

PROMARKET

Insights shaping the future of capitalism.

CHICAGO BOOTH

Stigler Center
for the Study of the Economy
and the State

ACADEMIC CAPTURE ANTITRUST AND COMPETITION BIG TECH COMMENTARY ECONOMIC HISTORY

How Tech Giants Make History

BY RICHARD JOHN *September 13, 2024*



Stephanie Kim/ProMarket

Richard R. John recounts how in the twentieth century the once-mighty Bell System, whose descendants include today's Verizon and AT&T, waged a powerful decades-long public relations campaign, including the funding of history books and research centers, to persuade the public that its success rested in technological imperatives and economic incentives rather than a favorable regulatory landscape. Though the Bell PR campaign failed to stop three highly effective antitrust suits, it succeeded in establishing a story about management, competition, and innovation that many Americans—including several of today's Big Tech critics—have uncritically repeated.

Public relations can shape public opinion and consent can be manufactured. Few Big Tech moguls have placed more faith in these truisms than the men who ran the American Telephone & Telegraph Company (AT&T), its manufacturing arm, and its archipelago of operating companies, in the years following the installation of Theodore N. Vail as its president in 1907. Vail's vice president, Nathan C. Kingsbury, put it well in a 1915 address: "The one great purpose and end of modern publicity is the formation and control of public opinion." Public opinion "governed" almost every

country in the world, Kingsbury added, including the United States, and corporations should take heed.

Vail and Kingsbury are little known today. Yet in the opening years of the twentieth century they pioneered a new way of defending corporate prerogatives that foregrounded what journalist Walter Lippmann would in 1921 call the “**manufacture of consent**.” The keystone of their strategy was the rejection of the longstanding corporate policy of staying silent in the face of adverse criticism. Instead of remaining mute, they would tell their story. Over the course of the next few decades, Bell publicists went beyond the placement of favorable magazine announcements to embrace the funding of academic research and the endowment of research centers. Their goal was to persuade the public that AT&T and its associated companies—or what Vail would dub the “Bell System”—was a magnanimous public servant that had earned its market dominance through technological prowess and economic foresight rather than political contestation. In reality, **politics created the markets** in which Bell would thrive. Yet for decades Bell publicists doggedly labored to persuade the public that it was the other way around.

Central to the Vail-Kingsbury project was the popularization of the idea that the archipelago of operating companies that AT&T controlled should be treated as a unified “system” dedicated not to profit-making but to “universal service.” The precise meaning of each of these evocative phrases would be long debated. At their core, they affirmed that Bell, then known in financial circles as AT&T, was a technically progressive and fiscally conservative communications network accountable not only to its shareholders, but to the American people. Every U.S.-based electrical communications network, Vail believed—he had in mind not only the telephone, but also the landline telegraph and the undersea cable—was best operated as a monopoly under common management, an audacious presumption that even Bell enthusiasts would come to disparagingly regard as a “network mystique.”

Should the people decide that the federal government should own and operate the telephone network, Kingsbury averred—taking Vail’s position to its logical conclusion—the company would do nothing to block it. Kingsbury strenuously opposed nationalization, yet he feared that an ideologically inflected opposition campaign might prove counterproductive. It was far better to sponsor sane-and-sober empirical research demonstrating the superiority of corporate control—a project in which Bell would invest heavily during the next few years to countermand the congressional campaign for a government buy-out.

Vail’s proposed vision of universal service failed to convince the American government. In 1913, U. S. Attorney General James C. McReynolds forced Bell to enter into a consent decree that ended forever Vail’s bold plan for a unified nationwide electrical communications network under corporate control. To restore competition between network providers, McReynolds obliged Bell to divest Western Union, the dominant landline telegraph network provider. This divestiture was a stunning blow for Vail—it cost “AT&T” its second “T”—since it

blocked the hoped-for integration of low-cost local *telephony* and low-cost long-distance *telegraphy* that Vail regarded as the *sine qua non* of “universal service.” No well-posted telephone engineer in the 1910s seriously believed that long-distance *telephony* might one day become anything other than a luxury for the rich: the average distance of a telephone call in Chicago in 1900 remained a mere 3.4 miles; forty years later, a mere two percent of telephone calls crossed lines, while intrastate calls generated 85 percent of Bell revenue.

Vail was also forced to concede parity to the non-Bell, independent operating companies that remained an important presence in thousands of cities and town. To forestall their financial collapse, McReynolds established a mechanism for the de facto cartelization of the telephone operating company market, ensuring its financial stability. Financial stability is rarely regarded as “pro-market,” yet in the telephone business it fostered an entrepreneurial culture that disparaged short-term profit-taking in favor of long-term innovation. Had lawmakers not intervened, it is hard to imagine the rise of Bell Labs, the world’s preeminent R&D engine in the middle decades of the twentieth century. Bell was also forced to give its rivals access to its regional toll network, a precedent that would be extended over the years to its transcontinental long-distance network as well.

Trade press editors rooting for the independents effusively praised the McReynolds settlement as a stunning defeat for Bell. Prior to the consent decree, it was not unknown for even large and well-established independent operating companies to go bankrupt. Following the settlement, the independents settled down to many decades of stability and growth.

Bell staffers minimized Bell’s failure by terming the settlement the “Kingsbury commitment”—a brazen PR coup that generations of commentators have accepted as a fact. Kingsbury was a consummate spin-meister. By transforming a humiliating Bell defeat into a self-effacing concession, he airbrushed the U. S. Justice Department out of the history books, and elevated the reputation of his employer as a morally upstanding team player.

Further trouble for Bell lay ahead. To ensure accountability, federal lawmakers lobbied during President Woodrow Wilson’s administration to nationalize the telephone and telegraph network, the nightmare scenario that Kingsbury had feared. Following the entry of the United States into the First World War, the Bell System would, in fact, be briefly taken over by the federal government, establishing a precedent that would haunt Bell leaders for decades to come.

History repackaged

Yet this is not how Bell’s history has come to be remembered. To impress the “system” idea upon the public, Vail instituted beginning in 1908 a lavish PR campaign that flooded the nation’s magazines with high-minded announcements intended less to sell the public on telephone service than to sell it the *idea* that every mode of electrical communications—even if managed by a private corporation—was a **public service**. This idea was not new. The Bell

System evolved out of municipal operating companies whose franchises obligated them to serve the “public interest, convenience, and necessity.” Vail re-envisioned this mandate for a new age.

Bell’s publicity campaign, as historian **Roland Marchand** has aptly observed, was relentless. In conjunction with the **similar campaigns** launched around the same time by gas and electric power companies, it helped to call into being a new economic institution: corporate public relations.

Among the greatest triumphs of Bell’s PR campaign was its popularization of the dubious idea that Bell’s commercial success in the 1910s could be attributed not to its operating companies, which for many decades would remain the core of the network, but to its transcontinental New York-San Francisco telephone link, which opened to the public in 1915. By linking Bell with technical advance, long-distance telephony was a **publicity windfall**. By identifying the corporation with technical progress, it became the most valuable quiver in the bow of Bell publicists intent on making the case against the threatened government takeover. Yet the New York-San Francisco telephone link was of minimal economic import for either Bell or its operating company rivals, and far less consequential for the future of the nation’s telephone network than the financial guarantees for Bell’s rivals that the U. S. Justice Department had wrested from Bell in 1913. Today these guarantees are often forgotten even by specialists, while the transcontinental telephone line lives on in memory, hailed mistakenly by Bell boosters and Bell critics alike as a critical factor in Bell’s supposed rout of its independent rivals.

While Bell lost in reality, it labored long and hard to be vindicated in the history books. To a remarkable extent, it succeeded.

For much of the twentieth century, virtually everyone who wrote about Bell relied on historical materials that the telephone giant had commissioned, funded, or approved. Federal Communications Commission economist N. R. Danielian directed attention to this fact in a 1939 **400-page critique** of Bell’s business strategy. Almost every book that had thus far appeared in print on the telephone giant, Danielian observed, had been subsidized by Bell. This was true not only of Herbert N. Casson’s *History of the Telephone* (1910), but also of James Mavor’s *Government Telephones* (1916), and Arthur Pound’s *Telephone Idea* (1926). Pound’s book, Danielian added, had originally been slated to be published by the trade press Macmillan, only to be withdrawn when the publisher found it to be Bell “propaganda.”

The long shadow of Bell public relations would shape historical accounts of the telephone giant long after 1939. In 1941, Bell PR counsel Arthur W. Page published an **exculpatory defense** of the Bell System as a rebuttal to Danielian: “The Bell System has no political influence and wants none,” Page flatly proclaimed, an assertion hard to square with Bell’s formidable lobbying prowess in state legislatures, state regulatory agencies, and the federal government. In 1973, Boston University historian Robert V. Bruce published, with Bell family

support, a magisterial biography of Alexander Graham Bell, the eponymous founder of the Bell System. Not surprisingly, Bruce's biography vindicated a Bell-centric history of the industry that downplayed (on the grounds that they did not involve Bell himself) not only the tangled history of Bell's patent claims, but also the widespread user-hostility toward the Bell operating companies in their opening years. And in 1977, MIT political scientist Ithiel de Sola Pool praised Bell for its "no strings" support of the original essays that he collected together in his *Social Impact of the Telephone*. *Social Impact* included essays on a wide variety of topics, with the notable exception of political economy, an understandable lacunae, given Pool's conviction that the Bell System's historical trajectory owed far more to technological imperatives and economic incentives than to governmental institutions and civic ideals.

Political pressure helps explain Bell's willingness to agree to a second landmark U. S. Justice-Department brokered consent decree in 1956 that kept Bell out of the computer business while ensuring that it would continue to license its patents, including its transistor patents, on a non-preferential basis. Yet this government triumph is rarely heralded in the history books—a victim not only of Bell PR wizardry, but also of the unfortunate neglect of the impressive achievements of antitrust litigation during the Eisenhower administration.

Technological determinism would remain a recurrent theme in Bell-sponsored publications even after the 1982 U. S. Justice-Department-brokered consent decree that dismantled the Bell System. In *Heritage and Destiny* (1983), an elegiac and almost mournful Bell-funded paean to the world that was lost, retired Bell executive Alvin von Auw echoed the conviction of Bell System true-believers that their network had been driven by technological imperatives and economic incentives, rather than by governmental institutions and civic ideals. Thank goodness, von Auw added, that business historian Alfred D. Chandler, Jr., had trained a generation of students who, like their mentor, rejected the temptation to view American business history through a political lens.

Perhaps the most ambitious Bell-backed project to shape the historical record came in 1968, with the opening at Harvard University of a research institute for the study of U.S. history. This center, which was originally called the "Center for the Study of Liberty in America," lives on today as the Charles Warren Center, one of the leading institutes of its kind in the world.

Though the Harvard Center received no direct Bell funding, it was the **brainchild** of the now-retired, long-time Bell PR counsel Arthur W. Page. Future historians, Page believed, would be well advised to direct their attention not to the rules of the game, but to the game itself. Social history—that is the history of how Americans made a living—was, or should be, their proper subject, and not the political economy, a topic that Page believed had figured far too prominently in the writings of his ideological nemesis, Harvard historian Arthur Schlesinger, Jr.

Bell-inflected insights would continue to shape historical writing long after the Bell System had passed into history. A case in point is Columbia professor Tim Wu's **influential 2010**

overview of twentieth-century U. S. communications history, *The Master Switch*. *Master Switch* chronicled the rise and fall of three “information empires”—telephony, broadcasting, and film. The “mogul makes the medium,” or so Wu proclaimed, updating for the twenty-first century the “great man” theory of the history of technology that foregrounded creative individuals as the engine for historical change: an approach that, while no longer common in the academy, remains a favorite literary device among authors of popular books aimed at a general audience. For Wu, the greatest mogul of them all—or, as he put it, the “greatest monopolist”—was Vail. By decisively “closing” the telephone network to new entrants with the 1913 consent decree, or so Wu contended, Vail had emulated Kronos, the ancient Greek king of the gods, by strangling would-be insurgents in the cradle.

Wu, a distinguished law professor, anti-monopoly advocate, and public intellectual who is best known for coining the phrase “net neutrality,” was the last person one might expect to repeat century-old Bell System PR talking points. Yet the Vail he depicted owed a good deal to the subtle shadings of *Bell’s formidable PR machine*. Absent from Wu’s account was the political setting—municipal, state, and federal—in which Vail operated, and the cultural context that spawned the civic ideals that Vail affirmed. The 1913 consent decree that ended the first Bell antitrust suit was for Wu, as it had been for so many previous commentators, the “Kingsbury Commitment”—a magnanimous gesture by a self-effacing patrician, rather than a calculated adjustment to a new legal reality. By marginalizing the role of the U. S. Justice Department in the settlement, Wu inadvertently testified to the lasting power of *corporate PR* in shaping the historical record.

There is no direct evidence that Bell publicists—in contrast to, say, *electric power company publicists*—ever went so far as to rewrite U.S. history textbooks to burnish their reputation. Yet they did their best to shape public opinion by flushing down the memory hole not only the structuring presence of the regulatory landscape in which Bell operated—and, in particular, their regulatory defeats—but also the *pre-Bell System history of the U.S. telephone business*—a history filled with bruising telephone user strikes; arrogant management grandstanding; rampant corruption, extortion, and graft, much of which originated with venal municipal officials; and a raft of city-based political contests over rate structures, development strategy, and performance standards. The idea of “universal service,” we now know, was not Vail’s. On the contrary it updated the time-honored obligation of municipal franchise corporations to promote the “public interest, convenience, and necessity,” a legal standard that long predated the PR campaign that Vail launched in 1908, and that built on the *civic mandate* for U. S. postal policy that dated back to the early years of the republic, and that had had been enshrined in the Post Office Act of 1792.

Big Tech moguls have long proclaimed themselves to be creatures not of politics and culture, but of technology and economics. It is a *convenient dodge*. Google’s “Don’t be evil,” like Bell’s “universal service,” is an ostensibly bland mission statement that conceals a formidable political agenda.

Setting the record straight might seem to be a modest goal. Yet how we remember the past shapes not only how we act today but also how we imagine the future. By exposing the cult of invention, the great man theory of history, and the technocratic network mystique, and by acknowledging the pivotal role of the regulatory landscape in shaping the informational environment, we can free the imagination for the challenges ahead.

Author Disclosure: the author reports no conflicts of interest. You can read our disclosure policy [here](#).

Articles represent the opinions of their writers, not necessarily those of the University of Chicago, the Booth School of Business, or its faculty.

Related Posts:

1. [The European Commission Fines Apple 1.84 Billion Euros and Spotify Still Isn't Happy \(4\)](#)
2. [TT's Calculator Monopoly Offers Lessons for Educators in the Age of Generative AI \(4\)](#)
3. [Big Tech Investments in AI Startups Do Not Raise Competitive Red Flags \(4\)](#)
4. [How Big Tech's AI Startup Alliances Could Harm Competition \(4\)](#)