

# BOOK REVIEWS

This could have been a stunning book. Written by Alan Stone, a noted scholar at the University of Houston, it deals with a question that has puzzled households across the country: Why was the American Telephone and Telegraph Company dismantled by federal court order in 1982? The conventional answer, as reported in the press, was to introduce competition, an abstract reason by most counts and for a regulated public utility distinctly paradoxical. Yet any effort to probe further encounters mystery as well as high drama. AT&T was universally regarded as the world's greatest communications system, unmatched in efficiency as well as in scientific and technological progress.

Stone's *Wrong Number* explores this challenging episode in economic history with a degree of technical skill that, unfortunately, far exceeds the clarity of his exposition. We return to his legalistic style later. More important than its form is the message, a story shaped by a union of private greed and public passion. It begins in the late nineteenth century.

As soon as Alexander Graham Bell conveyed his first telephonic message ("Mr. Watson, come here; I want to see you") and incidentally filed a patent for his astonishing invention, it was evident that a new industry was born with a gold rush of promise. Almost before his assistant had a chance to reply, on that day in 1876, the courts were crammed with would-be rivals and pretenders. A bit later, as Bell started actual business operations, there were barefaced patent infringements. So from the beginning interlopers were present and active and, as we shall see, they multiplied to the end.

Nevertheless, by 1899, when AT&T was incorporated, a fully integrated business organization had been formed that, at least at the time, appeared impregnable. It embraced local telephone service, long distance, switching, transmission, and manufacture and ownership of customer telephones and other equipment. It also provided its own engineering, planning, and basic re-

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## WRONG NUMBER: THE BREAKUP OF AT&T

Alan Stone/Basic Books/331 pp. \$21.95

Melville J. Ulmer

search through the already famed Bell Laboratories. It was a self-sufficient giant and the nature of its industry—the inherent interdependence of all of its activities—seemed to require that it be so.

Hence by the turn of the century AT&T seemed successful and secure, on the brink of a gigantic expansion that would bring telephones to virtually every home and business in the country—even though its original Bell patents had expired in 1893 and 1894. In their place stability was attained in the early 1920s by development of a so-called national regulated network manager system. AT&T was of course the manager and also sole carrier of long-distance calls. Local services were provided by local monopolies—subsidiaries of AT&T as well as independent companies, in many of which AT&T had financial interests.

The cautionary word in the above phrase is that the network was "regu-

lated," for its significance was destined to intensify. Regulation grew from that of courts and legislatures in the earlier days to that of public utility commissions established in each relevant area. The latter fixed service rates, judged the complaints of users, and held companies responsible for end-to-end service, including the provision, maintenance, and repair of telephones, transmission lines, and switching equipment. It was generally agreed, as Stone puts it, that under this system "rates and profits were reasonable, technological progress remarkable."

AT&T therefore had neither cause nor a legal right to object to regulation, and never did. In return for a partial or wholly monopolistic franchise to perform an essential service, an official guardian of the public interest was universally regarded as essential. But the complexity of regulations in the telephone industry grew abruptly after the 1920s, and ominously so with the anti-Big Business sentiment borne by the New Deal. That led swiftly to open

assaults under the aegis of the antitrust laws. In Stone's view the trouble began, and finally ended with AT&T's breakup, because of "politics."

Though obviously pejorative, "politics" as Stone uses the term does not imply corruption or personal favoritism. He means specifically that customary standards of efficiency in performance were sacrificed in favor of ideological commitments. Regulators were driven by the populist conviction that "bigness is bad" and that "competition," no matter how loosely defined, is its natural correction. In the 1930s, with the organization of the Federal Communications Commission and the participation of newly activist jurists, these notions led to a bombardment of studies, reports, verbal assaults, and legal charges and decisions directed at AT&T.

The first stage was impressive in duration, awesome in fury, and ended with the impact of a dewdrop. It began with an ambitious federal study of "the concentration of power," undertaken by a committee of fiery New Dealers. It was accompanied by the creation (in 1934) of the FCC, intended to supplement the authority of the regional public utility commissions. In this setting a special investigation was launched into the affairs of the greatest monopoly of them all—AT&T. The study and investigation together occupied seven years, cost several million scarce Depression dollars, and slightly relieved the dreadful unemployment problem of those times by padding the federal payroll. But it unearthed no verifiable deficiencies in AT&T's discharge of its responsibilities nor in its positive accomplishments.

That preliminary finding, coupled with the outbreak of World War II, managed to divert the Justice Department from its quarry until, surprisingly, at war's end the pursuit was renewed. After much further investigation a charge of antitrust law violations was filed in 1949. It took seven years to reach a verdict, bringing the crusade to twenty-two years in toto, and in the end all charges were dismissed with a piddling qualification. AT&T's subsidiary, Western Electric, was required to withdraw from manufacturing articles unrelated to telecommunications, except for "certain products" like the artificial larynx (invented by Bell Laboratories) and those designed for the United States government, most impor-



tantly for the Department of Defense. No doubt the lawyers and all other government employees involved would have been more productively engaged if they had been hired out as babysitters.

The second stage of the government's vendetta began a decade or so later and featured the now admittedly ridiculous decision to allow "cream-skimming." In order to create a nationwide telephonic network available to all, AT&T had developed a rate scale designed especially for that purpose. Charges were fixed lower, *in relation to the high cost per call*, in sparsely populated areas of the country, and in a corresponding way *relatively* higher in densely populated areas, where costs per call were lower. The technique was called "rate-averaging," and was of course approved by regulators as essential to the viability of the system.

Aggressive acquirers led by MCI (then tiny but ambitious) were quick to sense the opportunities. They requested and obtained permission to hook up to AT&T lines to serve some of the densest and lowest cost sections, like that in the Chicago-St. Louis corridor. There, given the prevailing pattern of rates, MCI could easily undercut AT&T and did. That was cream-skimming.

Despite the unfair advantages, none of the would-be rivals managed to prosper, deficient as they were in technique and experience. Again led by MCI, they therefore renewed pressure on regulators, legislatures, and the courts for more liberal admission to the industry. Cloaked in the glorious robes of freedom and competition, theirs was a cause that was hard to resist. That introduced the third and final stage.

On November 20, 1974, the Anti-Trust Division of the United States government brought a new and broader suit against AT&T in the District of Columbia federal court. The charge was "monopolization, attempt to monopolize, and conspiracy to monopolize." After legal skirmishes that provided busywork for several hundred lawyers, technical experts, and business executives supported by countless clerks employed by both sides, the actual trial did not begin until nearly seven years later. Settlement was ultimately reached and approved by Judge Harold F. Greene on August 11, 1982. Eight years was a long time between charge and consummation, but then depositions and testimony occupied 70,000 transcript pages. It was a vital struggle with a termination that left AT&T with just 23 percent of the assets it had before the trial started. At its height AT&T had been the largest corporation (judged by assets) in the United States. But note that its great

work had already been accomplished.

The number of telephones in the nation had exploded from 71,000 in 1876 to 150,000 in 1880 and then to 68 million in 1960 and 158 million in 1981. Bell Labs had not only developed a multitude of innovations to extend and improve telephonic technology but also contributed in whole or in part the transistor, talking motion pictures, television, stereophonic sound, and laser

technology—only a handful of the 19,500 patents granted by 1982. Meanwhile, the cost to consumers of telephone service had advanced by only a small fraction of the overall rate of inflation.

So of course those past contributions to society are secure. But what of the future? The settlement required AT&T to spin off its regional operating companies and thus remove itself from

the local exchange business. It allowed the company to continue its long-distance transmission, but only in competition with MCI, GTE, and many others. It was allowed to retain its Western Electric subsidiary, though competitors would be free to buy telephones and other equipment elsewhere if they wished. The company was also permitted to keep Bell Labs, with the provision that, for a limited period, it

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### THE SOUTHERN ESSAYS OF RICHARD M. WEAVER

Foreword by George Core

Edited with Preface by George M. Curtis, III and  
James J. Thompson, Jr.

Richard M. Weaver (1910-1963) was one of the leading figures in the post World War II development of an intellectual, self-conscious conservatism. Yet following his untimely death his work, for the most part, faded from view, though his most important and widely cited book, *Ideas Have Consequences* (Chicago, 1948), still is in print.

Weaver's appreciation of civility, honor and liberty were rooted in his understanding of Southern history. He discovered in his native land the evolution of a "social bond individualism" very different from the better known "anarchic individualism" of Thoreau. This collection of fourteen of Weaver's essays demonstrates George Core's point that "few critics of the South rival Richard Weaver in comprehensiveness of vision and depth of thought...."

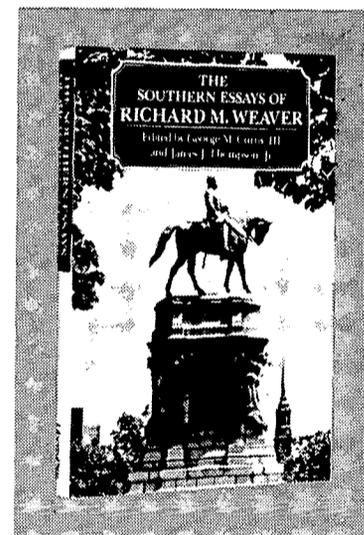
Among the essays included are "Lee the Philosopher" (1948), "Agrarianism in Exile" (1950), "The Tennessee Agrarians" (1952), and "Two Types of Individualism" (1963).

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would agree to render its research and development support to AT&T's competitors.

And the users of telephones? If the antitrust crusaders had imagined that their fanatically determined efforts would yield positive results of any kind—much less, say, a dramatic reduction in service charges—the answer must be, not in the slightest. Consumer reports indicate that telephone billings have grown noticeably more complex and service less convenient, and charges have risen at a rate considered markedly greater than normal. The only kind of “competition” observed was in the frequency and decibel level of telephone companies’ advertising on TV networks. Was it for this alone, at untold taxpayer expense, that a fifty-year legal struggle had been waged?

Whether the present configuration of the telephone industry conforms with the original dreams of reformers is anyone’s guess. It finds AT&T still in the lead in long-distance transmission (though sharing the market with the now formidable MCI, GTE, U.S. Sprint, and others). Local services are handled by a variety of local companies as before, though with a greater mixture in rates, quality of service, and types of regulation. AT&T is now free—as are most of the other firms—to engage in nontelephone activities such as information processing. It was recently encouraged by a multibillion-dollar Air Force order for computers. Meanwhile, the company (as well as its customers) will benefit from the FCC’s new approach to regulation, which allows greater rewards for technological gains in productivity. That is one of the areas in which AT&T enjoys special expertise. Once known as the traditional investment vehicle for “widows and orphans,” the company may now be exchanging a bit less stability for a bit more excitement.

The last several paragraphs were derived from sources other than *Wrong Number*, since Alan Stone has nothing to say about the aftermath nor about the personalities involved in the long series of disputes and maneuvers. The AT&T story embraces the dreams of geniuses like Alexander Graham Bell, Elisha Gray, and Thomas Edison, and the grand visions of managerial giants like Thomas J. Vail, yet all the characters in Stone’s book come across as faceless names. Stone is a seasoned lawyer in the field, and his single-minded preoccupation in this book is with legal details and precedents. Despite its whimsical title and chapter headings (“Hello, Central,” “The Bells Are Ringing,” “Busy Signals,” and so on), *Wrong Number* is designed primarily for scholars.

Whether this was intentional or not, I have no idea. Professionals will no doubt relish its numerous digressions, careful citation of precedents, flashbacks, and sensitive anticipations. But by the same token, general readers, even those above the average in back-

ground and determination, will find *Wrong Number* disjointed, devoid of continuity, and often obscure. Its style, in short, will prove a noticeable obstacle in digesting a sequence of events that should have been packed with absorbing interest. □

## AT HOME AND ABROAD

V. S. Pritchett/North Point Press/352 pp. \$19.95

Jennifer Howard

V. S. Pritchett’s status as a literary Methuselah has now lasted as long as the careers of some writers, and so it is expected that any discussion of him should begin with the mention that he was born in 1900 and has been actively writing for most of the intervening time. All the better for him that his work has been as varied as his years are numerous; he has been saluted as a writer of short stories, hailed (albeit less enthusiastically) as a novelist, and, maybe most warmly of all, applauded as an essayist, the last of that near-extinct, nonacademic band called “men of letters.”

People who have read Pritchett’s literary essays tend to think admiringly of him as a well-read man who follows his instincts about literature instead of some academic or critical rulebook, and whose style is as welcome in its candid craftsmanship as the witty presence of a raconteur at a chancy social event. *At Home and Abroad*, in fourteen essays on locales from the Thames to the Amazon, demonstrates that Pritchett is an adept of the travel piece as well as the literary critique.

This traveling Pritchett dates back to the twenties and forward into the sixties; part of this time was spent as a correspondent for *Holiday* magazine (an early version of Condé Nast’s *Traveler*). Travel writing, though in fashion now in a way it hasn’t been for years, certainly didn’t begin with the current throng of travel magazines trying to make a glossy go of it. Nor are the young gadabouts who write books detailing strange and comic journeys through foreign places (preferably hard to reach or very culturally backward) the first or best practitioners of vagabond writing. This group doesn’t include explorers, missionaries, imperialists, or visionary crackpots; it simply consists of people who travel for the

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heck of it (or because they’re paid to) and who go to places that anyone might go to if he had the whim to do so.

Pritchett falls somewhere between the glossies and the gadabouts. The essays in *At Home and Abroad* don’t offer restaurant and hotel recommendations, best routes to and from, cautions about local water or weather, or suggestions about provisioning and clothing yourself for the trip. No how-to practicality here. Pritchett abroad doesn’t make any show of traveling light (though he may have) or penetrating deep into the outback or into the minds of some undiscovered indigenious tribe. He isn’t an explorer or a risk-taker (which isn’t to say that he lacks intrepidity). Nor is he a connoisseur or gourmand, out to satisfy his belly around the world (which isn’t to say that he travels on a spiritual plane alone).

What Pritchett is, as he himself has suggested, is a frontiersman. In a 1982 essay, another travel writer, Jonathan Raban, quoted Pritchett on Pritchett: “It seems to me that my life as a man and as a writer has been spent on crossing and recrossing frontiers and that is at the heart of any talent I have.” Not only has he climbed over the fences separating essayists from novelists from short-story writers, but as an individual he has crossed from one twentieth-century era to another and as a writer has set down the differences between each time bracket and between those who people each one.

His travel essays go by frontiers as well—not necessarily political frontiers, though Pritchett is well aware of the definitions and struggles that those detail. Rather he enjoys those sometimes politically inexpedient points at which one people, one nationality, one way of life ends and another one picks up. Reading *At Home and Abroad* is something like taking a very long plane ride that skims along a continent or world: an overview of brief but lingering scenes.

To sort out these ends and beginnings Pritchett has to do what travel writers of a more “modern” stamp shudder to do: assign and describe what is whisperingly called (and rarely in public) “national character.” Worst of all for strict individualists, universal humanists, or those whose parents told them never to judge people on short acquaintance, Pritchett’s assessments are not based on long obvious study of each place—though it’s reassuring that he can produce a piece of local linguistic or mythological information whenever he feels a need to—but always to back up some point, never to impress.

In an essay on Portugal written in 1956, Pritchett opens with a vignette: a Spaniard shouting in a Portuguese square, to the amusement of patient obliging locals. Having so embodied a difference, he then asks (almost naively), “Why are Spain and Portugal separate?” Instead of answering immediately from his (English) vantage point, he presents an Iberian answer: “It is a question which puzzles Spaniards but the Portuguese not at all. They have (they say) been able ‘to imagine themselves as a people,’ in spite of their similarities of history.” Only in the next paragraph does he give the Pritchett answer: “The westward-looking Portuguese turned by need to the sea and the foreigner; the Spaniard turned against him. That is the huge difference . . .”

Moving eastward to “Europe’s Mediterranean Coast,” Pritchett in 1966 crossed from southern France over into Italy, ending at Trieste on the Yugoslavian border. To see the Mediterranean, he writes, changes the northerner who comes south. Modernization may have had its effects, but “the sun, the wind, the matchless light, the fruitfulness of the soil, do not change. . . . We are changed by the clarity of the light—and this is important to us who live either in mists or in a northern light so hard that it illuminates nothing—because the Mediterranean light makes us see each thing, each stone, wall, house, tree, separately, so that we accept it—as Mediterraneans do, for itself. We cease to live in the future; we start to live in the present hour.” Then, to bring this observation to life, Pritchett describes a Mediterranean buying clothes: “. . . patiently the assistant brings out all the cloth, all the shoes, and is not in the least upset if the customer refuses all. On the contrary, the assistant admires the discrimination. . . . The wish is everything, and for that, patience is indispensable and life is timeless.”

Sometimes this assigning of character seems more like accidental assassination, going too far with too little provocation; how easy is it, really, when