ART. III.--THE PROPOSED CHANGES IN THE TELEGRAPHIC SYSTEM.
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ART. III. — THE PROPOSED CHANGES IN THE TELEGRAPHIC SYSTEM.

THE present age has witnessed greater changes in the habits of the people, and the methods of transacting business, than many previous generations. This is mainly due to the accumulation of wealth in the nation, which has probably been greater within the last twenty years than in all its previous history, and to the increase and wide dispersion of its population. There is, undoubtedly, more wealth and comfort, especially among the laboring classes, than at any previous era, but the tendency is to heap up enormous wealth and power in a few hands and in large corporations. While we do not believe that the poor are growing poorer, we do think the rich are growing richer, and that the disparity between the two classes is continually increasing. A few firms in the large cities transact the largest part of the business in each, where formerly a much smaller amount was divided among ten times as many firms. Two or three large manufacturing companies employ more hands and capital than did all our factories combined thirty years ago; while a few large railroad and coal-mining companies control the anthracite coal mines, and set the price of one half the coal mined in this country. The same tendency is noticed in England and on the Continent of Europe. Mr. Gladstone has said that England has accumulated greater wealth in fifty years than in the previous eighteen hundred, and more in the last twenty than in the preceding thirty years. The evil effects of this tendency are less felt abroad, since along with this increase of wealth the influence of the laboring

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classes has been steadily progressing, and they are now felt as a power, where fifty years ago their opinions were disregarded, and their existence was scarcely taken into consideration in the calculations of politicians. The laborer, in Europe, is gradually becoming of consequence and more independent. The political character of our people is changing. We are becoming more cosmopolitan. State boundaries and State rights are less and less regarded, while the necessities and interests of the people all tend towards forming a nationality.

This accumulation of wealth and dispersion of the population are due in a greater degree to the introduction of steam and the telegraph than to any other causes. By these agencies remote places are brought closer together than were formerly neighboring towns. Europe is nearer New York than was Boston thirty years ago. Transactions with China and Japan formerly required a year for their fulfilment; now the order is given and accepted in a day, and filled in less than three months. Most of the large sales of cotton and wheat are made by telegraph, and millions of money are annually transferred by the same instrumentality, thus multiplying many times the working-power of capital.

The prosperity and growth of city and country, of farmer and manufacturer, of merchant and customer, depend on the means of intercommunication. The market is generally far removed from the producer or factory, and the necessity for increased facility of intercommunication is the one great cause of consolidation in our country. Without it we should be a mere confederacy, and no nation. This necessity has led to the organization of a new class of corporations required by the necessities of the times and the growth of the country, which could not exist in any other nation, or have arisen at any other period of history. Their power is felt in the marts of trade, by the press, and in legislative assemblies, controlling legislation at the Federal and State capitals. This influence arises from the concentration of wealth in these companies, the large number of their employees, and from the great ability of their officers. They grow in power and influence daily. The benefits which the people have received from them have been so great that the power they have insensibly gained has not been generally un-

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derstood, while in many cases their interests and those of the people have been identical. Yet these corporations have steadily pursued a policy which has best subserved either their own interests or that of their managers, — the interests of the people being secondary and often entirely disregarded. The farmer at the West already complains that the only use he can make of his corn is to burn it for fuel; that no matter what the prices at the seaboard are, the freights only rise and fall in such a way that the result to him is the same. It is in vain to hope that such evils will remedy themselves, or that these corporations will voluntarily surrender any powers they have acquired, or limit their rates by any other rule than the largest amount they can exact. The time will come, and that soon, if this policy is continued, when the people will rise in their might and crush these monopolies. It is necessary that the good men of both political parties, for all are directly or indirectly interested, should take steps to correct the evil in these corporations, that they may be reformed rather than destroyed. Stockholders and officers do not or will not understand their true relations to the public. They seem to think that their franchises were granted by the State solely for their own benefit, and that they can use these trusts in the same way they would a charter for a strictly private corporation, as a cotton or woollen mill. They forget that these are not private, but public corporations which have received certain privileges from the State, in consideration of their promise to perform certain duties to the public in return. Just so far as they regard this accountability, and only so far, do they subserve the interests of the people, and the prime object for which their charters were granted. If this responsibility were continually borne in mind by the officers of these corporations, and acted upon, their relations with the public would be very different from those which now exist. The rights of stockholders in public corporations are secondary, and are not entitled to the same consideration as the rights of the public. But the stockholders control the affairs, and all the officers are chosen to care for those interests exclusively, and see that they do not suffer. The public have no representative, and their rights are often overlooked or disregarded. Now, while it is vain to expect any

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progress unless capital is protected, it is as necessary that the welfare of the people should also be cared for; the interests of both must be conserved, for if the rights of either are sacrificed, they will ultimately be avenged.

The two great interests which, within the memory of even the young, have assumed such controlling power are the railroad and the telegraph. Railroads were the first to begin to be powerful, and they were fairly under way when the first line of telegraph was constructed. Similar evils have been experienced, and similar benefits conferred by each of these wonderful inventions. Many small corporations were originally organized which constructed lines through their own neighborhood; then, by combinations and consolidations, they extended their powers, until now the whole country is covered by a network of rails and wires, which are controlled by very few men. One instance of the growth of a railroad corporation will illustrate the process.

The line between Albany and Buffalo was originally owned by eight or ten different companies, their stock and indebtedness representing only the actual cost of the road. These companies were by degrees merged into one, the capital stock and bonded debt was very largely increased, and the convenience of the public greatly promoted. The gain to the corporations was immense, by the saving of expense through a single management, and by great stock and bond dividends. If there had been no more stock dividends the evils would have ceased, and the rates for passengers and freight would have been reduced long ago; for the increase of business would have enabled the officers to make a great reduction of rates without any reduction of dividends; but just as rapidly as the business and profits increased, the stock dividends increased, until that company, which was originally represented by fifteen or twenty millions of capital and debt, is now represented by nearly one hundred millions. The fictitious capital, it is said, amounts to $110,145 per mile for the whole length of the main line, upon which large annual dividends are declared, and which is worth its par value in the market. This sum does not represent money actually paid in by the stockholders, but money extorted from the people by unnecessary and exor-

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bitant rates. The same parties who control this line of railroad subsequently acquired possession of the Hudson River Railroad, and other roads running from Buffalo around the Lakes, and stretching across to Chicago; and being still eager for more, they have reached out until they control the Union Pacific Railroad, its roads traversing thousands of miles, and its capital amounting to hundreds of millions. We have not selected this line because its capital is more inflated than others, or because its managers are more censurable, but simply as illustrating the tendency of corporate power. The stockholders and directors are not alone responsible for these evils, for the public has witnessed this steady growth, has participated in the benefits of these consolidations, and has ratified and approved them by silence. It is time that a change in the policy of these corporations should be made, that the rights and interests of the people should be recognized; and if the corporations will not begin it, the legislators must, or the evils will become intolerable.

But vast as the railroad power has become, and oppressively as it is exercised, it is not yet absolutely unchecked; for competing lines connect the East and West, and their managers are constructing the Northern Pacific and the Texas Pacific Roads, stretching out to the Golden Gate and the commerce of the Pacific Ocean. A trial of strength, like the war of the giants, may arise between these rival roads, and lower rates may for a time be obtained, to the great benefit of the people. Two new lines of travel from the Atlantic will soon be opened to the Mississippi River, which may bring some alleviation.

The attention of the public is aroused to the importance of the subject. In Massachusetts, Mr. C. F. Adams, Jr., has given to it the best consideration of one of the most thoughtful minds of a State prolific in great men, and has proposed a novel remedy, which we trust will soon be tried in Massachusetts. In the Senate of the United States, a standing committee, with Mr. Windom, of Minnesota, at its head, — a man of excellent judgment, cool and discriminating in his views, — has been organized to consider this subject in its national relations, and others of our able men in the Senate and House and throughout the land are striving to solve the problem. Organ-

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izations have been recently formed in some of the Western States which portend only evil to these corporations, and possibly to capital as well.

The history of the telegraph shows a similar growth, but offers no hope of relief through competition. The first telegraphic line was built at the expense of the government; but the benefits of the experiment, which became a success, were reaped by the projectors. As soon as the line between New York and Washington was constructed, companies were organized in all parts of the country to build lines between the large cities. The actual outlay required for their construction was small; the nominal capital and the expectation of profits were large, and entirely disproportioned to the cost of construction; one half of the capital stock being generally set apart for the owners of the patent through whose instrumentality the lines were built. These lines were constructed of poor materials, in the cheapest manner, the constructors and managers having little knowledge of the principles on which telegraph lines should be built and operated. The rates were low, business small, and expenses high. The correspondence was limited, and the expenses greatly increased by the large number of short lines owned by different corporations, each with its own set of officers, operators, and repair hands, as every message had to be repeated at the end of each line. This led to detentions, inaccuracies, and irresponsibility. As if these evils were not enough, the patentees and owners of the three patents of Morse, House, and Bain constructed competing lines between the large cities. A few of these companies, from peculiarly favorable circumstances, made money; but failure was the inevitable fate of the great majority; for they served neither the interests of stockholders nor of the public. There were ten times as many companies as at present, with scarcely one tenth the number of miles of wire, or one tenth the business. Many of the rates were lower than they have been at any subsequent period; one time only ten cents being charged between Boston and New York.

In the struggle, the weaker lines were gradually swallowed up by the stronger, of which the principal were the Western Union Telegraph Company in the West, and the American

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Telegraph Company in the East. Their managers became conscious of the inherent evils of a system formed of segregated and competing lines, and saw the necessity of a change of plans and concert of action. The Western Union Company occupied the territory from New York west to the Pacific Ocean, with the exception of four or five States, where two allied companies maintained an independent existence. The American Telegraph Company controlled the sea-coast and cotton States. These companies formed an alliance offensive and defensive, and seemed to be all powerful, and the era of prosperity for the stockholders and increased rates for the people began.

A short history of the Western Union Company will illustrate the rise of these corporations. It was incorporated in the year 1851; but it paid no dividends until the year 1858, the profits being used in extensions, and purchase of other lines, and, it is said, in the purchase of the stock of parties who had become tired of waiting for dividends, either directly, or by loaning money on the stock purchased. Then the few remaining stockholders began to reap the fruits of their self-denial in a very rapid increase of the capital.

In 1858 its capital stock was		$ 385,700.00
Subsequently, stock was issued for the following purposes:		
1858 – 1866.	For cash at different times	167,200.00
	For bonds and fractions of stock dividends	146,600.00
	For other objects	182,053.55
	For stock dividends	17,810,146.45
	For lines purchased	3,322,000.00
January 6, 1866.	Total capital	$ 22,013,700.00

[In 1866 it swallowed the two other principal lines, — the American Telegraph Company, occupying the Eastern States and the seaboard route South, and the United States Telegraph Company, a new line, competing with both the Western Union and the American Telegraph.]

1866.	Stock for United States Telegraph Company and United States Pacific Telegraph Company		$ 7,216,300.00
	Stock for American Telegraph Company	$ 3,833,100	
	For dividends to American Telegraph Company	8,000,000	11,833,100.00
1869.	Total capital		$ 41,063,100.00

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1866 – 1872. Net earnings from July 1, 1866 to July 1, 1872,		$17,116,694.00

These earnings average 7 per cent a year, divided as follows: —

Dividends	$4,856,879.34	
Interest and sinking fund .	1,898,401.98	
Sundries, etc. . . .	10,361,412.91	$17,116,694.23

STOCK AND CASH DIVIDENDS FROM 1858 TO 1866.

Date.	Per cent.	Capital on which dividend was paid.	Amount of dividend
April 22, 1858	414.40	$385,700.00	$1,598,300.00
January 16, 1862	27.20	2,349,500.00	640,446.65
March 15, 1863	100.00	2,979,300.00	2,979,300.00
December 22, 1863	33⅓	5,962,600.00	1,988,100.00
May 11, 1864	100.00	10,066,900.00	10,066,900.00
April, 1866	25.00	21,484,400.00	537,100.00

Total stock dividends in eight years	$17,810,146.65
Total cash dividends in eight years	4,157,242.00
Total dividends	$21,967,388.00
Annual average	$2,745,922.00
On a capital of	$385,700.00

Besides all this increase of capital, a bonded debt of $5,198,295 was incurred in the purchase of the Russian Extension Telegraph and other lines. In the years 1864 – 65 Mr. Collins, on behalf of himself and other stockholders in the Western Union, began to build an overland line to Europe by Behring Straits and Siberia. The work was begun without adequate knowledge of the difficulties to be encountered, through a barren, mountainous country, inhabited only by a few Indians and wild animals, with an almost polar climate; and the attempt encountered unexpected difficulties. It was well under way when its necessity was superseded by the laying of the Atlantic cable. If it had succeeded, the separate organization would have been continued for the benefit of the corporators; as it was a failure, the loss was thrown upon the people, and the bonds of the Western Union Telegraph Company were issued for $2,500,000, — a sum supposed to be equal to the entire loss. This system was for a time a great financial success; but it served the stockholders much better than

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the public. Much of the correspondence required to be transmitted over the lines of several companies, necessitating repetitions, inaccuracies, and delays. If the customer complained, it was impossible to determine which company was responsible for any error or delay, and he was left without redress. The elements of a national system were lacking. The companies themselves were sensible of the inherent defects, and efforts were made at different times to effect a union of the large companies, but without success.

In 1864 the United States Telegraph Company was organized, with its head-quarters at New York, for the purpose of establishing a national company, with wires extending north and south, from Maine to Mexico, and from the Atlantic to the Pacific. It was the first company started on a broad basis, and provided for the economical, prompt, and accurate transmission of all telegraphic correspondence. With capital, skill, and time, its success was assessed at the expense of the other companies.

The Western Union and American Telegraph Companies realized the power of this new rival even more fully than did its originators; for they knew its strength and their own weakness.

The new company soon began to pay dividends, supposed to be from earnings, but in reality from capital. Both of the old companies made overtures to it: the Western Union was successful in its negotiations, by offering many times its cost or value.

It was merged into that company in 1866, each stockholder receiving two shares of stock in that company for every three of the other, which required an issue of $7,000,000 of stock for the purchase "of a few thousand miles of almost worthless lines."

This forced the American Telegraph Company into a consolidation with the Western Union, which immediately followed the other. Its capital stock of $4,000,000 was exchanged for $12,000,000 of stock of the Western Union to equalize the nominal value of the two. The Western Union system thereby became national.

It is often said that, as competing lines can be constructed

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at a small expense, the public have a remedy for any evils belonging to the present system in their own power.

This suggestion has even been made by officers and stockholders of the Western Union Telegraph Company. The results of past experience show the entire fallacy of such a remedy. Telegraph correspondence, like the mail service, is with all sections of the Union, and no company can be successful that is not national.

In this respect it is entirely unlike our railroad service, where a small local road may pay large profits, and serve its immediate constituency better than a large company could.

The recent history of opposition companies confirms these views.

At the close of the war this company required the aid of the government in recovering and establishing its lines upon the railroads of the South. It therefore procured the passage of an act of Congress in 1866, which gave it the right to construct, operate, and maintain lines of telegraph upon all the post roads of the country. Foreseeing that the time might come when it would desire to sell its lines to the government, a provision was inserted in the bill that Congress should have the right to take them at any time after 1871 at an appraised valuation. The Western Union Telegraph Company was now for the first time without a competitor, and was apparently secure. But its lines were poorly constructed and equipped, and but little business could be transacted upon them in comparison with the same length of European lines. According to a report made by Mr. Cromwell Varley, an experienced electrician, who came over from England in 1868 to examine their lines, the insulation was scarcely *one tenth* as good as that of the English lines, and "it is the favorable climate which permits such insulation to pay." In conclusion, he said: "Your insulation is horrible in wet weather, and getting worse. Take in hand those lines which earn most of your money,—the Boston and Washington wires, for example,—reinsulate *one half* or *one third* of these wires, and I expect you will find them sufficient for your present traffic."

At this time the corporation was in a critical condition; its lines were poor, and its capital out of all proportion to its prop-

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erty or business. With the same capital it now has, it then had less than one half its present length of wire or business. Its rates were nearly twice as high, the average being $1.40. It could easily have been fatally crippled by rival lines, if parties who had the means and the skill, and who were willing to look for their profit to the investment, had constructed them.

New rivals entered into the field; but they all inherited the errors of the Western Union, and were started on wrong principles, with capitals even larger in proportion to the length of their lines or their business. In one of these companies each mile of wire was represented by $800 of capital, while the cost was probably not much over $100. The principal of these were the Franklin, Atlantic and Pacific, the Pacific and Atlantic, the Bankers and Brokers', and one or two other smaller associations. Competition was renewed, rates were reduced, dividends fell off, and, according to the assertions of the Western Union Telegraph Company, "These competing lines have not made money enough to keep their lines in repair." They have never paid any dividends, and their stock, it is said, has no market value. Combination naturally followed. When a business, from requiring large capital or other circumstances, falls into the hands of a few persons, they are sure, in the end, to avoid competition by combining. Hence, it is said with truth that "where combination is possible, there competition is impossible." Accordingly, the President of one of these companies has recently testified that he had agreed with the Western Union Telegraph Company to raise the rates, thus putting an end to competition. This result may have been brought about in consequence of large stockholders in the Western Union Telegraph Company having become interested in the other lines. The business, therefore, is now controlled by the Western Union Company, which performs nine tenths of it. The management of this company has not been retained in the hands of its original stockholders, nor is it controlled by those who have invested in telegraph stock solely with a view to profit by the development of its business, but by the same parties that operate the New York Central line of railroads,—a combination which wields the most extensive railroad and telegraph systems in the world. This statement does

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not represent the full extent of its power. A great change has taken place in the Western Union Company's affairs since its office was removed to New York, and Messrs. Orton and Palmer became President and Treasurer, and the engrossing policy then begun has been pushed with all their sagacity and energy. No dividends have been paid recently, nor will any be for some time to come. The profits have been applied to the repair, extension, reconstruction of the old, and to the construction of new lines, and in the purchase of the stock of the Company. The stock so purchased has not been cancelled, but has been transferred to the company, to be sold or divided at some future time. Concessions have been made in the rates, the business has doubled, the lines have been improved, the great disproportion between the value of the property, its business, and its capital has been to a considerable extent removed. Competition has ceased and can never be renewed. The results appear in the market value of the property, which in January, 1869, was $33 per share, and in January, 1873, $85, and is cheaper at $85 than it was in 1869 at $33 per share.

What is the effect of this monopoly, with its inflated capital, upon the rates and growth of business? According to the Company's published statements, its average rates in 1868 were $1.10; in 1869, 97 cents; in 1870, 83 cents; in 1871, $73\frac{4}{10}$ cents; in 1872, 72 cents. The Company has earned upon its nominal capital during this time an average of six and a half per cent a year. If the capital represented the cost of the property, the rates might have been reduced one third and still have yielded six and a half per cent upon it. The public pay, therefore, nearly $3,000,000 a year on fictitious capital. The growth of the business is indicated by the number of messages transmitted during each of these years, namely:—

	Rate.	Messages		Rate.	Messages.
In 1868,	$ 1.10	5,733,394	In 1871,	$.73\frac{4}{10}$	9,115,010
1869,	.97	6,548,465	1872,	.72	10,271,935
1870,	.83	7,859,028			

being an increase of eighty per cent.

This increase, large as it seems, is entirely disproportionate to the growth of either the railroad or the mercantile business of the country, and is less than that in other countries.

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Belgium affords a striking contrast to America in the policy pursued and in the results obtained. In the year 1862, 105,278 messages were transmitted, at one and a half francs. In 1863 the rates were reduced to one franc, and the business increased to 188,825, or eighty per cent. In 1865 the number was 332,718. On the 1st of December the rates were reduced to half a franc, and the next year 692,536 messages were transmitted. The business has continued to increase in nearly the same ratio, and in 1871, 1,560,673 messages were transmitted, giving an increase of five hundred per cent in six years. The number of messages is one fifteenth of the number of letters. This diminution of rates was followed by a reduction of the net profits, but in no year have the expenses exceeded the receipts, and the net profits are again increasing. The net earnings have paid the entire debt incurred in the construction and extension of the lines. The reduction of rates was not only followed by an increase of business, but by extending the use of the telegraph to all classes of people. At the high tariff seventy-seven per cent was on commercial matters, while now thirty-eight per cent only is of that class, although the number has greatly increased; thirteen per cent was then on social matters, now fifty-eight per cent.

The Republic of Switzerland soon followed the example of Belgium. On the 1st of January, 1868, the rates were reduced one half, and the correspondence, which had been increasing at the rate of only four per cent a year, nearly doubled at once. The number of messages transmitted in 1867 was 397,289; in 1868, 798,186; and in 1871, 1,700,000. If as many telegrams were sent in this country as in Belgium in proportion to the correspondence, there would be about forty millions a year. If as many in proportion to the population as are transmitted in Switzerland, there would be nearly thirty millions.

It is said that those examples do not apply to our country, and that it does not follow that because they use the telegraph extensively, we should do so if our rates were greatly reduced. The theory of the Western Union Telegraph Company is that the business depends more upon the despatch obtained than upon the rates; that the question of cost does not enter into the consideration of its customers so much as that of time;

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and that greater promptness in transmission is demanded, rather than lower rates. There is no doubt that this is true under the present circumstances. The rates are exorbitant and prohibitory of many kinds of business, ten per cent only being on social matters. The experiment of low rates has never been tried in this country, excepting between two or three large cities in the East, and the results there have never been published. With a reduction of rates the character of the business would be changed, the number of customers and messages would be greatly increased, and similar results be obtained here as abroad. European statistics show that with high rates the telegraph was used even less than with us, and solely for commercial purposes, and that it is the reduced rates that have increased the business. The effect would be much greater here, because the value of the telegraph depends upon the time gained in the transmission of correspondence. If in Belgium, where there is only a gain of an hour's time, the growth of business by the reduction has been fifteen hundred per cent in ten years, the effect would be greater in this country, where the gain in time is from one hour to ten days.

While it is true as a general rule that the growth of the telegraphic correspondence is so great that the net receipts will be diminished by any reduction of tariff, yet it is also true that any considerable reduction of rates will greatly increase the business without a corresponding increase of expenditures. European and American statistics both establish this proposition. Striking and instructive results are afforded by a comparison of the statistics of North Germany, Belgium, Holland, and Denmark for the years 1865 and 1870. In North Germany the increase in the number of messages was 259 per cent, increase of expenditures only 83 per cent; the expenses increasing only one third as rapidly as the business. In Belgium the increase of messages was 252 per cent; of expenditures, 61 per cent; the expenses increasing one fourth as rapidly as the business. Increase of messages in Holland, 142 per cent; of expenditures, 62 per cent, or one half as great as the business. In Denmark the increase of messages was 149 per cent; of expenditures, 38 per cent, or only one fourth as great. The same is true of the Electric and International Tel-

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egraph Company, the largest English company, which in four years, from 1862 to 1866, increased its business nearly 105 per cent, while its working expenses were only increased 40 per cent, and the net product 80 per cent. The statistics of the Western Union show the same results, the business having increased in five years 80 per cent, with only 27 per cent increase of the expenses, and a reduction of only one per cent in the net profits. It is therefore shown that a reduction of fifty per cent in the rates will be followed by an immediate increase in the business of about one hundred per cent, with an increased expenditure of about one third, and that this immense development of the business and of benefit to the public may be gained without much, if any, reduction of the net profits. But corporations will not make reductions in rates simply for the public benefit. It is more difficult, and requires greater executive ability, to manage a large business with small profits on each item than to conduct a small business with large profits. It is in this that the difference between a corporate and a postal service consists. The first looks only to realizing the largest profits, and regulates its facilities and extends its business with that view only, the public service being but the accessory. The other seeks the greatest extension of the business which can be made without loss, the public service being the chief object.

It is thus shown that the use of the telegraph has increased rapidly abroad and slowly with us, when the very reverse ought to be true. Scarcely any new lines are constructed there, while here new territory is peopled, and an average of over twenty thousand miles of wire are added yearly to our lines. Our habits, business, social condition, national energy, and extended territory, all favor a much more rapid increase in the use of the telegraph here than abroad. The contrary result can only be due to the fact that the business is managed in the interests of monopoly. Where the telegraph is managed by the government, the interests of the people are better regarded; the rates are the lowest, the facilities the greatest, and this is obtained without the imposition of any tax, those who use the telegraph paying for it. These effects are due to the different systems in operation, — in one the corporate, in the other the postal.

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The different theories of these systems have been very fully set forth in a recent work, published by Sir James Anderson, entitled "Statistics of the Telegraph." In this he enunciates several propositions, which are the key to the whole matter. First, that the normal growth of the telegraph is so rapid that the net earnings, at a high rate, will be greater than at any reduced rate. Second, that a reduction of tariff for interior traffic has in nearly every instance produced an enormous increase of traffic, with only a slight decrease of the net product, and that this deficit tends to diminish. Third, that the only reason that can possibly induce the directors of corporate companies to reduce their tariff is the single one of expediency. The first two propositions he proves by the Belgian and Atlantic cable statistics. The Belgian statistics show that if there had been no reduction of rates during a period of nineteen years, there would have been a much larger net product, while the business would have shown a very small increase. Only 264,504 telegrams would have been transmitted in 1869, instead of 1,534,413, the number actually exchanged, while the net product for the same year would have been 502,000 francs against 23,856 francs. The history of the Atlantic Telegraph shows that if the average rate, £ 12.84, for the first eleven months had been continued, the net result would have been an annual dividend at the present time of twenty-seven per cent a year instead of ten or twelve per cent, while the number of messages sent would have been 114 a day against 860. The third rule has been faithfully carried out in the American system; high, irregular, and arbitrary rates preventing the use of the telegraph unless in exceptional cases, where the cost is of slight consequence. Though the rates have been reduced about thirty-three per cent within the last five years, no general reduction has been made. It has been limited to particular cases, where the rates were so high as to be almost prohibitory.

Mr. Wells, in a pamphlet lately published by the Western Union Telegraph Company entitled "The Relation of the Government to the Telegraph," says that the reduction caused by the introduction of a system of charges according to the air-line distances between country places instead of by the route

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actually traversed by the wires resulted in a loss equal to fifteen per cent, while the introduction of half-rate messages by night was followed by another reduction in the net receipts equal to sixteen per cent in the rates, and thus he accounts for the entire reduction. In Europe, every nation has adopted either uniform rates, or uniform rates for equal distances.

The appropriation of the lines of telegraph by the general government has been recently the subject of discussion both in England and America. The same system prevailed in each,—high rates, limited facilities, and small growth. The contrast between the governmental and corporate systems in England and on the Continent was felt by the English, and led to the purchase of all the lines of telegraph by the government in 1870. The business had increased under corporate management from six millions in 1866 to eight millions in 1868, or fifteen per cent a year. Though the British government reduced the rates but one third, the increase was one hundred per cent in three years, with a great increase in the number of offices, against an increase of eighty per cent in five years in our own country. These results have necessarily attracted much attention in our own country. The Western Union Telegraph Company have been forced to consider them, and have recently employed the ablest statistician of our own country, the Hon. David A. Wells, to examine the European and their own statistics, to deduce from them his own conclusions. So short a time, however, was allowed to Mr. Wells, that his examination was limited, and his research does not carry the conviction due to his eminent talent and fairness of mind.

The arguments advanced in favor of a change of our system of telegraph are drawn from the high, arbitrary, and discriminating rates charged to the public, the limited facilities furnished, and the little use made of the telegraph, and the great power it confers upon a monopoly. During the past winter, and while the discussion in Congress was pending, a great reduction of rates was announced, which was intended as a concession to the public demand for low rates. The reduction, although apparently very great, gave no relief to the people, for it was not a general reduction, but a simple lowering of all rates above $2.50 to that sum, and of some rates of $2.50 to

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$2.00. The people cannot afford to pay either of these sums for ordinary business or social correspondence. A reduction, to be of public value, must be so great as to induce people to use the telegraph regularly where they now use it occasionally, and to increase its use by those who now use it in their regular business.

The Western Union Telegraph Company divide the country into three districts,—the Eastern, Central and Western, and Southern. In the East the rates are thirty cents for over twenty-five miles, and not over fifty miles; in the Central and Western division, forty-five cents for the same distance; and in the Southern division, fifty cents. That these rates are high is evident when we compare them with the Belgian or English rates, which are respectively ten cents and twenty-five cents for the same distances; double the number of words being transmitted in England, and one half as many more in Belgium, thus increasing the disparity; and that they are as high as between our principal cities where the distance is from five to eight times as great. These rates are so high as to prohibit all business between country places excepting that which the parties are compelled to send, and which they would send at even greater rates.

There is one exception to the high charges of the Western Union Telegraph Company. They boast that the rates to the press are lower than in any other part of the world; "that they deliver to the press of the United States annually, for less than a million of dollars in currency, more telegraphic matter than is transmitted by all the other telegraphs in the world"; and Mr. Orton has said that "he would undertake to produce an American journal, printed one thousand miles from the Atlantic coast, that should contain more news from all parts of the world in a single issue than could be gleaned from the 'London Times' in a week," and that "the press are perfectly satisfied with the situation." A statement of the arrangement by which the press obtains these low rates will show that in one point of view the press pays very dearly for them. The Associated Press of New York, in connection with the Western Union Telegraph Company, collect the news from Europe, and from all parts of our own country, forward it to some conven-

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ient centre for collation, preparation, and distribution, and then transmit it to the various press associations in all portions of the country. These associations are therefore dependent upon this double-headed monopoly formed by the Telegraph Company and the Associated Press of New York. No new associates are admitted into any press association without the assent of every other member. The news is delivered under an expressed or implied engagement that the receivers shall neither encourage nor support any other telegraph corporation; that they will protect its interests, and will not criticise the telegraphic news. Thus an offensive and defensive alliance is organized for the protection of the telegraph company on the one hand, and of the Associated Press on the other, by which, in effect, that press is subsidized. The Western Union Telegraph Company can afford to furnish news at low rates, to have the support of the press in its extortions upon the whole people; and the associations pay for this by defending the power which sustains their exclusive privilege of furnishing news to the public. The arrangement which Mr. Orton boasts of is therefore simply a combination to victimize the public; for the sake of which the Associated Press sacrifices its character and independence.

From time to time members of the press have advocated a postal telegraph, or have criticised the telegraphic reports, but they have quickly felt the power of the telegraph company, and their fate has proved a sufficient warning to others not to offend in like manner. The most noted are the "Herald" and "Alta California," both of San Francisco, and the "Petersburg Index," of Virginia. The California papers, the one in 1868, and the other in 1872–73, offended by advocating a reform in the telegraph service. They were promptly punished, — the "Herald" by having the rates raised from six to fifteen cents per word, and the "Alta" by the entire loss of the despatches. The telegraph company assign as the reason for cutting off the "Alta" that they had great difficulty in collecting their bills. The Petersburg paper criticised the reports, and for a time lost its despatches. The telegraph company can raise or reduce the rates; and though they make contracts with the various associations, they are generally terminable at thirty days' notice.

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Its control over the press is therefore absolute. It has the power of life and death, for the telegraphic news is the vital breath of the daily newspaper. Such a power cannot exist without its exerting a pernicious influence on public affairs, and every observant public man has long perceived the demoralizing influence of this powerful, but subtle agency.

Let us consider the power of the telegraph as an educator of the people. The current history of the times is first given to the country through the telegraph. "Let me write the songs of the people, and I care not who makes the laws," is an old saying. Here it would be truer, if less poetical, to say that the man who rules the Associated Press is master of the situation; for, if he has the ability to wield it, he has an instrument for shaping the opinions of the millions, which, by the constancy, universality, and rapidity of its action, defies competition. The events which take place in all business, political, and religious centres, together with the actions of public men and their imputed motives, are all presented simultaneously to the public, from ocean to ocean, through this instrumentality. The agents who collect the news respond to the central authority at New York, and are subject to removal at its pleasure. Here is a power greater than any ever wielded by the French Directory; because, in an era when public opinion is omnipotent, it can give, withhold, or color the information which shapes that opinion at its pleasure. It may impart an irresistible power to the caprice of an individual, and the reputation of the ablest and purest public man may be fatally tainted in every town and village on the continent by a midnight despatch. It is incompatible with public safety that such an exclusive power to speak to the whole public at the same moment upon every subject, and thus to create public opinion, should be under the absolute control of a corporation. The obstacles which the telegraph and these associations can throw in the way of any new journal amount to virtual prohibition against publishing a first-class, independent newspaper in the land, and thus the existing combination has possession of the exclusive privilege of making the first and, with many, the last impression of every event.

The abuses of this system are growing, and will increase

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rapidly until the government interferes to perform the duties for which it was constituted, — to protect the people; until the rates for the press are fixed by law, equal rights and privileges secured to all, with rates so low that all can use the telegraph. Not until then will a free and independent press be assured to the country.

These suggestions show that the telegraph may become a controlling power in politics. It can ally itself — and probably will at no distant day — with kindred monopolies, and aspire to supreme power. Giving the word of command to the supporters of these vast interests, and having exclusive and simultaneous access to the public mind, such combinations may at critical moments seize the power of the government.

The telegraph should also be considered as a means of speculation. The entire commercial news of the European markets is daily gathered in England, transmitted to New York, and received about noon by the Commercial Bureau of the Western Union Telegraph Company. They tolerate no competition in this branch of their business, and allow no other party to receive and forward the commercial news to associations of merchants. As soon as it is received, all business upon the wires leading to the chief cities of the country is stopped until the news has been forwarded to its agents in each of these cities. Its agents, therefore, have the first information of all commercial as well as political news; and every one knows how sensitive are the markets. Is a report circulated that the Secretary of the Treasury proposes to issue more currency, stocks advance; that the Pacific Mail is to be investigated by a Congressional committee, they fall. It has been said by members of Congress that a careful examination will show that wherever the reporters favor a particular member or measure, his speeches and the arguments for such measure are carefully reported, to the neglect of their opponents. The control of the telegraph gives to its manager the ability to speculate, without the possibility of loss, in any article in every market of the world.

As it is idle to expose the evils of any system unless a remedy is suggested, let us inquire whether there be any in this matter.

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The Constitution gives Congress the power to establish post-offices and post-roads. The object of this grant is to enable it to transmit correspondence. The manifest intention of the Constitution was to confer full power over the whole business of transmitting correspondence. Congress, having undertaken to exercise that power, established the offices and routes, and adopted each improvement in the means of transmission that was discovered, and ought now to adopt this latest and greatest improvement, the electric telegraph. It has not only exercised this power in all other forms, but has always asserted its *exclusive* right to carry on the business, and has punished severely all who carried outside of the mails letters upon which the postage had not been paid. The whole subject is essentially national, and the fact that it is expressly intrusted by the Constitution to the general government shows that it is not private, but public business. That the framers of the Constitution correctly understood its character is obvious on a slight consideration. If the transmission of the mails had been left to private parties, it would no doubt have been carried on between the larger cities and in populous districts; but unless the government had kept up lines of communication between the extremities of the territory, and even between country towns, there would have been no general postal system. In the populous regions the rates of postage would have been prohibitory of extensive correspondence, because the business would have fallen into the hands of the monopolists, as has been the case with the telegraph.

There are but two questions: First, whether it is for the interests of the people that the transmission of correspondence should be intrusted to the government rather than to private monopolists. Our forefathers in their wisdom decided in the affirmative, and gave Congress the conduct of the postal system, in order to secure responsibility and good service, knowing that, though there would be abuses, there would be less than if the people were left wholly to the only alternative, an irresponsible monopoly. Congress, in the exercise of the power conferred upon it, has already created post-offices and post-roads in all parts of the country, and the mails are carried to every village in our land. The free interchange of corre-

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spondence is a modern necessity, and has kept pace with the advance of civilization and freedom. Exclusion from it is separation from the world, and, if it results from the imposition of unreasonable rates, is a denial of a right. This right of correspondence belongs to the people, and extends to all the modes of communication now in use or which may ever come into use.

Second, shall the telegraph, the greatest improvement for the rapid transmission of correspondence, be open to the people, or remain the peculiar property of the wealthy?

The telegraph is now recognized as an important vehicle for the transmission of correspondence, and, under legitimate control, will soon absorb a considerable portion of it. The government cannot, therefore, abdicate its control over this agency with any greater propriety than it can surrender that over correspondence by railroad or steamboat. All classes and every individual in the community are directly interested in the telegraph; it is of public concern, and not a mere private matter. It is a national business, which recognizes neither State boundaries nor sectional limits. No State legislation can properly regulate it; Congress alone possesses adequate power.

It is only an instrument for the transmission of correspondence which before its invention was sent by mail. The same organization which now furnishes the offices, keeps the accounts, receives and delivers all other letters, will suffice, with some increase in its force and efficiency, for the performance of the same business for the telegraphic correspondence. We are now maintaining two, and, in many places, three or four organizations for the same purpose, where one could perform the whole, and afford ampler facilities for telegraphic correspondence than are now provided, at an annual saving of between two and three millions of dollars. No one proposes to surrender the transmission of the entire correspondence to a corporate monopoly, or doubts what would be the results if these corporations controlled the charges for postage.

Two methods have been proposed for exercising this power and uniting the telegraph to the postal service. One, by the present Postmaster-General, which simply copies the European system, and provides for the reception and delivery by the

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Post-Office Department of telegrams transmitted over lines constructed, owned, and operated by the Department at rates fixed by Congress. The other, proposed by a former Postmaster-General (Randall), provides that telegrams shall be received and distributed through the post-office as by the other system, and transmitted like other postal matter by parties owning and operating the lines, and contracting to perform the service at rates fixed by Congress. The two plans were submitted to standing committees of the Senate and House of Representatives of the last Congress, and after a full discussion, at which all parties interested were represented, the Postmaster-General advocating the government plan, Mr. Hubbard the postal system, Mr. Orton and other representatives of telegraph companies opposing any change, the committees considered the subject independently of each other, and were unanimous in their rejection of the plan of the Postmaster-General, and the adoption of the postal system advocated by Mr. Hubbard. These committees, in carefully prepared reports, submitted the measure to Congress. Owing to the want of time during the last session, the bills reported to the Senate and House were not considered; but it is understood that they will be acted upon at an early day in the next Congress. As the same advantages will be obtained by the public under either plan, and as the one will cost many millions of dollars, and increase the power and patronage of the Executive, no one will be surprised at the conclusions at which the committees arrived. The reduction in rates will be greater than that made in England, where an expenditure of forty millions of dollars was incurred in the purchase of the lines by the government; and the rates will be as low as they could be under a purely governmental system conducted without loss. By such an arrangement the government will take the same charge over the telegraphic branch of the postal service which it now exercises over communications transmitted by rail or post-coach, without investing in telegraphic lines any more than it does in railroads and post-coaches, and will as effectually guard the citizen against extortionate rates and unjust discriminations.

Various considerations are urged against the transfer of the telegraph to the Post-Office Department. Some think that the

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country which is the least governed is the best, and that no business should be intrusted to the government which private enterprise can transact, because every government performs its work at a greater expense than corporations, and our government is more extravagant than any other. There is no doubt of the general truth of the first part of this proposition, and it can be carried further, for all corporate work costs more than private. Yet this fact does not prevent us from continually chartering new corporations, nor from intrusting certain duties to the government. Our education, banking, and postal system are conducted or regulated directly by the State and general governments. It does not solve the question to say that government work is more expensive than corporate, but we must consider *for whose benefit* is the greatest economy. Do the people share in the benefit, or does it enure wholly to the stockholders of the corporation? All experience shows that the same self-interest which impels a corporation to have its work done as cheaply as possible also leads it to get all it can out of the people. The statistics prove that telegraphic management in private hands *does not* result in either economy or efficiency of service to the public.

All the telegraphs on the Continent of Europe are owned and operated by the government. In England, before 1870, they were managed by private corporations, as they still are in America. The first cost of government works is less, the rates are much lower, the facilities offered greater, and they are planned on a comprehensive system, with reference to the wants of the whole country, and not alone to those places where it will pay best. The rates in the principal countries of Europe are less than one half those in England under the corporate system, or in America. The post-office is the only governmental work in this country in which the people are directly interested; the service it renders, in proportion to the facilities furnished, the work performed, and the distance of transmission, is cheaper than that of any other country in the world, and it will at least compare favorably with the express business. The cost on each letter is a little less than two cents in Great Britain, a little over three in the United States, while the number of letters in proportion to the offices is much less, and the

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average distance of transmission more than three times as great.

But some who admit the evils of the present system and the advantages of a postal system think that by the transfer of the telegraph to the postal service the power of the Executive would be so greatly increased as to outweigh all the benefits that would result from it. All political influence arises either from the patronage it would give the Executive, the ability to send free telegrams, the control of the press, or the power of *espionnage* over the correspondence. As these powers are now held by a private corporation, the question is reduced to a consideration of the expediency of leaving them to private and irresponsible parties, of intrusting them to the Post-Office Department, or of limiting these powers and dividing them between private parties and the Post-Office Department, so as to secure the advantages of both systems. These objections apply with much greater force to the plan of the Postmaster-General, which provides for governmental ownership, operation, and control of the business, than to the postal system. Under it there will be no patronage, excepting that arising from the addition of a few clerks and carriers, less in number than the annual increase from the growth of business. The free transmission of messages by passes, so constantly given to members of Congress and others where they will "do the most good," is not only prohibited, but both the post-office and the company are directly interested to have every telegram fully paid, and neither can send a free despatch without the connivance of the other. There can be no control over the press, for all will have the *right* to send and receive despatches at fixed rates, and so low that every paper can obtain "specials" cheaper than they now get the Associated Press news.

Espionnage, or the power of the postmasters, dependants upon the Executive, to examine private telegraphic correspondence, is severely punished by law, and is to a great degree thwarted by the fact that the operators are employed and paid by the company, and without their connivance the power would be of little use; and, moreover, the number of telegrams will be so greatly increased by the low rates and additional facilities as to remove the possibility of any considerable tampering with their contents.

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The postal system recognizes both the necessity of regulating the business and the importance of securing that economy which private interests impart. It restrains the powers, corrects abuses, reduces rates, increases facilities, confers no new powers on the Post-Office Department, but simply extends its operations by the employment of a new agency for the transmission of correspondence. It provides for the purchase of all existing lines at an appraised valuation, their incorporation into a company which at its own expense will furnish and operate the lines necessary for transmitting telegraphic correspondence between the postal telegraph offices, depending upon private capital, skill, and economy for success. The company will derive its entire profits from the receipts of the business, which are the only funds from which it can draw its income. It will have a direct pecuniary interest to see that the post-office performs its share of the work promptly and efficiently. The present is substantially a railroad and not a postal system, and at many offices the railroad business has preference over all other. This places it on a distinct footing. The railroad telegraphic business will be managed by those corporations without interference by the government, and the telegraphic correspondence by the Post-Office Department.

The telegraph is shorn of its power over private correspondence and mercantile news by subjecting it to fixed and impartial rules and uniform rates, so low that all can freely use it. The power is divided between the department and corporation, so that neither can use it to the injury of the public, while the distinct interests of the two oppose combination.

The Postmaster-General has the same means for enforcing the prompt and accurate transmission of this as of all other correspondence. No monopoly is conferred, and any company can transmit telegrams if they can do so more satisfactorily to the public. The rates are fixed at twenty-five cents between offices not over 250 miles apart, fifty cents between 250 and 500 miles, seventy-five cents between 500 and 1,500 miles, and one dollar and a half for all greater distances. Letters are generally written after the close of business hours and sent by the night mail. To provide for this correspondence the rates for night telegrams are fixed at twenty-five cents for distances

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under 1,500 miles, and seventy-five cents for greater distances. These rates will be prepaid by telegraphic stamps sold at the post-offices. The department will retain five cents for its service, and pay the rest to the company as full compensation for furnishing and operating the lines. The length of the telegraphic letter is increased to twenty-five words, including address and signature. Every post-office near a telegraph line is made a postal telegraph office, while others are established wherever they now are or may be required by the wants of business. This will make a reduction in rates of fifty per cent, and an increase in the length of the message of eighty per cent, and in the number of offices of over one hundred per cent. These great reductions and increased facilities will bring the telegraph within the reach of all, and, when in full operation, will give us the best telegraph system in the world.

The postal system recognizes the rights of property in the owners of the existing lines, proceeding upon the ground that to make any new plan successful it must avail itself of the services and co-operation of the present able managers; that this can only be accomplished by paying liberally for the property it purchases of them, and that it will be much more advantageous to the public to secure this harmonious co-operation, even by paying a large price for its property, than to establish a system at a very much smaller price, but in competition with the Western Union Telegraph Company.

It is not contended that the postal system is free from defects, but that it removes many of the grave evils of the present system, without the introduction of new ones, and that the balance of benefits greatly preponderates in favor of the cheap rates, increased facilities, limited and divided powers of the postal system.

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