ECONOMICS, LABOR & BUSINESS

The Telephone's Early Years

"'Touch Someone': The Telephone Industry Discovers Sociability" by Claude S. Fischer, in *Technology and Culture* (Jan. 1988), Univ. of Chicago Press, P.O. Box 37005, Chicago, Ill. 60637.

Today, chatting on the telephone is commonplace—and promoted in TV commercials. But, oddly enough, the first telephone companies frowned on the use of the device for social calls rather than business matters. For example, in 1909, a manager of Seattle's system complained that 30 percent of all local calls were "purely idle gossip," which should be curbed both by time limits and by public education campaigns.

Why were personal conversations discouraged? Fischer, a Berkeley sociologist, points to the corporate culture of the early telephone industry.

Many telephone companies evolved from telegraph operations; most of the pioneers were "telegraph men." Not only did many terms (e.g., "messages") derive from telegraph usage, but the telephone, like its predecessor, was viewed by company executives simply as a practical tool for sending vital information quickly.

A second reason may lie in the increased efficiency of American Telephone and Telegraph lines. AT&T's average residential rate rose from just under $2 per month in 1909 to between $2 and $3 two decades later; the average monthly telephone bill, in real terms, *fell* from four percent of the average monthly manufacturing wage to about two percent. Rather than promoting low-profit local calls, the company advertisements of the time stressed more lucrative services, such as long distance.

By the late 1920s, many of the AT&T "telegraph men" had retired. A new generation of managers, seeing that American households had more cars than telephones, decided that social calls were, after all, good for revenues. In 1928, A. W. Page, an AT&T vice president, observed that discouraging the customers from gossip was about as logical as an automaker insisting that his product only be used for "a serious errand."

Are Mergers Beneficial?

"Productivity and Changes in Ownership of Manufacturing Plants" by Frank R. Lichtenberg and Donald Siegel, in *Brookings Papers on Economic Activity* (#3, 1987), 1775 Massachusetts Ave., N.W. Washington, D.C. 20036.

The number of mergers and acquisitions of U.S. corporations is steadily rising. In 1979, there were 1,529 such transactions, worth $34.2 billion; in 1986, 4,024, with a value of $190.5 billion. But such deals, note the authors, both researchers at the National Bureau of Economic Research, do not just enrich corporate raiders or "junk-bond" brokers. Changing a plant's ownership, they contend, usually results in increased efficiency.

The authors examined U.S. Census data on 20,493 factories owned by 5,700 firms, which account for 55 percent of U.S. manufacturing employ-