

CHAPTER III

CONSOLIDATING NATIONAL COMMUNICATIONS

After the railroad the telegraph had become by 1878 the most essential tool in carrying on the nation's material ambitions. It was doing a great business, its receipts as estimated by the census of 1880 amounting to over sixteen and one half million dollars. Close to thirteen millions of this were taken in by one company - the Western Union - which was paying that year an eight percent dividend. Seventy six other companies reported to the Census. Their combined receipts amounting to less than four million dollars; one and one half millions of this sum went to a concern called the Atlantic & Pacific. (1)

The Western Union at this time was the most nearly perfect franchise trust in the country. It had its origin in a combination made before the Civil War by a group of men at Rochester, New York, among them such well known names as Ezra Cornell and Hiram Sibley. At the time they undertook their combination there were some fifty short telegraph lines operating in the United States. The service and the returns were unsatisfactory. Some thirty one (2) of these lines were put together by the Rochester group and incorporated as the New York and Mississippi Valley Printing Telegraph Company with a capitalization

1) Compendium of the Tenth Census, 1310 et sq.

2) Reid, James D. *The Telegraph in America* (1886)
p. 464

62
63

of \$360,000 and the right to extend throughout the United States the system it controlled, known as the House Printing Telegraph using Roman letters instead of the dots and dashes of Morse. (t) (f)

This company built a line from Buffalo to Louisville intending to go on to St. Louis but failed for lack of subscriptions to its stock. From Louisville, however, it was able to extend its service South to New Orleans by relaying over the Southwestern Telegraph a recent combination of competing lines with a president who was to mean much to the future of telegraph organization. This man, Dr. Norvin Green, had grown up in Kentucky. He had been enterprising from boyhood getting his start by helping operate a floating grocery up and down the Ohio; ^{2 business} had studied medicine, practiced, gone into politics, serving several terms in the legislature of Kentucky and finally in 1853 had been made president of the telegraph line South from Louisville. ^{to New Orleans} (t) (2)

Dr. Green was not slow in sensing the handicaps to the business of his line, ^{from} of delays incident to relaying messages from one telegraph office to another at connecting points ^{and from} not of the uncertainties of delivery where messages must zig zag, north and south, east and west in search of a connecting line. The mail for messages which must be so relayed was almost as quick and much cheaper.

* (1) Reid, James W. ^{Telegraph} The Telegraph in America Chap. 35
P 572 - P. 574 P. 40-51

(2) idem, Chap. 44

63
64

Moreover, he soon discovered that most of the fourteen different telegraph companies doing business North of the Ohio and West of the Mississippi were unsound financially. Consolidation was the only way out in his judgment if the telegraph was to be made a satisfactory national medium of communication. He worked out and presented to the presidents of the six leading telegraph companies of the country, chief among them the Rochester consolidation which had recently reached Louisville, what was known as the Six Party Contract. The result of the negotiation was that in April 1856 the New York state legislature chartered a consolidation to be called the western Union Telegraph Company, its headquarters at Rochester, New York, its capitalization \$500,000 (1)

The effect on the business was immediate. Patents were pooled, duplications were cut out, the service rapidly improved and in 1861 the Western Union built the first line to the Pacific Coast. In 1866 it moved its headquarters to New York City.

It continued to grow by the double means of absorbing competition and extending its lines. In 1878 when Norvin Green was made president the mileage of the Western Union was 76,955 with 194,233 miles of wires. Great as was the organization over which he was to preside it by no means satisfied Dr. Green's ambition. He set out to make it a complete monopoly. (2)2

By 1881 two important competitors disputed business with him, the American ^{Union} Wire and the Atlantic & Pacific. Raising (1) Reid, James W. *The Telegraph in America*, p. 467 (1886)

2) (1) Remarks of Norvin Green, President to the Board of Directors, September 13, 1882. Pamphlet printed by resolution of Board of Directors. P. 2

the western Union's capital to \$80,000,000 he absorbed them both, paying some twenty two and a half millions for the former. Fifteen and a half millions of the new stock was distributed as a dividend to the Western Union stockholders.⁽¹⁾ In carrying out this refinancing he had been ably aided by Jay Gould. (2)

The contracts under which the Telegraph Company operated were of enormous value, nine tenths of these ^w being upon railroad routes. They not only gave the right to put up poles and wires on railroad territory, they furnished free transportation for men and materials and in most cases it was railroad labor which patrolled the line and frequently made the repairs. Nine thousand of the companies twelve thousand forty one offices were furnished free by the railroads.

It was with reason that President Green said in the report of his stewardship made in 1882 that by his renewal ^{in the preceding 5 years} of many of these contracts, most of them for long terms, the "company had been greatly strengthened." * (2)

The price to the Western Union for these advantages was free telegraph service to the railroads. Considering the necessity of this and the fact that the Western Union service was highly and increasingly efficient the fairness of the contracts was a matter of bookkeeping and judgment. They

1) Appletons Annual Cyclopaedia, 1881

2) Reid, James W. P. 577-601

(3) Remains of Norman Green, pres. to the Bd. of Directors Sept 13, 1882. Pamphlet printed by resolution of Bd. of Directors. P. 3

Vol. 17
new Series - American
Commerce & Finance
in 1881

65
68

had been contested by the roads more than once but the courts had always pronounced them valid.

Mr. Green's success in reviving and extending these contracts with the railroads ^{with that} ^{has} was no doubt a powerful factor in deciding the two biggest competing concerns now left in the field - the American Union Telegraph Company and the Atlantic & Pacific Company - to sell ^{in 1881}.

These competitors absorbed, Mr. Green could say to his directors, "Successful competition with your company is improbable if not actually impossible." ... "Your company has attained such magnitude and strength, that it is no longer necessary to buy off any opposition; and I advise that it shall not do so at any price that will pay a profit to the proprietors. Competition may be a popular demand, and it may be good policy on the part of your Company to indulge competing lines between the principal points. This would not materially interfere with remunerative dividends and the continued growth of the Company." (1) P. 5

The public did not view the completion of Western Union control of the telegraph with anything like Mr. Green's satisfaction. It felt that while it was receiving efficient ^{the} service both/profits and the rates were too great. As a matter of fact the profits in these five years rose from about three and a half millions in 1878 to over seven millions in 1882. Tolls per message dropped in that period but seven

- 1) Remarks of Norvin Green, President to the Board of Directors, September 13, 1882. ^{Paragraph printed by resolution of Bd. of Directors, P. 5.}

66
67

tenths of a cent. Moreover, there was a general doubt of the wisdom of allowing complete private control of an instrument so essential to the economic life of the country as the telegraph had become.

See 1 to 522A.
Public unrest was expressed in a loud demand for a Government postal telegraph, and bills for its establishment began to appear in Congress. By the end of our period seventy five bills advocating such an adjunct to the post office had been submitted to Congress and seventeen different investigating committees had reported in its favor. But the movement made no headway. Postmaster General Wanamaker argued the case in this way in 1892:-

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10,000 railroad telegraph offices, often distant from villages, and does not find the telegraph carried within the reach of working people.

"The mail and telegraph are the life current of business, and to a large extent of social life, and the private monopoly of either system must result in creating a preferred class, to which high rates may not be objectionable. The humbler citizen must do without. It was said long ago that the telegraph was a monopoly, and so is the postal system; but the difference is that one is operated for private gain and the other for public good. The Government follows a settler across the plains and into the mines and establishes a post-office, in order that his family may have letters and newspapers and be more content in a frontier home. The telegraph goes where it can find paying business only; and so it falls out that only a sixtieth part of the people of the United States, owing, not to the need, but to the inconvenience and charges, employ the telegraph. The post-office helps to settle, serve, and satisfy the country - literally to make the country - and of all its adjuncts, the most important, that which would afford the quickest mode of communication between families near and far, apparently can not be made available in any way. The fact is that in some respects the telegraph seems to get farther and farther away as the capital and the power of the corporation increase." (1)

All this was and still is obvious but Congressmen generally felt too beholden to the company to take an action which it opposed. The Industrial Commission after taking abundant testimony declared that it was "a liberal use of the franking privilege which gave the corporation its power in legislation. The franks issued to Government officials constitute nearly one-third of the total complimentary business." (2)

1) Industrial Commission, Vol. IX. (Washington, 1901)
quoted in testimony of A. L. Randall. Page 243.

2) Industrial Commission, Vol. XIX. P. 633-636. (Washington, 1901)

68
369

Irritation against the Western Union was increased in 1883 by a spectacular strike. At ten minutes past noon on Thursday, July 19, practically the entire telegraph operating force in all the cities of the country between New York, New Orleans and Omaha, as well as many in Canada left their instruments. The business of the whole country was tied up. It was ~~probably~~ the first conclusive demonstration the nation had had of the place the telegraph had taken in its economic life.

"The function of the telegraph in our highly organized commercial and social life", said Harper's Weekly, "has come to be as general and as important as that of the mail. In some respects it is even more of a necessity. Business could no more be accomplished without it now than without the railway or the steam ship. Not only is it an indispensable instrumentality in ordinary exchanges, but it is absolutely necessary for the safe and sure administration of the railways themselves. It is a public employment like that of the police, or the gas and electric companies, or the railroads. It ought not to be exposed to interruption any more than these. That is not to say that the telegraph companies should have irresponsible control of their employees on such terms as they choose to grant." (1)

The employees made out a good case. "The company has shown in its dealings with the operation something of the same grasping and unscrupulous spirit that it has betrayed in its stock operation," said the editor of Harper's. This the public generally believed, but the business of the country had to go on. The Western Union must operate and it did.

1) Harper's Weekly, July 28, 1883. Vol. XXVII, No. 1388

Slowly the strikers saw that they were losing and after a month their leaders advised them to return to work.

If they had suffered the company had suffered still more. It was held responsible for the strike; its treatment of employers was unendurable; the telegraph should be taken over by the Government if not there should be a National postal telegraph. The demand for one or the other began to be included in the program of many protecting and reforming groups:- The Farmers' Alliance, The National Grange, the Knights of Labor, the Railway Union, the American Federation of Labor, the International Typographical Union, the People's Party, the Prohibitionists, as well as many Board of Trade. (1)

1) Industrial Commission, Vol. IX Hitchcock, Romyn, Civil
Engineer of New York City. Testimony before Industrial
Commission, Pages 890-896.

The agitation revived the competition of the few remaining independents. That of the company operated as an adjunct of the Baltimore & Ohio Railroad (1) became so strong that Jay Gould now named by the press and public as the financial head of the Western Union, paid \$5,000,000 for it and made a fifty year contract for the use of its lines at \$60,000 a year. (2)

The most active competitor was the Postal Telegraph Company, the land lines set up by the Commercial Cable Company which in 1884 had laid two cables across the Atlantic in competition with the trans-Atlantic Service which two years

- 1) Prof. S. F. B. Morris installed his first telegraph line along the Washington branch of the Baltimore & Ohio railroad. Edward Hungerford in his Story of the Baltimore & Ohio Railroad (1927) Vol. I. Page 281, 282 quotes an account of the meeting of the Board in the summer of 1843 at which permission was given to Morris to lay his line. It is from the Reminiscences of Judge Neilson Poe. A resolution having been introduced to permit the laying of the line, provided "that it can be done without injury to the road and without embarrassment to the operations of the company, and provided Mr. Morse will concede to the company the use of the telegraph upon the road without expense, and reserving to the company the right of discontinuing the use if, upon experiment, it should prove, in any manner, injurious...." One of the directors said: - "Whatever may be our individual opinions as to the feasibility of Mr. Morse's invention it seems to me that it is our duty to concede to him the privilege he asks and to lend him all the aid in our power, especially as the resolution carefully protects the company against all present or future injury to its works and secures us the right of requiring its removal at any time...." After a slight opposition, the resolution was passed and Morse went ahead with his project. The company continued to exercise the right to the use of the telegraph thus acquired.
- 2) Appletons Annual Cyclopaedia for 1887. Page 273

before the Western Union had undertaken by leasing for fifty years two cables from the American Telegraph & Cable Company. (1)

The Commercial Cable Company was a private concern owned by John W. Mackay and James Gordon Bennett, Editor of the New York Herald. Mr. Mackay had plenty of money for laying trans-Atlantic cables since he owned two fifths of the bonanza mines of the Comstock lode in Nevada. In one year, 1874, he and his partner, James G. Fair, took \$150,000,000 out of the bonanza mines. (2) Like many men made rich unexpectedly in this period he was put to it at times to find something which interested him to do with his money. Trans-Atlantic cables appealed to him, the more because his partner, James Gordon Bennett, could give the lines the great and growing news business of the New York Herald. He could also depend upon a considerable patronage from those who wanted to "encourage competition."

A disastrous rate war followed the entrance of the Postal Telegraph Company into the field - so disastrous that by 1887 its president, Albert Brown Chandler, was willing to listen to overtures for a peace treaty when they were made by the Western Union. Few men in the field had had so long an experience in the business as Mr. Chandler.

- 1) This lease would have expired in 1932 but in 1930 the Western Union purchased the Cable Company.
Short History of Western Union Telegraph Company - Courtesy of the Company
- 2) National Cyclopaedia of American Biography, Vol. IV. P.487
for the Comstock lode see Nevins, Allan - The Emergence of Modern America, A History of American Life - 136-137

Compiled from Company Records.
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or realized better how surely the competition his concern was suffering meant either compromise or death.

He had learned telegraphy as ^aboy in a West Randolph, Vermont office. He never after that left the telegraph. His skill and connections took him to Washington in 1863 into the United States Military Telegraph Service where he served under General Thomas Eckert and occupied what was called the "President's Room," the room to which Mr. Lincoln came night after night to escape his persecutors, he once told Mr. Chandler, as well as to read line by line the copy kept for him of all messages received and sent - his way of finding out how the War was really going. (1)

After the War Mr. Chandler shuttled in and out of the Western Union and the Atlantic & Pacific Company; rose to be President of the latter and was in that position when in 1882 Norvin Green acquired it to help put the Western Union beyond competition. When Mackay established the Postal Telegraph Company he was glad to take in Chandler.

The understanding worked out in 1887 by the Western Union and the Postal Telegraph did not include a division of business nor an interchange of stock or property. It was an

~~14~~ Tarbell, I. M. Life of Abraham Lincoln Vol. II Page 105, 106, 141

1) Chandler, A. B. Interview ~~with Author~~

agreement

/to follow the same schedule of rates and franchises, henceforth to give up those competitive practices which as Mr. Chandler said were "equivalent to paying for the obtaining of business." (1) In his judgment there was no other way.

"Under the system of rebates," he told the Industrial Commission, "the meanest would get the largest favor. That may not be a very graceful way of putting it, but it is a fact.....The one who insisted on having the largest rebate that could be allowed, or else he was 'going to give his business to the other company'..... It is not the intention of either company to allow anything of that kind to happen." (2)

The telegraph companies by establishing uniform rates and sticking to them were themselves putting an end to an abuse which had by 1837 grown to such proportions on the railroads that the Government had undertaken to regulate them through a commission.

One abuse that was not ended by the peace treaty between the Western Union and its remaining rival the Postal Telegraph was the free frank privilege. The Western Union

1) Industrial Commission, Vol. IX
Quoted in testimony of A. B. Chandler. Page 195

2) Idem

74
25

had always depended upon free franking to oil its parts.,

"Our property," Horvin Green once remarked, "is more or less subject to the action of national, state and municipal authorities and the judicious use of complimentary franks among them has been the means of saving to the company many times the money value of the free service performed." (1)

Mr. Chandler claimed to the Commission that the Postal Telegraph Company for a good many years refused franks to members of Congress save where they had what he called, "reciprocal relations which entitled them to free service." "At present," he added, "perhaps under the necessity of meeting our great competitors as much on for any other reason and on account of application for another reason, Many congressmen as well as aldermen, mayors and judges are enjoying the privilege. A great many public men think they are entitled to the free privilege. I do not know why, but they seem to think so."

The truce with the Postal left the Western Union master of the telegraph field. It could now return to the extending and perfecting of its service, something which in spite of its critics it was always doing - obliged to do in fact. Such was the demand for better and better service - and profit making. The period between 1882 when President Green saw it free from competition and 1887 when it recognized the Postal Telegraph as an ally and not a competitor had been hard on profits. They had fallen from over seven and a half million

1) Industrial Commission, Vol. XIX. Pp. 633-636. (Washington, 1901)

in '83 to under four million in '86, but the public had profited. The average toll in '83 had been 38.Cents; in '86 it was 31.3. It was never again to go higher than 32.5 and that for but one year - '91. It finally settled to an average of between 30.1 and 31.2, and so stood at the end of the century. Profits did better. The low of around four millions in '86 steadily rose and ended the century at about six millions. But this was profit on an enormously increased business. In 1883 the Western Union sent a little over ⁶forty ~~one~~ ^{three} million messages. In 1890 it was sending nearly fifty six million and in 1898 when we drop the story over sixty two million. (1)

The Western Union's struggle for supremacy in the telegraph field was complicated in the late '70's by the appearance of an entirely new form of communication, an invention by which one spoke directly over a wire to an auditor at a distant point. ⁽²⁾ The telephone, as it was called, had been patented in February 1876 by Alexander Graham Bell, a Scotchman born into a family which for two generations had been engaged in studying the art of speech. Young Bell had become a teacher of a system developed by his father and called "Visible Speech" and had such unusual success with deaf mutes that the Boston Board of Education hearing of it

- 1) Report of President of Western Union for 1898. Record of business from 1878-1898. Printed by order of Directors (1898)
- 2) Nevins, Allan. Emergence of Modern America, 88-89; Schlesinger, A. M. The Rise of the City (A History of American Life, X) 93-97

had in 1871 asked him to take charge of a school for deaf mutes it was opening. (1)

But Bell was not only a remarkable teacher he was a restless inventor at this moment spending his nights "trying to make iron talk," (2) an idea which to most of his practical Boston friends seemed utter folly. But finally the idea conquered and Bell received his patent in time to exhibit his telephone at the Philadelphia Exposition of 1876 when an amazed world heard it talk.

Bell had neither the money nor the taste for a commercial development of his patent. But he had a few friends who now that he had proved his point were determined the world should learn to use the telephone and pay for the privilege. The chief of these was a distinguished citizen of Cambridge, Mass., Gardiner Green Hubbard, whose daughter, a deaf mute, Bell wanted to marry.

The Bell Associates, as the group was called, now put up money to make a quantity of the instruments which they rented ^{through agents} largely to the curious. The renter provided the line and ~~the~~ agent looked after repairs. At first they were used merely for communications between home and office - office and office - any two points in frequent communication, but quickly it was realized that the usefulness of the telephone

1) Casson, Herbert N. The History of the Telephone. Chapter I
(Chicago, 1910)

2) Casson, Herbert N. The History of the Telephone. P. 25
(Chicago, 1910)

would be greatly increased if private lines were run to a central point where an exchange of connections could be made. But this required the use of the highway for poles. Since this use of the highway was quasi-public/^{service} a local corporation had to be formed and quickly small telephone companies sprang up which rented telephones and expected the Bell agents to solve the problems of the exchange^s they set up.

Before, 1877 was at an end. there were some three thousand instruments in use. ~~The~~ The Western Union Telegraph Company had regarded the telephone at first as an "electrical toy" but when the public began actually to use it in its business it quickly interested itself but not in the Bell patent. It took up that of a rival claimant, Elisha Gray, ~~and in December 1877~~ ^{with a capital of} ~~and of course~~ ^{\$300,000 Company -} launched the American Speaking Telephone Company and set out to monopolize the field.

The competition given the struggling Bell Associates was as harsh as they could make it. It was not only what money and experience in organization and promotion could do, it was their power over franchises. They could and did prevent the Bell wires along many a highway, over many a house top, and as to getting into a railroad office it was out of the question.

It was rather surprising that the Associates did not lie down and die. Mr. Bell would have been glad to escape.

A struggle of this nature was utterly distasteful to him. His interest was not in business, not his ambition in money-making, it was in teaching, in developing the ideas which ⁹teared his active imagination. Moreover, he was in debt - wanted to marry. In 1878 he offered to sell to the Western Union for \$100,000. His telephone would "give ear" to the telegraph," (1) he told them, but they were "not interested."

And then something happened which the Western Union had not foreseen. The Bell Associates found a leader experienced, unafraid and as convinced of a great future for the telephone as Gardiner Greene Hubbard himself. This was Theodore N. Vail, a young man of thirty one years who held the important position of General Superintendent of the Railway mail of the United States, held it by virtue of the great contributions he had made to building up scientific distribution of mail as well as to establishing the fast mail service which began in September 16, 1875 with a forty one hour train between New York and Chicago. (2) In 1876 a Congressional Postal Committee was sent out to inspect the mail service, Vail acting as guide. One of the ^{of this committee} members/was Gardiner Greene Hubbard. He had the telephone with him; he never went anywhere in those days without it, never met a man to whom he did not demonstrate its marvels and to whom he did not try to sell stock.

1) Casson, Herbert N. The History of the Telephone

2) Paine, Albert Bigelow. ~~Lives of the Presidents of the United States~~
In One Man's Life (N.Y. 1921)

Vail quickly seized the meaning of the telephone. Before he was back in Washington he was convinced that here was the next step in National communication^s, for he at once saw the new invention as something more than a local convenience. Hubbard, himself, saw it as an adjunct to the Post Office and introduced a bill into Congress to that effect, that is he saw a Government Postal Telephone as so many, himself included, were seeing a Government Postal Telegraph, but Congress would have nothing of either. (1)

Vail's complete acceptance of the fact and future of the telephone resulted in his finally throwing up his position with the Post Office and to the disgust of the Postmaster General taking over the management and reorganization of the struggling company. By July 1878 he had formed a new company with a capital of \$450,000 and he was bringing suit against the Western Union for infringement of the Bell patent.

As was expected the Western Union made a long and spirited resistance, but when finally the testimony was all in its own lawyers convinced them that their case was hopeless, that Bell was the inventor of the telephone, that they had been infringing on his patent and that the sensible course was to settle. (2)

- 1) Mackenzie, Catherine. Alexander Graham Bell (Boston, 1928)
Albert Bigelow
- 2) Paine, In One Man's Life, Chap. XXIII. Bureau of the Census
Telephones and Telegraphs, 1902, 66-67

81
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By this time the American Speaking Telephone Company, pushed as it had been by men controlling not only ample capital but many franchises and connections invaluable in the business of communication, had set up some 56,000 telephones in fifty five cities. Moreover, its service was ~~the~~ more satisfactory than that of the Bell system because of its control of the Edison transmitter, an invention which had cleared up the commotion on the wires, which all historians of the telephone have described with joyful gusto. It must have been as maddening as the static of a radio. But even with transmitters the Western Union could not go on if the Bell patent was valid and in November 1879 it concluded a settlement by which it recognized Bell as the inventor of the telephone and agreed to retire from the business. The Bell Company agreed to buy the system of the Western Union and to pay for seventeen years a royalty of twenty percent on telephone rentals and royalties.

There could not have been a finer bit of advertising for the Bell system than its victory over the Western Union. Everybody now was struggling for stock. It sold as high as \$995.00 (1) a share ^{the} /month after the agreement was announced.

When the American Bell Telephone Company, as it was now called, made its returns to the census takers of 1880 it reported total assets of \$9,520,736, an authorized capital

1) Mackenzie, Catherine. Alexander Graham Bell (Boston, 1928)

stock, common and preferred, of \$10,000,000 of which \$7,350,000 worth had been issued. It had a big progeny reporting to the census one hundred forty seven companies most of them small - the assets of all reporting - the mother concern included totaled under \$16,000,000. (1)

A significant item in this census report was the number of people to whom the one hundred and forty eight telephone companies were giving work. It numbered 3,338. (2) There must be managers, accountants, electricians, linemen, operators. These as a rule came from the towns, that is with the telephone came a variety of new occupations, particularly attractive to the young because new. The telephone also gave work to the established industries - the carpenters, plumbers, mechanics - "a good thing for the town."

The rapid growth of the telephone stimulated attack on the Bell patents. The Bell Company fought out thirteen law suits ^{which} ~~that were of national interest,~~ of five ~~that~~ were carried to the Supreme Court in Washington. It fought out five hundred and eighty seven other lawsuits of various natures; and with the exception of two trivial contract suits it never lost a case. (3)

- 1) Compendium of the Tenth Census of the United States
Vol. I. P. 1332
- 2) Idem. Vol. II. P. 1338
- 3) Casson, Herbert N. The History of the Telephone. P. 100

82
~~83~~

"It was beset by a throng of promoters and stock-jobbers..... In three years, one hundred and twenty five competing companies were started, in open defiance of the Bell patents. The main object of these companies was not, like that of the Western Union, to do a legitimate telephone business, but to sell stock to the public. The face value of their stock was \$225,000,000, although few of them ever sent a message. One company of unusual impertinence, without money or patents, had capitalized its audacity at \$15,000,000." (1)

The most startling of these attacks as well as the most significant for a student of the business methods of the United States in the '80's and '90's was a suit brought in September 1885 (2) by the office of the Attorney-General of the United States charging that when Bell made his application for a patent he knew that the telephone had already been invented by a German, Philip Reis. This Reis invention was familiar to the courts and to scientists. [^] It was not As Lord Kelvin said, "a speaking telephone." It did transmit sound, but as Edison said the man at the other end must know what was coming if he was to recognize a word. (3)

- 1) Casson, Herbert N. The History of the Telephone. P. 88 (Chicago, 1910)
- 2) Mackenzie, Catherine. Alexander Graham Bell. P. 257 et seq. (Boston, 1928)
- 3) Casson, Herbert N. The History of the Telephone. P. 95 (Chicago, 1910)

There was a second charge, that Bell's attorneys had bribed patent offices officials to turn over Bell's specifications to them and that they had doctored them to meet certain claims they feared would invalidate his patent.

In the absence of the Attorney-General/^{Augustus} Garland the Solicitor-General had ~~been persuaded to bring~~^{brought} this suit on twenty four hours notice without consultation with the Patent Office and certainly without knowing anything of the established history of the Bell patent, ^{Plaintiff was the} by The/Pan-Electric Company, a \$5,000,000 Tennessee Corporation ~~which had~~ already ~~been~~ convicted of infringing the Bell patents. Another thing the Solicitor-General did not know was the Attorney-General had already refused to bring the suit. (1)

The suit might have gone the way of all its predecessors with little more than annoyance and expense to the defendants if shortly after it was brought the New York Tribune had not announced and ~~was~~^{has} been able to prove that the Attorney-General had been the legal adviser of the Pan-Electric from its start and held a big block of its stock. Not only was Mr. Garland a stockholder but so were three United States Senators, not to speak of various other gentlemen in public office.

Here was a scandal indeed. It could hardly be expected that the Republican newspapers should not have

1) Nevins, Allan. Life of Grover Cleveland. P. 294

84
85

demanded Mr. Garland's resignation or that Mr. Cleveland knowing Mr. Garland as he did should have refused to have ~~being what he was could only be proved by proof that~~ believed him guilty of the corruption charged. He probably ~~these damaging charges meant corruption, they meant~~ realized that ~~nothing more in~~ Mr. Garland's case was a weak and good-natured propensity to go along with the scheme^s of his friends without looking into them too closely.

The Solicitor-General would have withdrawn the suit but the Government decided to go ahead with it.

The case was soon with the newspapers rather than with the courts. The World, The Sun, The Evening Post and The Tribune demanded that Mr. Garland be dismissed and the suit dropped, the Times, loyal to Cleveland, cried that it go on and it turned its guns on the Bell Telephone Company. It was a "greedy monopoly", a "patent fraudulently" amended. (1) It played up the Jay Gould prejudice which might have been sustained if it had been a question of the Western Union or certain railroad systems but which was baseless in the case of the Bell Telephone Company. And to complete its attack it charged a "criminal and corrupt league of an insolent corporation with venal newspapers." "This case must be tried," cried the Times, "in spite of the outcry kept up by certain newspapers in the pay of the Bell Telephone Company." (2)

1) Mackenzie, Catherine. Alexander Graham Bell. Page 269

2) Idem p. 270

85

insisted
These charges ~~kept~~/on by the Times forced a
Congressional investigation. Mr. Dana of The Sun gives
probably the soundest reason for opposing the ~~suit~~. ^{investigation}.

"When the question is one sure to be decided in
the ordinary action of the courts, without the Government being
a party, I see no reason for the President to be involved in
it, and still less when the proceeding originated with a lot
of deadbeats who ought not to be tolerated in any respectable
political combination." (1)

As for Mr. Jones of The Times he had no proofs to
offer. But it was not until the Supreme Court gave a decision
favorable to Bell in 1888 that he ~~ceased~~ ceased his clamor.

The growth of the telephone company in these years
and in spite of all attacks was due largely to the astuteness
with which Theodore Vail recognized limitations on the quality
and extent of the service and the boldness with which he
tackled them. There was the public irritation at the danger
and inconvenience of the multiplication of overhead wires.
He began to test the possibility of underground telephone
wires as early as 1882 in a series of try outs near his
Massachusetts home and with such satisfactory results that
cables began to go underground at once. All sorts of
wrappings for the wires were tried, most of them failures,
but by 1890 the type now in use was discovered - the paper

1) Mackenzie, Catherine. Alexander Graham Bell. Page 274

86
87

wound cable. By 1898 several hundred thousand miles had been put under ground. (1)

Then there was the wire in use. Bell had "made iron talk" but the iron was not always a reliable conductor and the distance it would carry was limited. Vail heard of a hard-drawn copper wire and tried it out. With copper wire you could connect cities as ~~quick~~ he had talked from the start. (2) By his insistence and in face of the strongest opposition of his associates he put a double wire between New York and Boston. It was an immediate ^a success as the telephone at the Centennial of '76.

It was the birth of "Long Distance." A new company, the American Telephone and Telegraph Company was organized with a capital of \$100,000. Its immediate purpose was to build and own long distance lines for the American Bell Company, but its long aim was to unite under one leadership all telephone companies of the United States. This vast ambition was partially achieved in 1900 when reorganizing itself with a capital of \$250,000,000 (3) it took over the property of the American Bell Telephone which since 1888 had been steadily paying dividends of from fifteen percent to eighteen percent (4) giving two shares for one. Moody lists thirty five subsidiaries in the merger in 1900, not

- 1) Casson, Herbert N. The History of the Telephone. P. 128-134.
(Chicago, 1910); Paine, In One Man's Life. Chap. XXX
- 2) Casson, Herbert N. The History of the Telephone. P. 170 - 172
(Chicago, 1910) Paine, In One Man's Life, 173-4, 179-181
- 3) Moody, John. The Truth about the Trusts. P. 373 (New York)
- 4) Idem

87
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over a half dozen of the names of the companies which are reported to the Census of 1880 appear in the list. What had become of them? A few had disappeared possibly from bad management, but the most of them had lost identity in the consolidations which on every hand were being forced by public demand for better service and the difficulty of getting the capital and efficient leadership to give it, as well as by the ambition of stronger units. The annals of many a town and district record the same bitter fight between rival telephone companies as were going on between rival lighting and railway companies. But no fear of their ultimate fate kept communities from setting up their own plants. When a company did not come their way, or coming proved too expensive, small town folk and farmers took the matter into their own hands. Out West it was not unusual for a group of farmers to buy receivers, insulators, batteries, cut, set and string wires and use the home usually of their leader as an exchange. (1)

When the Industrial Commission made its survey of our period it found that at the very time the American Telephone and Telegraph was capitalizing itself for \$250,000,000 with which to ^{extend} make service, small Wisconsin towns were forming local companies giving one \$50.00 share to each receiver and no share to anybody not renting an instrument. The service

- 1) Telephones and Telegraphs, 1902, 9-11, 17

88
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cost about \$1.00 a month for a home, \$2.50 for a business and on these rates one company paid a dividend of \$0.75 a month. At that time you paid in New York City ⁵240.10 ^{yr. (1)} but your Wisconsin company could not give a connection outside its own limits while from your New York telephone you could talk to Chicago - \$9.00 for five minutes - and on some days you knew you would be able to talk to San Francisco.

The great Telephone Trust was on its way, and it was as it had been from the start in the hands of those who had built it, with backers who had been with them from the beginning - conservative men, not stock manipulators. Its directors numbered no Gould - there were three on the Western Union Board - no Russell Sage. It had no Standard Oil representative, no Morgan, no E. H. Harriman or James Stillman. (2)

1) Casson, Herbert N. History of the Telephone. (1910) P. 178

2) Moody, John. The Truth about the Trusts. Page 385