of socialistic legislation proposed by political leaders lacked the saving admixture of plain common-sense and facts. And yet New Zealand telephones can be used only from nine in the morning to five o'clock in the afternoon, while eighty per cent of the offices are closed on Sundays and holidays. Imagine the American people tolerating such a state of affairs. If you ever watched the faces of those obliged to wait upon a delayed call, fancy what their expression would be should any retrogression in customary telephonic services occur. And were the United States to take over public utilities, it might be found expedient to lower the rate of wages to the standard set in England, were operators to receive only forty per cent of the pay given Bell operators in this country. How long would these invidious conditions last?

GOVERNMENT ownership of telephone interests is advocated by Congressman David J. Lewis of Maryland, who wants a commission to consider and report on a project for the national postalization of the telephone network of the United States; he set forth the details of his plan in a report of thirty-five pages in the *Congressional Record*, proposing a federal investment of nine hundred million dollars. His argument in its minor premises and figures is simply a glaring imitation of the ancient methods of the politician who sought to win votes by condemning corporations promiscuously without regard to facts or reason.

For a man in private business to figure on a venture with an arbitrary assumption of the value of private property, or by guessing at the value of what he wants to “absorb” would seem a hazardous proceeding. But Mr. Lewis sketches with a free hand, his logic based on figures

marshalled under the subtle phrase "it is assumed"—a rather shifty way of predicating the value of the telephone proposition at nine hundred million dollars. Of course, he covers weak points by suggesting a final appraisal by the Interstate Commerce Commission. He proposed to leave out at present the farmers, and other co-operative telephone exchanges or telegraph properties, because, as he explained it, such telephone and telegraph service can be provided by means of telephone wires, a suggestion that seems to him to pave the way for the ultimate extermination of everything that looks like a corporation. When he asserts that the service of the United States telephone and telegraph companies is inadequate and that the rates are higher compared with those of other countries, his whole flimsy plea falls to pieces because it is not founded on truth.

TWO-THIRDS of the telephone mileage wire in the world is operated in the United States, and anyone who has had experience abroad knows that American telephone service is unsurpassed, and the best service can never be the cheapest. Three thousand miles being the maximum length of telephone wires in the United States, the average distances covered per message are immensely longer here than in other countries where it runs low—sixty-five miles in Belgium, and a little over five hundred miles in New Zealand. More than thirty per cent of the business of the Western Union Telegraph Company is carried eight hundred miles, nearly twice the average of other countries, and more than one-half of the telegraph messages in this country exceed two hundred miles. It is very plain that the short-distance messages of Great Britain must be necessarily much lower than the long-distance messages of the United States.

Further, as every traveler knows, an address is not charged for in this country as in European countries, and, as an ordinary direction requires twelve words, this large percentage of a message carried free in the United States should not be ignored, as it is in the Lewis comparisons. The immense sums paid out by England and France in supporting the government telegraph are not considered by Mr. Lewis, but they do appear in reports on the tele-

graph business of foreign countries—for instance, \$4,600,000 in England; in France, \$1,800,000; in Germany, \$3,500,000, and so on, trifles which the Congressman has overlooked.

THE figures given as to telephone operative efficiency do not take into consideration the joint telephone and telegraph service. In summarizing the calls made per employee, a foreign paper has pointed out that Mr. Lewis' report gives the figures of sixty-seven thousand, while thirty-eight thousand is the correct basis, and in the case of the Bell organization, the efficiency (including all employees) was about seventy-two thousand calls per employee, against thirty-eight thousand named by a foreign authority, or fifty-eight thousand as claimed by the Lewis report. This discounting by useless figures of the efficiency of the American telephone girl is justly resented by the operators. It is not so much a question of rates with the American people as it is of service. The leadership maintained and developed by American energy is due in great measure to the individual enterprise that distinguishes America from all other countries. It is coming right down to the question as to whether this quality shall become obsolescent and atrophied.

Carried to this logical conclusion, the people are beginning to realize that regulation as conducted by the Interstate Commerce Commission in the case of the railroads is as far as the government can go, if a Republican form of government is to be maintained. There can be a popular tyranny in going too far along these lines that will tend to uproot American representative government, and substitute the stern rule of monarchical Europe; but when the efficiency of American telephone operators is misrepresented, there will be a dispute from centrals that will ask for real figures, even if it only be a gentle "Number, please?" The people are getting the real number in some of their alluring demi-semi-ex-official Congressional reports that do an injustice to the efficiency of American employees, and of the service they have rendered through the medium of well-organized corporations that understand what is demanded in American public service.

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