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To: Page Society Trustees

From: Bill Oliver

At yesterday's Board meeting of the Page Society, I mentioned that I recently acquired a copy of a book written by Arthur W. Page in 1941, The Bell Telephone System (Harper & Brothers - 248 pages). It is a splendid example of the power of Page's insights and clarity of his ability to express himself. Attached is one chapter, "Telling the Public," which you may enjoy reading.

If you have contacts in the used book industry, you might want to put out an all-points-bulletin for a copy for yourself. Mine cost \$5.00.

Attachment

Chapter XIII

TELLING THE PUBLIC

BACK some twenty years ago, when I was editor of a current events magazine, one of the complaints against the big corporations was their secrecy. It was felt that they ought to give the public more information about their affairs. There was a good deal of discussion about enterprises "affected with the public interest," or "quasi-public" enterprises, and I think it fair to say that both the press and the public felt that the public should know about the affairs of large business. The argument that private business had the right to keep its affairs private was heard then, but it got so little support that it is much less heard now.

It seemed to me then, as it does now, that all business in a democratic country begins with public permission and exists by public approval. If that be true, it follows that business should be cheerfully willing to tell the public what its policies are, what it is doing, and what it hopes to do. This seems practically a duty. It is not an easy duty to perform, for people who make up the public are generally busy about their own affairs and are not particularly prone to take time off to hear about the telephone business or any other. On the other hand, I think it clear enough that the public would very much resent it if a business now took the attitude which many used to take, "We'll tell you nothing. It is none of your affair."

The Bell System endeavors to tell the public about its affairs in a number of different ways.

TELLING THE PUBLIC

The most important method is the issuance of statements from time to time by the officers of the different companies.

Anyone who has read the last fifteen annual reports and the fifteen or twenty other public statements of the President of the American Telephone and Telegraph Company would have a very clear picture of the policies, objectives and accomplishments of the Bell System as a whole. The presidents of each operating company have made similar statements for their particular areas.

The statements outside the annual reports cover such matters as the fundamental policy stated at Dallas, the Bell System's attitude toward the investigation of its affairs by the Federal Communications Commission, announcements about rates, comments at annual meetings on research, finance and other subjects.

Next to these statements perhaps the most important method of "telling the public" is advertising. In proportion to the size of its operations the Bell System has never been a large advertiser, but it has been at it a long time. Operating companies in the Bell System began newspaper advertising about the same time that they began to give service. The American Telephone and Telegraph Company began advertising for the Bell System in magazines of national circulation in 1908.

The general theme has been to ask for public approval and patronage on the basis that the business is run economically, efficiently and in the public interest. An individual advertisement may seek business by saying in effect to the public, "you can telephone across the continent for \$4.00 during the day, and for as little as \$3.00 at night and all day Sunday," or "your telephone service is cheap because the Bell Laboratories discover new and better ways of giving it," or "because the business has been properly financed." In other words, the theory is that the more the public knows

about the conduct of the business the more the public will understand it and use its service.

A similar national advertising program on the radio was begun April 29, 1940.

The investigators of the Federal Communications Commission, in commenting upon the advertising policies of the Bell System, quoted from a letter from an advertising agency to the American Telephone and Telegraph Company advising against radio advertising. The Federal Communications Commission's report to Congress recorded this in this way:

The Bell System does comparatively little advertising by radio, despite the fact that it is one of the beneficiaries of radio broadcasting through the leasing of circuits for program transmission service. The reasons, as stated by one of its advertising agents, for the Bell System's failure to advertise more extensively over radio are twofold: first, such advertising would direct the public's attention to the amount of money being spent for advertising purposes, and second, the probable adverse effects upon the established goodwill of newspaper editors.

This is not of much importance except as a commentary on the methods of the investigation. The facts were that this letter was written in connection with a study of a possible radio program for the Bell System. The interest in radio continued after the receipt of the letter just as it had before and finally resulted in a program recommended by the same agency that wrote the letter. If the investigator who ferreted out this isolated letter, which seemed to fit a thesis he had in his mind, had asked any one of several people, he could have found out in a few minutes that the letter did not represent the Company's view. We did not then have a general radio program for the simple reason that we hadn't found a program to suit us. The Bell System was trying to find such a program then and it kept on trying until it succeeded.

Selected documents used as a means of interpreting a business, without direct testimony by those engaged in the

business and without cross-examination, are very likely to produce just such variations from the facts as they did in this case.

The Bell System uses several other supplemental methods of telling the public about the business.

Here is a list of pamphlets giving historical, financial and other facts:

- The Birth and Babyhood of the Telephone
- The Telephone in America
- The Magic of Communication
- The Telephone's Message
- The Changing Years as Seen from the Switchboard
- The Miracle of Talking by Telephone
- The Early Corporate Development of the Telephone
- Facts About the Bell System
- The Story of Western Electric
- Broadcasting Network Service
- Overseas Telephone Service
- The Long Distance Building
- Bell Telephone Laboratories

These are given to anyone who asks for them. Altogether the distribution is more than a million copies a year. Then there is the *Telephone Almanac*. This is a booklet of some thirty-two pages with to me an extraordinary history. Back in 1922 some one had the idea of getting out an almanac after the manner of the old farmers' almanacs, but giving in it information about telephony instead of farming. I don't know what kind of circulation the originator of the idea expected, but last year it had a circulation of more than 2,500,000.

Interest in telephone pamphlets is not the only evidence that the public has a considerable interest in the business.

During the year 1940 various Bell System people, from local managers to company presidents (and the list includes a few people who do nothing but lecture), gave some 7,000 lectures or demonstrations before clubs, associations and

various other groups including schools—all by request. There are more requests than the companies can take care of. Some of these talks are accompanied by movies of Bell System subjects and there are many movie shows without talks. In recent years the Bell System has made three or four movies a year of telephone subjects. These movies have been shown to about 10,000,000 people a year.

There is a more direct method of showing what the business is like—by permitting inspection of a central office. A million and a third people have visited Bell System exchanges in a year on "open house" days. The Bell System also sends its subscribers small pamphlets or folders with their bills, telling specifically about rates and service and also about the company that renders service.

All these methods of telling the public about the conduct of business and asking for public approval and patronage cost something less than one cent for every dollar of income in conducting the business. It seems to me that the duty of informing the public and the value to the company and the public of such information would justify a far larger expenditure if that happened to be necessary to do the job. The adjustment of big business to the public is of as much importance to the public as it is to business and it cannot be done without frankness and understanding.

Although the process of "telling the public" is a very expensive part of the business, it is an important one. Perhaps it would be wiser to spend more and perhaps less. Here again there is no mathematical formula that will give the answer. Like most matters of management, experience and observation have to be mixed with whatever help can be had from figures, and decisions then made based on judgment. It is fortunate, however, for the telephone industry that it seems to be possible to do a fairly comprehensive job for a very much smaller proportion of the total

expenses of the business than can be done in most other enterprises.

One section of the Federal Communications Commission's report was devoted to the advertising of the Bell System:

Testimony introduced at the hearings in the special investigation illustrates the manner in which a judicious placing of advertising with certain newspapers has changed the attitude of the Editor from one of opposition to one of cooperation.

Mr. Danielian, one of the investigators, in his book, *A T & T*, said:

In addition to the creation of good will among the public by constant reiteration . . . advertising enables the telephone company to dispense patronage in an effort to purchase the good will of the press. Perhaps this is stating it a bit too bluntly, but the evidence leaves the purpose exposed.

Mr. Danielian then referred to a few instances occurring in one company over a fifteen- or twenty-year period in country papers. The papers represent less than 2 per cent of the circulation in which the company involved advertised. This is the evidence which seems to him to leave the purpose exposed. What these instances really are, are the exceptions that prove exactly the opposite of his conclusion. The newspaper advertising of the Bell System is placed in practically all newspapers in the places where there are Bell System exchanges. The list of papers in which advertising appears remains probably 90 per cent the same from year to year. This policy has been going on for twenty years or more, regardless of what the papers say editorially, and they have said everything from high praise to high blame. This is the last procedure any one would adopt whose purpose was to control the press by giving or withholding advertising.

Mr. Danielian, being one of the investigators, had reason to know what the Bell System really did about advertising. The Commission in making its report had nothing but the

investigators' material to go on. It had no way to know what the Bell System's policy on advertising was. It had only the investigators' slant on a few instances scattered over several years affecting a few small papers. Nor did the investigators give these newspapers a chance to tell their understanding of these instances.

From my observation both inside and outside the advertising business for forty years, I think the facts are about as plain as the moralities.

The great part of the press, particularly the important part with large circulation, has a high but not perfect performance of honesty in this particular.

My impression is that the general public is more cynical on this subject than the facts justify—that is, that people believe that advertising influences the press in favor of the advertiser when it does not.

I suspect that inside most big businesses there is also more cynicism about the integrity of the press than the facts justify, but in this case it is based on the belief that the press distorts facts to make news to the detriment of big business, on the assumption that any attack on big enterprise will increase circulation—which is the basis of advertising.

As far as the Bell System is concerned, the policy is to buy advertising for advertising purposes only. This is perfectly well known to advertisers and advertising agents and the newspaper world in general.

The other publication advertising done by the Bell System, that in the magazines, is a continuous effort like the newspaper advertising. The magazines which account for 80 per cent of the money and circulation have been on the schedules at least ten years, some of them for twenty years or more. The list bears no relation to the editorial attitude of the magazines toward the telephone business.

All these fundamental facts were available to the investigators of the Federal Communications Commission, of

whom Mr. Danielian was one. The effort to prove a thesis evidently warped their studies sufficiently to make them valueless as scholarly presentations or as helpful material in analysis of business problems.

It is perfectly clear that no business, big or little, has a right to live in a democracy if it bases that right on the practice of corrupting the press.

But if, as Mr. Danielian implies, the press is corrupt, the American public had better tackle that problem directly, for in this democracy I should think the most important big business was the press itself. If it is not a good servant of the public welfare, its failure will be more important than that of any other large enterprise. And the press would include newspapers, magazines, books and government documents that fail to tell the truth or which violate the Ninth Commandment.

There is another interesting point of contact between big business and another agency serving the public—the schools. For a hundred years or more college faculties have written and lectured on matters which affected business, such as the tariff, ship subsidy, etc. But it is only recently that the secondary and high schools have taken so large a hand in "adjusting the student to modern life."

Forty years ago the local school would not have asked the livery stable man to come around and show the students how to hitch up a mule. But now the schools ask people from industry to explain about vitamins in cold storage food, how ice-boxes are made, etc. They also want to know about the electrical science back of the telephone and how the telephone works.

Whether or not these things are the best things for schools to spend time and money on is for the public school authorities to decide.

It is unquestionably good for the telephone industry to