THE POLITICS OF REGULATION:
MULTIFIRM TRADE ASSOCIATIONS IN
TELECOMMUNICATIONS POLICY-MAKING

by

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1965
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1969

SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE
DEGREE OF DOCTOR OF PHILOSOPHY
at the
MASSACHUSETTS INSTITUTE OF
TECHNOLOGY
January, 1974

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Political Science Department,
October 31, 1973
Thesis Supervisor
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Title: The Politics of Regulation: Multifirm Trade Associations in Telecommunications Policy-Making

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Submitted to the Department of Political Science on October 31, 1973, in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

Abstract: Information is assembled on the formal position of each of 45 multifirm associations on each of eleven recent major policy issues in the regulation of communications common carriers. Simple quantitative methods are developed for the evaluation of alternative explanations of group activism.

1) General Activism: Several correlates of activism across issues are identified, and relationships among these explanatory variables are explored. A causal interpretation synthesizing observed bivariate linkages is presented, incorporating the "by-product" theory of Mancur Olson. In this interpretation, the most active associations are those which are strengthened by close dependence on governmental decisions.

2) Issue-Specific Activism: Hypotheses relating activity in particular issues to alternative economic and political conceptions of self-interest are evaluated. No single hypothesis emerges as clearly superior. It does appear, however, that past involvement in other issues is the most important single indicator of group action. In addition, it appears that some types of associations follow their apparent interests more reliably than others, including those which have attained earlier policy privileges, those which retain outside communications counsel, and those which have past experience with policy-making at the FCC.

Implications of these findings for public policy-making and for interest group theory are examined.

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PREFACE

Like a Russian novel, this dissertation may confront the reader with a cast so large and a plot so complicated that readability succumbs to detail. Eleven different issue areas in telecommunications policy are treated, each of which comprises a sequence of several policy decisions. Forty-five multifirm business associations have taken public action relating to one or more of these issues, and have thus been included in the analysis.

It may be of some small comfort that in conception, at least, the study is rather simple-minded: its premise is essentially that if one tabulates the record of each association for each issue area, interesting empirical patterns might be discovered. In such patterns we might hope to find tests of some of the reigning theoretical notions of political economy. Is Galbraith right in suggesting that the public is in some way protected from private economic power by "countervailing" pressures? Is C. Wright Mills close to the mark in seeing the important questions decided by a small and influential power elite? Is there useful explanatory power in the concept, so useful in micro-economic theory, of the unitary decision-maker whose actions are governed by a straightforward calculation of direct material costs and benefits?
On a less abstract plane, one might hope to find in the historical record some clues relevant to the art of policy formulation. Describing the style of Bernard Strassburg, the highly respected Chief of the FCC's Common Carrier Bureau, one informant explained: "Strassburg is wily. Sometimes, things will drag on and on at the Bureau, and you'll say to yourself that Strassburg is really holding things back. Then something will happen to neutralize the political cross-pressures for a moment, and boom! Bernie moves. He doesn't have the power to change the cross-pressures, and he knows he doesn't, but he has a politician's ability to get things done within them."* Apparently, then, it is Strassburg's thorough understanding of the political behavior of interested parties that allows him to make fullest use of his initiatives as policy administrator.

We can make an analytical distinction between the process of policy choice and that of policy formulation; the latter concerns the design or preselection of options to be evaluated, while the former involves determining which option is best. An inherent part of policy formulation is the assessment of political feasibility of each option, since it serves scant purpose to consider policies, however optimal, which are doomed to fatal opposition by political forces. Perhaps as important is the related assessment of whether a given policy option will stimulate potential beneficiaries to active support: such support

*Interview R-7
can help neutralize opposition and thus foster a more balanced discussion of expected policy outcomes.

The point is that such assessments, necessarily based on some combination of intuition and practical experience rather than any objective "rational" calculus, are an unavoidable part of policy-making. In fact the political savvy that provides the basis for such assessments is probably what distinguishes effective public officials from less successful ones. Examination of historical data may reveal empirical rules of organizational behavior, allowing us to predict which multifirm associations become involved in which issues, and with what intensity.

The Research

The study covers major policy issues in the field of common carrier communications policy from 1959 to 1973. They are "major" in the sense of ultimate impact on the communications industry, not necessarily because they were accorded high levels of general publicity or were marked by spirited regulatory battles between interested parties. For nine of the eleven issues, the primary (but not exclusive) policy arena was the Federal Communications Commission.

Background information on each issue area and the formal positions of the various intervening multifirm associations was obtained from FCC documents, including the associations' formal filings in relevant FCC Dockets. An important supplement to this source of information was the trade press, which
frequently provides perspective lacking in the dry legal
verbage of the public archives. Normally, one might question
the value of journalistic coverage for serious historical re-
search, but the telecommunications community is graced with
the weekly Telecommunications Reports, which supplies a
thorough and authoritative record of events.

Supplementary material was obtained in sixty interviews
with trade association executives, communications-oriented
Washington attorneys, and other informants familiar with the
politics of the industry and the structure of the issues.

The study procedure was to compile a record of each asso-
ciation's position on the eleven issues, and then to verify
that record with either the appropriate association official
or the association's communications counsel. Of the twenty-
five associations which were active in two or more of the
issue areas, such confirmation was made for twenty-three or-
ganizations:* eighteen associations of the twenty-three pro-
vided such confirmation in one or more interviews, the others
in written communications. All interviews were conducted with
agreement that there would be no attribution of verbal state-
ments in the finished dissertation.

The interviews, typically one to three hours in duration,
were loosely structured to cover discussion of the rationale
for the association's response to each issue. When possible,
questions were formulated in comparative terms, e.g., "Why did

*No reply was received from the railroads (AAR), or the non-
Bell common carriers (USITA).
your organization intervene in issue A, and not in the similar issue B?" or, "Why didn't you file a petition with the FCC on this matter, as association X did, since your communications interest seems to be nearly the same as that of association X?"
The comparative perspective often introduced new lines of thought which failed to emerge from isolated discussion of independent issues.

Limitations of the Study

Lest one momentarily mistake this study for an important seminal work, substantial limitations must be acknowledged at the outset.

First, in concentrating on formal activities, the investigation can draw only a distorted picture of the various associations' total actual involvement in policy matters. There is a non-negligible school of opinion which holds that the things that matter in policy-making happen behind locked doors, or possibly on the tees and greens of exclusive golf courses. If this contention is accurate, students of politics have about as little hope of obtaining meaningful data on interest group activity as they do of obtaining access to the golf courses. Realistically, the question is one of making fullest use of information available through something less than a lifetime of investigation.

While the public record is admittedly incomplete as a chronicle of interest group involvement, it should not be dis-
missed as totally irrelevant. While it may be true that some parties exert informal influence without leaving evidence in the public record, it seems unlikely that groups that do adopt formal policy positions are informally indifferent, or that they actually contradict their public position in private contacts with government officials. In addition, discrepancy between appearance and fact is minimized by the relatively open environment of regulatory processes. Rulemaking procedures, for example, involve periods during which comments and replies can be filed by any interested parties, and while an organization may not believe that such comments are the most effective means of advancing its position, there is little reason to expect that an organization which is lobbying hard with commissioners and staff will refrain from submitting filings. In general, then, while the public record may be an imperfect guide to underlying pressures, it is a guide nonetheless.

A second caveat is that no attempt is made in these pages to explain particular policy decisions as functions of interest group pressures. Measurement of the actual influence of group action on policy choice is beyond the scope of empirical research, since the actual decision process (each of at least four Commissioners deciding which way to vote) would be open to varying psychological interpretations even if each Commissioner were himself to reveal his subjective decision process. As an alternative ploy, we might be tempted to measure influence by means of a "batting average" of successful campaigns
before the FCC. However, even if computed, such ratios would
be of minor utility; for example, a tabulation of the wins
and losses for our eleven issues would probably show that
AT&T has easily the poorest showing of any regular partici-
pant, but one could hardly infer that Bell is therefore less
influential than other organizations in FCC matters. Further-
more, the definition of wins and losses is hardly straight-
forward; like most modern wars, conflicts at the FCC are typi-
cally settled by some form of compromise, allowing each com-
batant to pronounce a partial victory, and the calculation of
an organizational batting average would thus reduce to the
sticky task of determining which side conceded more in each
compromise. Perhaps the only general observation that is
warranted is that intervenors quite evidently believe that
their participation has an effect on the decision process.
Otherwise we would have seen gradual withdrawal of industry
groups from FCC proceedings rather than the pattern of incre-
mental politicization that has actually been observed in recent
years.

A third limitation is that the present investigation makes
virtually no attempt to investigate the decision processes
that multifirm associations employ in determining whether to
enlist in particular policy skirmishes. Examination of the
intraorganizational interactions preceding such a decision
might well be revealing, but is only of tangential interest
here, much as knowledge of leonine neurology is of only tan-
genial interest to a lion tamer.
Finally, no claim is made that the positions of multifirm associations tell all one needs to know about the politics of telecommunications policy-making. Although not elaborated here, the roles of a) individual firms and b) governmental and quasi-governmental entities are of great significance in the issues discussed in this study, particularly in issues involving dramatic departure from past practice. It is true, on the other hand, that no full treatment of communications policy-making could ignore multifirm associations; in fact, three of the eleven issues have been clearly dominated by trade association intervention.

Study findings are presented in ensuing chapters in two relatively independent expositions. Chapter four attempts to convey a general qualitative picture of the nature of private interest groups' behavior relating to public policy for common carrier communications, and does so in a necessarily unsystematic review of salient topics. The two following chapters report results of a quantitative investigation of the sources of group activism, exploring as explanatory variables both qualitative attributes of multifirm and "contextual" variables based on the economic and political-organizational impact of specific issue outcomes.
Chapter 1

Multifirm Associations and Public Policy

Excavation of the public record in search of collective action by business firms reveals 45 groups that were active in one or more of the eleven common carrier telecommunications policy issues considered in this study. Of this number, all but a half dozen are trade associations in the conventional sense of the term; that is, they are ongoing organizations with a multiplicity of objectives unrelated to communications policy, and they use the normal tools of such organizations, such as monthly newsletters, periodical national conventions, formal by-laws, and a permanent professional staff.

Trade associations have attracted only occasional empirical study by American scholars, which is perhaps surprising in view of the general level of academic interest in questions of the public role of the private sector. While this neglect may be the benign result of their inherent dullness or irrelevance, it probably also reflects the fact that trade association behavior falls between disciplinary stools.

Organizational theorists in management science tend to focus primarily on intrafirm processes, rather than treating the firm as a unitary actor operating in a larger environment.
Economists train themselves to think of the firm as a unit of analysis, but also to see the world in quantitative terms. Thus, while there is no question that trade associations are "economic" entities, they are typically part of the larger qualitative surroundings taken as given for most economic analyses, and no body of empirical research is found.

On the other hand, students of government have been less than fascinated with the world of private commerce. A general survey of political science offerings in business behavior turns up so little of consequence (only about twelve articles during 50 years in the American Political Science Review) that Robert Dahl suggests that "a no-man's land has grown up between economics and political science". \(^1\) Trade associations are well within this no-man's land, subjected to only incidental scrutiny. As a result, there is a peculiar superficiality in the sections of political science textbooks on interest groups that purport to cover business groupings, typically based on the 1941 findings of Charles A. Pearce's Trade Association Survey, \(^2\) which is the last significant treatise on the subject.

A. Government Policy and American Trade Associations

There are presently more than 13,500 trade associations in the United States, of which over 2000 are national in scope. \(^3\) The range of interests covered by national associations is impressively broad and diverse; for example, the National Asso-
ciation of Motor Bus Owners (NAMBO) shares page 60 of the 1972 Encyclopedia of Associations with listings for the National Broom Supply and Dealers Association, the Building Waterproofers Association, the National Burglar and Fire Alarm Association, and the National Concrete Burial Vault Association. One is tempted to infer that American business firms operate under some Natural Law of Accretion, banding together in associations no matter how narrow the shared interest.

However, a closer look at the history of the American trade association movement discloses that the rise of the association comes not from endogenous factors related to commercial conditions, but rather from a steady succession of exogenous influences, appearing typically in the form of governmental initiatives aimed at imposing social objectives on specific sectors of the economy.

For example, the petroleum industry flourished for fifty years without a unified national association. Then in 1919 the American Petroleum Institute (API) was organized by members of the National Petroleum War Service Committee, which had been enlisted to help the nation mobilize for World War I. As Chairman of the War Production Board, Bernard M. Baruch had found the cooperation of national associations vital, and his support of the formation of industry-wide consultative bodies like API's progenitor is said to have been a major influence in the tenfold increase in the number of national trade associations between 1900 and 1920.
Subsequent public encouragement of voluntary joint action on an industry-wide basis came during the tenure of Herbert Hoover as Secretary of Commerce in the 1920's. Hoover, an engineer by training, believed that production could be rationalized by interfirm coordination through business associations to establish industry standards; such association programs would obviate the inefficiencies of competition without permitting pricing collusion. He preferred to have business enterprises operate under voluntary industry codes of conduct rather than under the negative sanctions of antitrust laws, and pursued policies that earned him the appellation "father of the modern trade association movement."

Ironically, it was essentially the Republican Hoover's philosophy that underlay the Roosevelt Administration's economic recovery program. From the time it was passed in 1933 until the Supreme Court declared it unconstitutional in mid-1935, the terms of the National Industry Recovery Act condoned the formation of national associations. The National Recovery Administration directed industrial competitors to forge "Codes of Fair Competition", establish industry standards for wages and working conditions, and undertake other centrally coordinated programs to assure that each industry would contribute fully to the recovery effort. The overall effect of the National Industry Recovery Act on the trade association movement is illustrated in the case of the trucking industry, which until 1933 featured two rival trade associ-
ations publicly charged to devise an industry code, the two factions joined in negotiation but were unable to reach accord. Finally, "General Hugh (Ironpants) Johnson, the blunt-spoken Army officer in charge of NRA, gave the trucking industry an ultimatum: Either come up with an acceptable code or have one written by the government." The truckers abruptly resolved their differences and within months had established a unified association which has outlived the NRA by 38 years. By 1940, it was estimated that half of all existing trade associations had been formed during the Hoover-New Deal period.

The exigencies of World War II instigated a period of renewed cooperation between government and industry representatives. Operating on the model of the successful World War I mobilization effort, some 11,000 industry advisory committees worked under the War Production Board and the Office of Price Administration. While precluded from direct membership on these committees, trade associations were the effective information linkages between government and the individual industrial sectors and were thus strengthened by the need for centralized management. Indicative of the effect of World War II on association growth is the story of the origin of the California-based electronics manufacturers association (WEMA). WEMA (originally named the West Coast Electronic Manufacturers Association) was established by 65 firms only after the War Production Board had designated the West Coast as an "acute labor shortage" region, threatening to stop placing
contracts with area companies. The firms claimed that since electronics is a light industry, it does not draw exclusively from the general labor pool of military-aged males. Present at the organizational meeting was a Board representative who acknowledged that the firms had a "very strong case" and said that "an association would be a desirable thing". WEMA persisted after the war, and now aspires to be a national spokesman for "high technology" firms, particularly those which depend on government contracts.

A similar pattern accompanied American involvement in the Korean War. The Defense Production Act of 1950 once again authorized the use of industry advisory committees to help coordinate the private sector's war role. According to one observer, the rule excluding trade association executives from these committees, being at odds with the practical need for representational participation, was "often broken".

In general, national crises of war and depression enhanced association growth because government found it required three services that only industry associations could provide. First, it needed industry-wide intelligence and production statistics from a reliable central source. Second, a coordinating agent to assure a concerted effort among competing firms was required. Third, and not least important, it required a representational mechanism from which it could obtain collective commitment to public programs and priorities.
In the past twenty years, trade associations have grown not only in number but in public respectability as well, and as before their expanded role has come largely from governmental sanctions. One important trend has been the easing of prior restrictions on the participation of trade associations on government advisory bodies. In 1955, for instance, association officials saw a belated "recognition of first class citizenship" in a letter from Commerce Secretary Weeks which proposed that henceforth, "at all industry meetings within this Department where attendance is by invitation, both industry executives and trade association executives will be eligible for participation..." Last year, in passing the Federal Advisory Committee Act,* Congress superceded earlier Executive Orders which had retained limitations on direct membership of association staff members on Industry Advisory Committees reporting to agencies of the Federal government.

In 1962, enactment of the Manpower Development and Training Act gave associations new authority to serve as prime contractors, and many negotiated Federal contracts for the supervision of industrial training programs.

Other recent developments underscore the growing reliance on associations to implement public policy, and also suggest that this can cause the associations themselves to take on the appearance of private governments. For instance, in the mid-1960's the Federal Trade Commission approved a code of ethics

*Public Law 92-463, passed 6 October 1972.
for an association of door-to-door sales firms which permitted the group to impose monetary fines on violators, even though the FTC itself has no authority to levy fines. While the case was not intended as a precedent, critics claimed that in devolving policing functions to a private group, the FTC was abdicating its public responsibility. In the same vein, a U.S. District Court has recently held that an association of firms producing blasting caps is jointly liable for harm caused by the failure of member firms to observe proper labeling procedures, clearly implying the association's right to police members' behavior.  

In recent months, the blurred distinction between public and private agency was perhaps carried to a logical conclusion when the Environmental Protection Agency admitted that it had become a dues-paying member of the American Bottled Water Association, whose industrial members are subject to EPA regulation. The action had been taken, according to EPA, in order to obtain information and industry statistics that were unavailable to non-members.  

Due partly to Federal government actions, national associations are expanding rapidly on all dimensions. According to one survey, average annual revenues for trade associations doubled between 1957 and 1967 (in current dollars), and staff size increased by 50% to an average of 18.  

*The Delphi forecasting technique uses panels of experts to estimate the probability of specific events occurring by a given future date. The process is iterative, so that each expert can adjust his estimates according to the judgements of his colleagues.*
that national associations foresee a 20% increase in the total number of associations by 1985 (the estimated rise for regional and local associations is only 10%), by which year the average membership roll is expected to grow by 30%, and income by 150% (versus 50% for regional and local groups). Perhaps the surest indicator of the relative status of the trade association in the pragmatic world of business and government is in average executive salaries, which one survey cites as $74,000 per year for chief executives of national associations (as President of the Motion Pictures Association of America, former Presidential aide Jack Valenti reportedly earns $175,000, or nearly double his former employer's salary as Chief Executive).

B. Association Activities in Government Relations

As the Federal government has begun paying more attention to trade associations, the associations themselves have become increasingly oriented toward governmental affairs.

Association activities have always been observed with mixed emotions by public officials: apprehension about the inherent danger to the common good of organized private power dates back to Adam Smith's warning that "People of the same trade seldom meet together even for merriment and diversion, but the conversation ends in a conspiracy against the public, and in some contrivance to raise prices." Antitrust laws
designed to protect the public from such abuses have imposed rather definitive boundaries within which associations have grown: both membership rules and the range of permissible joint activities have been tightly constricted by the courts. Association membership policies have been ruled improper in cases involving a) the arbitrary exclusion of particular firms, b) imposition of geographical, company size, or product quality membership conditions, and c) common membership in the same association by firms operating at different levels of commercial distribution. In their representations before government bodies, associations have been granted partial immunity from antitrust laws under a judicial principle known as the Noerr-Pennington Doctrine, which holds that the first amendment guarantees their right to inform the government of their policy preferences. Recent court decisions, however, have muddied the issue somewhat, holding that immunity is not warranted if the association affects policymaking to the detriment of competition. The uncertain current legal picture has been summarized as follows:

"If the association's governmental activity is commercial in nature, the Noerr-Pennington exemption does not seem to protect the association if the effect of such activity is competitive injury to others...the courts have not yet clearly defined the extent to which associations may seek governmental action without violating the antitrust laws."25

In spite of these constraints, however, the actual number of antitrust violations charged to trade associations has not been large, and an informant who is fully familiar with
current trends in association management states that fear of prosecution for antitrust violations has declined to the vanishing point. In no case during the investigation did a trade association representative mention such fears in explaining his association's decision not to intervene in a given issue. In general, then, while no one would assert that antitrust enforcement has gone soft, it does not seem to haunt the day-to-day operations of most multifirm associations.

Empirical evidence of the growing interdependence and the declining mutual suspicion between associations and the Federal government is the gradual physical migration to Washington headquarters. One survey of 334 large national associations reports that Washington already tops the list of cities that associations call home, with about 25% of all association headquarters covered in the survey, and it is estimated that about half of all national associations maintain at least a branch office in the Capitol. The American Society of Association Executives, whose 4000 members include some 3000 trade association executives, has announced sponsorship of construction plans for a multimillion dollar World Association Center comprising 30 structures on a 165-acre site adjacent to Dulles International Airport, and has reported that 78% of the associations expressing interest in relocating at the new facility would move from outside Washington. It is almost symbolic of the trade association movement today that the National Association of Manufacturers
(NAM), which historically applied its formidable bulk (its 14,000 members account for 75% of the nation's manufacturing output) to the principle of corporate independence from governmental authority, has announced that it will transfer its central offices from New York to Washington in 1974.30

National surveys have revealed that over 90% of all trade associations report programs in "government relations", and that the percentage does not vary significantly by association income, by business sector, or by geographical scope.31 The only type of collective activity which outranks government relations is public relations, including mass media advertising, a category which is often difficult to distinguish from policy-oriented programs. For example, it is difficult to see how television viewers would be influenced as consumers by the $3,000,000 advertising campaign sponsored by the American Petroleum Institute in 1972 publicizing the imminent danger of an energy crisis; as voters, they may have been appropriate targets for an oil industry pitch.32 It seems plausible, then, that the single most important concern of trade associations is the interface between business and government.

If one considers the government relations activities of all trade associations, including state and local groups, it would appear that the most common program is directed at the Federal level, and primarily at the work of the legislative branch. It also appears that most government relations programs are passive intelligence gathering efforts and only about a half of all associations actively attempt to influence
policies. A Chamber of Commerce survey of 874 associations reports participation in subprogram categories as follows:

<table>
<thead>
<tr>
<th>Percentage Reporting Subprogram</th>
<th>Subprogram Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>80.1%</td>
<td>Inform members on Federal legislation</td>
</tr>
<tr>
<td>72.9%</td>
<td>Inform members on Federal administrative rulings</td>
</tr>
<tr>
<td>65.9%</td>
<td>Inform members on state/local legislation</td>
</tr>
<tr>
<td>59.4%</td>
<td>Encourage communication to Congressmen</td>
</tr>
<tr>
<td>59.1%</td>
<td>Inform members on state/local administrative rulings</td>
</tr>
<tr>
<td>45.5%</td>
<td>Maintain legislative committees</td>
</tr>
<tr>
<td>44.2%</td>
<td>Represent their industry before Federal agencies</td>
</tr>
<tr>
<td>38.4%</td>
<td>Draft model legislation</td>
</tr>
<tr>
<td>37.8%</td>
<td>Represent their industry before Congress</td>
</tr>
<tr>
<td>37.3%</td>
<td>Inform members on Federal judicial action</td>
</tr>
</tbody>
</table>

Table 1.1: Varieties of Trade Association activities in Government Relations

Although they could hardly be expected to take an objectively detached view on the matter, association representatives interviewed in this study are uniformly convinced that national trade associations are "where the future action is" in Federal policy-making. This bullishness is also reflected
in the findings of the Delphi exercise cited earlier. Eighty percent of those executives working for national associations predicted that in the next ten years associations will estab-
lish a "stronger independent power base as a means of nego-
tiation and influence upon government", and half foresee a
100% rise in annual budgets for government liaison within
four years.

There is some indication that the focus of these liaison
activities will swing from Congress to the regulatory agencies;
70% of the Delphi participants agreed that contact with these
agencies will become "more important than legislative liaison"
by 1985, and only 20% supported the proposition that there would
be a relative shift toward attempts to influence legislative
action indirectly through public opinion campaigns.34

C. The Cast of Characters

Table 1.2 lists the 45 multifirm associations according
to their general communications interests. In order to pro-
vide an overview of the active groups, a brief and superficial
introduction to each association follows. Within each cate-
gory, associations are listed in approximate order of their
activism in the eleven policy issues.
# Manufacturers

2. CCTC - Committee for Competitive Telephone Comm.
3. CFMA - Computer Peripherals M'frs Assn.
4. DCA - Data Communications Assn.
5. EIA - Electronic Industries Assn.
6. IDCMA - Independent Data Communications M'frs Assn.
8. PCA - Private Communications Assn.
9. WEMA - Western Electronics M'frs Assn.

# Common Carriers

10. BDCC - Business & Data Communications Committee
11. MMCCA - Multipoint Microwave Common Carrier's Assn.
12. NARS - National Assn. of Radiotelephone Systems
13. OFASTCO - Organization for the Protection and Advancement of Small Telephone Companies

# Communications Users

## General Users Associations

15. AHTC - Ad Hoc Telecommunications Committee
16. ATCC - American Telephone Consumer Council
17. DUA - Digitronics Users Assn.
18. ICA - International Communications Assn.
19. NAM - National Assn. of Manufacturers
20. TCA - Tele-Communications Assn.
21. TUA - Telephone Users Assn.

## Entertainment Industry

22. AITS - Assn. of Independent Television Stations
23. MST - Assn. of Maximum Service Telecasters
24. NAB - National Assn. of Broadcasters
25. NAEB - National Assn. of Educational Broadcasters
26. NAFMB - National Assn. of FM Broadcasters
27. NATO - National Assn. of Theater Owners
28. NCTA - National Cable Television Assn.
29. Nets - ABC, CBS and NBC Television Networks

## Private Systems Owners

30. AAR - Assn. of American Railroads
31. API - American Petroleum Institute
32. UTC - Utilities Telecommunications Council
### 3D. Regulated Transportation Carriers

33. Arinc - Aeronautical Radio, Inc.
34. ATA - American Trucking Assns.
35. ATAA - Air Transport Assn. of America
36. NAMBO - National Assn. of Motor Bus Owners

### 3E. Other Industry Associations

37. ABA - American Bankers Assn.
38. ADAPSO - Assn. of Data Processing Service Organizations
40. AIA - Aerospace Industries Assn. of America
41. ANPA - American Newspaper Publishers Assn.
42. ATAE - Associated Telephone Answering Exchanges
43. IIA - Information Industry Assn.
44. NREA - National Retail Merchants Assn.
45. PIA - Printing Industries of America

### Table 1.2

1. Manufacturers' Associations: Nine trade associations have involved themselves in the eleven selected issue areas in the interest of their members' equipment markets. The Data Processing Group of the Computer and Business Equipment Manufacturers Association (CBEMA; formerly BEMA) comprises all the large mainframe computer manufacturers and nearly twenty other data processing and data communications equipment makers. Like the computer industry, CBEMA is heavily weighted by the presence of IBM. Although the data processing industry is now nearly 30 years old, CBEMA began taking public positions only in the mid-1960's, beginning with its prodigious response to the FCC's Computer Inquiry. The group has since become quite active in other policy questions.
Several different "sections" of the Communications and Industrial Electronics Division of the Electronic Industries Association (EIA) have addressed themselves to the various issues. EIA is perhaps the "establishment" association of the electronics industry: it was formed in 1924, includes 250 of the giant firms of the industry and takes a central position on many technical matters facing the industry, including the setting of standards. The 65-firm CIE Division loosely coordinates the activities of about fifteen different product-oriented sections, each representing 60%-90% of the relevant market. Sections that have participated in communications issues include Broadband Communications, Communications Terminals and Interfaces, Fixed Point-to-Point Communications, Land Mobile Communications, Satellite Telecommunications, and Telephone Equipment.

A group of about eight manufacturers of modems (modulator-demodulators-signal transformation devices normally required at the interface of data processing equipment and communications facilities) joined in 1971 to form the Independent Data Communications Manufacturers Associations (IDCMA). The group formed in order to combat what it felt to be discriminatory telephone company practices with respect to the interconnection of customer-owned gear, but later addressed other communications issues with similar aggressiveness.

The North American Telephone Association (NATA), a new and rapidly expanding organization of manufacturers and dis-
tributors of equipment designed for interconnection with telephone company facilities, has been guided by Thomas F. Carter, whose Carter Electronics Company successfully challenged earlier AT&T tariffs proscribing the connection of customer-owned "foreign attachments" to the Bell system dial network. NATA claims that its 200 members represent 90% of the interconnection industry, mostly on the field of voice-oriented communications devices. For most of the last two years, NATA has evidently concentrated only consolidating its position as the proper spokesman of the burgeoning interconnect industry, and left the regulatory defense of the gains Carter had achieved to other groups. However, in recent months the association has transferred its headquarters from Dallas to Washington, hired an experienced association executive, and begun to take the initiative in interconnection matters.

In 1972 five members of NATA formed a separate consortium named the Committee for Competitive Telephone Communications (CCTC) in order to jointly litigate a class action antitrust suit in Texas courts, charging that Bell's post-Carterfone pricing policies are anticompetitive in nature, and claiming $25 million in damages. The consortium includes firms based in Texas, Alabama, and Connecticut.

The Private Communications Association (PCA) is an organization of about thirty-five suppliers of products used in private communications systems, including intercoms and hospital call facilities, and is based in the Atlantic states area.
Like the CCTC, the intercom suppliers attempted to protect their markets from telco encroachment through court action, initiating suits in New York City and then in New Jersey in pursuit of stricter interpretations of the Consent Decree of 1956. This initiative failed, and PCA has been only marginally active since. WEMA (formerly the Western Electronics Manufacturers Association) comprises some six hundred and fifty manufacturers based in 13 Western states, and is oriented toward technologically sophisticated products, particularly in the instrumentation and automation field. While WEMA aspires to national stature, and has appeared eager to embrace firms that become impatient with EIA, it has not yet become involved in communications policy issues at the national level. The Data Communications Association (DCA), now defunct, was a Texas-based organization of small interconnection equipment suppliers. Apparently an unsuccessful precursor of NATA as the voice of the incipient interconnect industry, DCA's brief season of FCC activism was directed by Dallas lawyers who represented Carter Electronics Company in the Carterfone matter.

Finally, the Computer Peripherals Manufacturers Association (CPMA), whose members make auxiliary products used in computer installations, was roused to action only once, when it submitted an informal letter protesting an AT&T post-Carterfone interconnection tariff.*

*A tenth suppliers group, the Computer Industry Association (CIA) now seems poised for signification action, as it is cont'd
2. Common Carrier Associations: Common Carriers get along with only one active multifirm group, the United States Independent Telephone Association (USITA), a 76-year old organization of some 1300 non-Bell operating companies and their suppliers. As might be expected, USITA is the most ubiquitous of all associations, having intervened in all but one of the eleven selected issues, and is almost uniformly aligned with the policy positions of AT&T. Perhaps indicative of USITA members' dependence on the Bell umbrella, the group has a staff of only 23, far fewer than other industry-wide associations, which typically employ 100 to 300 persons.

The Multipoint Microwave Common Carriers Association (MMCCA) is a group of firms with interests in a new communications service which will provide one-way closed-circuit broadband service on a local basis; its only public position thus far has been in questions relating to the establishment of the multipoint distribution service itself.

The National Association of Radiotelephone Systems (NARS), whose members provide mobile radio services, depends to a great extent on the rulings of another FCC bureau (Safety and Special Radio Services) for its livelihood.

actively considering an appropriate response to a recently-announced AT&T data communications terminal which it contends is a violation of the 1956 Consent Decree. CIA was formed among several smaller firms in the data processing equipment industry chiefly to help curtail IBM's massive influence within the computer industry; it now seems willing to turn its anti-bigness guns in another direction.
The Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO) is a group of 130 rural companies. While OPASTCO might seem to provide a useful counterbalance to the larger independent telcos within the highly concentrated non-Bell sector, in fact the group has only made one brief representation to the FCC on the eleven issues.

The Business and Data Communications Committee (BDCC), consisting primarily of specialized common carrier firms associated with Microwave Communications, Inc. (MCI), seems to have been a temporary public relations vehicle which was active only during the debate surrounding FCC Docket 18920, which established procedural ground rules for market entry by new specialized carriers. With BDCC's demise, the fledgling industry lost the only organization which has presumed to speak for the new class of communications carriers, in effect, the young firms have benefited from the policy leadership of MCI and Datran, which are expected to dominate the new markets as they develop.

3A. General Users Associations: Only two associations have formally represented the general business communications user in more than one of the eleven issue areas. One is the Telecommunications Committee of the National Association of Manufacturers (NAM), whose member firms account for all but a quarter of U.S. manufactures. The committee is heavily populated by the nation's largest firms, almost exclusively
among the country's hundred biggest in sales. The manufacturing affiliates of operating telephone companies supplied three of the twenty committee members in 1972.

The second active general user organization is the **Ad Hoc Telecommunications Committee** (AHTC), a group of twelve very large firms which reportedly splintered from NAM during the mid-1960's in dissatisfaction with NAM policies. The AHTC, which exists solely for joint representation before the FCC, is unlike the NAM committee in that it avoids the role of manufacturer's representative, limiting itself to user-related interests. The committee's only mailing address is that of its Washington attorney, a former assistant General Counsel at the FCC who was formerly retained by NAM.

The **International Communications Association** (ICA) is a group of over 300 large-volume users; the average annual communications bill for members is some $3 million, and a minimum bill of $1 million a year has been required for membership. A similar organization, the **Tele-Communications Association** (TCA) operates on the West Coast with 250 members. Both organizations are open to non-business organizations, both have by-laws prohibiting the endorsement of public policy, and both are currently reviewing the necessity of such restrictive by-laws. ICA and TCA have generally taken the appearance of professional societies as much as of trade associations, their chief collective work being the management of plush annual conventions focusing on the intraorganizational role of the communications manager.
Two other entities have undertaken to speak for the general communications user, although their membership roles and central interests are somewhat nebulous. They are the Telephone Users Association (TUA) and the American Telephone Consumers Council (ATCC). Each sports a consumerist tint and has been only peripherally active in issues covered in this investigation. Most informants hint that both organizations are something less than authentic spokesmen for users as a class, and in fact their lack of representation legitimacy has apparently hampered their efforts.

Finally, the somewhat anomalous Digitronics Users Association (DUA) is an association of firms which employ products of the Digitronics Corporation, a manufacturer of equipment used in connection with point-of-sale terminals. Members include communications officers in supermarkets and in retail chains such as drug and paint stores. The Digitronics Corporation was, until mid-1972, a subsidiary of North American Philips, an interconnect supplier. While DUA has not taken formal legal action on any of the selected issues, it has organized national conferences with major topical speakers, including many of those who challenge the status quo in communications policy; the impact of these conferences could well have been greater than many other groups' formal activities before the FCC.

3B. Users with Private Microwave Systems: Industry associations for three industries which operate their own
microwave communications systems have been among the most active groups. The Central Committee on Communications Facilities of the American Petroleum Institute (API) comprises 50 members from all segments of the oil/natural gas industry, including pipeline companies.

The interests of the electric, natural gas, water, and steam utilities are represented in a specialized organization, the Utilities Telecommunications Council (UTC), whose members are drawn from seven national utility trade associations and ten regional utilities telecommunications groups. As with the Ad Hoc Telecommunications Committee, UTC's activities depend to a great extent on the initiatives and judgement of its attorney, who is a member of a leading communications-oriented Washington law firm.

The Association of American Railroads (AAR), whose staff of nearly 400 is the largest of any association listed here, is represented in communications matters through its Communications and Signals Section; it has been somewhat less active than the UTC or API.

The three associations represent industries which were able to capitalize on the FCC's 1959 ruling to allow private microwave systems in the frequencies above 890 MHz. They were able to afford such systems partly because they had access to rights-of-way for the construction of microwave towers. They are also distinguished from most other user groups in having operated large private communications systems prior to the
advent of microwave technology, having received special permission from the FCC to do so because their safety requirements included a need for communications in remote areas not served by common carriers. Much of the communications policy interest of the three is in the field of public management of the electromagnetic spectrum.

3C. Regulated Transportation Carriers: Four organizations speak for the communications requirements of transportation carriers - the airlines, truckers, and motor bus lines. Each of the four has taken part in at least three of the issues defined in this study.

The Air Transport Association of America (ATAA) is a 31-member industry association of the schedule airlines. The airlines' communications interests are often reflected in ATAA filings, but somewhat more active in the same capacity has been Aeronautical Radio, Inc. (Arinc). Arinc is not formally a trade association, but a non-profit communications service company owned by the scheduled airlines; the airlines are also the principal customers of Arinc's services. Arinc is included in this analysis because of its functional similarity to other industries' trade associations and because exclusion would not fully account for the collective action of the airlines in communications policy-making.

The American Trucking Associations (ATA) is a federation of fifty-one state-level associations and 13 national trucking
conferences organized along submarket lines (steel haulers, munitions carriers, movers, etc.).

Sharing ATA's major communications interests, although somewhat less active in pursuing them, is the National Association of Motor Bus Owners (NAMBO), whose membership is open not only to the Greyhound and National Trailways systems and 400 other Interstate Commerce Commission-regulated interstate lines, but also to local lines, state associations, and firms who supply products and services for bus owners. In spite of their functional similarity, NAMBO is a much smaller enterprise than ATA, having a permanent staff of 14 while ATA employs 300.

3D. Users in the Entertainment Industry: Eight associations representing various aspects of the broadcast entertainment industry took positions on the eleven designated issues; most of them, however, were only peripherally involved and on a small subset of the issues.

The most active group, having intervened in seven issues, has been the National Cable Television Association (NCTA). NCTA's members include less than 50% of the nation's 2750 Community Antenna Television (CATV) systems, and serve only about 65% of the nation's cable viewers. However, the Association has been the dominant political force in the industry's struggle to establish itself.
The **National Association of Broadcasters (NAB)**, manages to bind together the interests of about 4300 diverse member firms, including radio and television stations and seven national radio and television networks. Although NAB is clearly the dominant industry voice at the FCC on broadcast matters, mere propinquity has not led to habitual intervention in Common Carrier Bureau issues, although program distribution by the common carriers is an important factor in the broadcaster's life. NAB members have tended to form separate organizations (listed below) to pursue these matters.

The **National Association of Educational Broadcasters (NAEB)** was, during the period covered by the investigation, an association whose center of gravity was some 200 educational radio stations and 150 educational television stations. Over 4000 individuals were also members, but recently the association has been transformed into a primarily professional group.

The **American Broadcasting Companies**, **Columbia Broadcasting System**, and **National Broadcasting Company (Networks)** have on three occasions undertaken joint action before the FCC on common carrier matters.

Each of the remaining associations in the entertainment field has adopted a position on only one issue. The **Association of Maximum Service Telecasters (MST)** draws its members from those television broadcasting stations operating at the maximum signal power permitted by FCC rules; the 155-member group is best known for its militancy in opposing expansion of CATV into over-the-air broadcaster's market areas.
The National Association of FM Broadcasters (NAFMB) is a group of 300 firms and individuals associated with FM radio stations.

The Association of Independent Television Stations (AITS) formed within the last two years to oppose escalating Bell system program transmission rates.

The National Association of Theater Owners (NATO) claims a membership of 10,000 owners and operators of motion picture theaters. NATO has historically taken very strong stands, including a widespread publicity campaign under the motto "save free TV", in opposition to subscription television schemes.

3E. Other Industry-Wide Associations: Most active of the remaining nine trade associations is the National Retail Merchants Association (NRMA), which represents over 25,000 department stores. The association acts through a Telecommunications Committee of about twenty-five members, mainly communications or data processing managers from the larger, multi-branch department stores: for example, Montgomery Ward, J.C. Penney, Gimbel Brothers, and Sears Roebuck representatives served on the committee in 1971 (joined by a "retail specialist" from AT&T).

The Aerospace Industries Association of America (AIA) is dominated by large high-technology manufacturers and comprises most of the major corporate contractors in Federal space and defense programs. Its list of about 75 members includes
Aerojet-General, Boeing, Grumman, the Defense-Space Group of ITT, Lockheed, TRW, and the aerospace divisions of General Electric and Westinghouse Electric.

The American Newspaper Publishers Association (ANPA) is an association of over 1000 daily newspapers. ANPA is the only regular intervenor whose interest is largely in the narrow-band telecommunications services.

The Computer Timesharing Services Section of the Association of Data Processing Service Organizations (ADAPSO) speaks for the timesharing industry, although it is hampered somewhat by the absence of the General Electric's Information-Services Business Division, which dominates the timesharing market. The CTSS section appears to be relatively independent from the parent organization, a group of over 500 data processing "service bureaus".

Maintaining a considerably lower profile than the preceding industry-wide associations has been the American Bankers Association (ABA), an umbrella association for the entire multifaceted banking industry: ABA's 18,500 members comprise about 98% of all American banks and trust companies, and some 99% of all deposits.

The remaining industry associations have each taken only minor action on individual issues before the FCC. The Information Industry Association (IIA) is a group of fewer than 50 firms generally in the "library materials" and (non-data) information services fields. Member firms have included

The Printing Industries of America (PIA) is a federation of state and local associations with a combined membership of more than 7000 commercial printing firms. Its only stand on telecommunications policy has been a two-page letter endorsing the entry of specialized common carriers.

Representing 7500 properties, the American Hotel and Motel Association (AHMA) is a New York-based federation of 66 state and local hotel associations. Curiously, although hotels comprise a prodigious demand for private switchboard systems, AHMA has never appeared in interconnection proceedings; its only representation was a nominal filing favoring industry sharing of Telpak.

Finally, the Associated Telephone Answering Exchanges (ATAE) is a group of 700 answering bureaus organized to negotiate with telephone companies.
Footnotes, Chapter 1


2Pearce, Charles A., Trade Association Survey (USGPO, 1941), U.S. Temporary National Economic Committee monograph no. 18.


4Encyclopedia of Associations (Gale Research Corporation, 1972), p. 60.


7McConnell, Grant, Private Power and American Democracy (Knopf, 1966), pp. 64-68.


12McConnell, op. cit., (supra, n. 7), p. 266.


20 Fulmer, Robert M., Managing Associations in the 1980's (Foundation of the American Society of Association Executives, 1972), pp. 76-77.


24 Brief summaries of legal constraints on commercial and governmental activities are found in Bodner, op. cit., (supra, n. 23) and Brebbia, John H., "Codes of Ethics and Lobbying," in Government Regulation or Self-Regulation: The Outlook for the 70's (Bar Association of the District of Columbia, undated), pp. 14-21.


26 Interview B-3. Another indicator of this apparent trend is the general move away from employment of lawyers as chief association executives. Associations are reported to be turning increasingly toward information specialists, such as journalists and public relations men.


33 Chamber of Commerce of the U.S., op. cit., (supra, n. 31), pp. 18-19.

34 Fulmer, op. cit., (supra, n. 20), pp. 51-55.
Chapter 2

The Telecommunications Industry and Its Regulation

A. The Industry

It is scarcely exaggeration to say that if one understand the American Telephone and Telegraph Company (no mean feat), one understands the domestic telecommunications industry. AT&T owns 82.7% of the nation's telephones and accounts for 84.8% of the industry's total revenues.1 Its fully owned manufacturing subsidiary, Western Electric, provides about 90% of the roughly $5 billion of equipment bought by Bell system operating companies annually, and accounts for some 85% of the industry's total equipment market.2 AT&T and Western Electric jointly own the Bell Telephone Laboratories, which has historically dominated the industry's expenditure on communications research and development. Through Western Electric, AT&T owns the Teletype Corporation, a manufacturer of data communications equipment. Even with the present cable television construction boom, the emergence of new specialized common carriers, and the new era of domestic communications satellites, financial analysts project that the
Bell system will have almost 73% of the gross value of installed communications plant in 1980.  

Non-Bell operation companies do persist, however, and some say they thrive. The "independent" telcos' sector shares with the Bell system attributes of market concentration and structure; over 50% of the non-Bell share of telephone services in the United States belongs to General Telephone and Electronics, and 75% is held by the largest seven independent telephone companies. The pattern of vertical integration of operating companies and equipment suppliers adopted by AT&T is replicated among the large independents, and well over half of the non-Bell equipment used in the nation is supplied by manufacturing affiliates.

Due to AT&T's penchant, at the outset of the twentieth century for selective expansion in areas of higher population density, the independent telephone companies service a geographical area as large as that covered by Bell systems, and with only 17% of the country's telephones, the independents serve about 30% of the population. When, in 1913, AT&T agreed to voluntarily terminate its program of buying out independents, about 20,000 such companies were in existence, accounting for over 40% of all U.S. telephone; at present, the number of independent systems had declined to about 1500.

The independent systems, serving mostly rural areas, operate at a different scale from AT&T. The average Bell telephone exchange serves well over 20,000 stations, while the corresponding figure for the independents is under 1600.
The non-Bell systems' "independence" is commercially rather limited by the necessity to negotiate, on an individual basis, contracts with AT&T Long Lines in order to claim an equitable portion of the revenues their long distance callers pay to AT&T. In 1972, these "separations" payments amounted to a quarter of the independents' total revenues.\textsuperscript{10}

Another major entity in the telecommunications industry is Western Union, which has spent recent decades wanly seeking a viable market to replace the languishing public message (telegram) service. In effect, Western Union is paying the 20th century for the short-sighted management policies of the 19th century, when as the dominant force in communications it declined to buy the patent rights to the telephone from Alexander Graham Bell,\textsuperscript{11} and when in 1879 it vacated the voice communications market entirely, eventually allowing AT&T to gain permanent control of its manufacturing affiliate, Western Electric.\textsuperscript{12}

After World War II, the company made an unsuccessful attempt to claim the video transmission market by using newly-developed microwave propagation technology.\textsuperscript{13} More recently, Western Union has sought a niche in data communication, and hopes to provide comprehensive "computer utility" data services built around existing facilities.\textsuperscript{14} Its fate in this venture will be affected more than marginally by the success of the new specialized common carriers, particularly the Data Transmission Company which plans all-digital service, and by the plans of AT&T itself to upgrade its data
communications service. Like the independents, Western Union is highly dependent on the Bell system, from which it leases 20% of its long-haul capacity and 80% of its intra-city lines.15

Western Union provides private line services as does AT&T, and in fact for 1970 revenues for this service were more than double its income from the low-speed "Telex" switched teletype system, and equalled total revenues from the public message service. However, AT&T's private line sales were about seven times larger than Western Union's. In total revenues, Western Union is one-fortieth as large as AT&T.16

AT&T's size is imposing beyond mere comparison with its cohabitators in the communications marketplace. The largest company in the world, with gross assets of $56 billion at the end of 1970, AT&T outperforms most national governments in both total revenues and growth rates. Western Electric by itself ranks within the top dozen industrial firms in America. Expressed as a percentage of sales, AT&T's profit before taxes has been higher than IBM's regularly for more than a decade, and, averaging about 30%, it is roughly double General Motors' performance.17 Even in the massive U.S. capital market, AT&T has impressive heft; in 1971, the company ingested $4½ billion in outside capital, or about 20% of all the new capital raised by industry from stocks and bonds.18
In spite of its magnitude, AT&T is not quite a sovereign power; however, fundamental governmental challenges to its position of economic power have been infrequent and mild. In 1913 the Wilson Administration, disturbed by AT&T's predatory style of competition with independent companies, suggested antitrust action and nationalizing the system, possibly under the Post Office. The resulting compromise, termed the Kingsbury Commitment, featured AT&T's acquiescence to a) interconnect with the independents (Bell's prior refusal to permit interconnection had led to the necessity of two separate telephones for some subscribers), b) cease buying out competitors, and c) divest Western Union, which had been absorbed in 1909.

In 1949, the Department of Justice filed an antitrust suit against AT&T, calling for Bell to divest Western Electric on the basis that vertical integration was precluding competition in telephone equipment markets. The legal action sought to require AT&T operating companies to take competitive bids for equipment purchases. Again a compromise was attained, this time one which a contemporary Business Week account called "hardly more than a slap on the wrist". According to the terms of the resulting 1956 consent decree, which remains in effect today, Western Electric was permitted to remain an AT&T affiliate, but agreed to limits its field of manufacturing to those products required by Bell operating companies for the provision of common carrier services.
AT&T itself acceded to a provision prohibiting it from sales offerings not regulated as common carrier services.23

Because the issues examined in following chapters generally pertain to business use of communications services, much of it in leased private lines, it is useful to remember that in spite of the occasionally apocalyptic warnings that arise in policy debate, such services represent only a small part of Bell's income. For one thing, some 72% of AT&T's telephones are installed in residences, and a little under 27% in businesses (about 1½% are coin units).24 In addition, over 85% of Bell's revenues are for POTS (plain old telephone service) usage, while the share for all private line service and WATS (wide area telephone service, a flat-fee long distance arrangement) revenues is under 10% (see table 2.1). Table 2.2 shows the components of private line service income, which amounts to about 5% of Bell's total revenues. Telpak,* which has accounted for much of the multifirm associations' efforts before the FCC, supplies only 2% of AT&T's income.

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*Telpak service provides leased channels of either 60 or 240 times voice-grade bandwidth.
### A. AT&T Operating Revenues - 1970 ($ million)

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscriber fees</td>
<td>$8273</td>
<td>47.2%</td>
</tr>
<tr>
<td>'Public telephone'</td>
<td>282</td>
<td>1.6</td>
</tr>
<tr>
<td>Local private lines</td>
<td>129</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Total, local service</strong></td>
<td>8684</td>
<td>49.5</td>
</tr>
<tr>
<td>Telephone toll calls</td>
<td>6561</td>
<td>37.5</td>
</tr>
<tr>
<td>Teletype Exchange (TWX)</td>
<td>74</td>
<td>0.4</td>
</tr>
<tr>
<td>WATS</td>
<td>505</td>
<td>2.9</td>
</tr>
<tr>
<td>Private lines</td>
<td>902</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Total, toll services</strong></td>
<td>8042</td>
<td>46.0</td>
</tr>
<tr>
<td>Other revenues</td>
<td>780</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Total, AT&amp;T</strong></td>
<td>$17,506</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 2.1

### B. AT&T Private Line Services - 1970 ($ million)

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
<th>Percent (of pvt. line)</th>
<th>Percent (of AT&amp;T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone Lines</td>
<td>$285</td>
<td>31.6%</td>
<td>1.64%</td>
</tr>
<tr>
<td>Teltype Lines</td>
<td>104</td>
<td>11.5</td>
<td>0.60</td>
</tr>
<tr>
<td>Telpak</td>
<td>349</td>
<td>38.7</td>
<td>2.01</td>
</tr>
<tr>
<td>Audio Program</td>
<td>13</td>
<td>2.0</td>
<td>0.10</td>
</tr>
<tr>
<td>Video Program</td>
<td>69</td>
<td>7.6</td>
<td>0.40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$902</td>
<td>100.0%</td>
<td>5.19%</td>
</tr>
</tbody>
</table>

Source: FCC

Table 2.2
AT&T's overall performance in bringing these services to the consuming public is beyond any simple assessment. AT&T shareholders are presumably satisfied, as the company has managed to distribute dividends to owners of common shares for 334 consecutive quarters, a stream of payments uninterrupted since 1893.²⁶ In terms of productivity, the record is also impressive; Kendrick reports that total factor productivity for the Bell system has risen twice as fast as the U.S. economy from 1948 to 1965,²⁷ and the number of employees per thousand telephones has dropped from 19 in 1946 to eight at present.²⁸ Prices, at least until the inauguration of the last Republican President, have hardly been inflationary; AT&T has reported that although the cost of living rose by 140% between 1940 and 1968, average telephone rates edged up only 10%, and long distance calls became 20% cheaper.²⁹ Finally, there is virtual unanimity among telco critics and apologists alike that, whatever their shortcomings, the American telephone industry and its regulators have together given us a system that is without parallel among nations.

Critics usually suggest that, either because of the vertical integration of operating companies and manufacturing affiliates, or because of the adverse effects of rate-base regulation, the Bell system's performance is hardly what technological developments might have allowed. This is not to say that Bell Telephone Laboratories has failed to advance
the technology itself. Averaging six patents a week since 1925, Bell Labs has obviously opened new technical ground, and no one can deny that Bell Labs' development of the transistor has revolutionized the industry's technology. However, the AT&T record on the introduction of innovations seems decidedly weak. Bell inaugurated the telephone handset some twenty years after independent suppliers began selling them to independent companies, and push-button dialing was found in the Bell system only in 1967, five years after an Ohio independent had introduced it. The Bell modem, a device required to transform computer-generated signals into audible form for telephone transmission, appeared in 1958, four years after IBM by necessity had built its own device despite "foreign attachment" tariff provisions which proscribed interconnection with the dial network. Some assert that the post-war introduction of microwave facilities, based on wartime research breakthroughs outside Bell Labs, caught AT&T unprepared, and that the company undertook a crash development program only when it realized that potential competitors were planning their own communications systems based on the new technology. A pattern of innovation-by-competitive necessity emerges.

Probably more significant than Bell's lagging technological performance has been its reluctance to introduce new services as the demand and new technologies (like data processing) warranted. Virtually every major AT&T service innovation for
the last twenty years has come as a competitive response to a regulatory initiative: for example, the FCC decision to permit private microwave systems in 1959 resulted in the introduction of Telpak in 1960, private microwave sharing led to Telpak sharing, and the approval of specialized common carriers has a) precipitated liberalized customer sharing arrangements as well as b) probably advancing by a matter of years Bell's time-table for the introduction of its digital data system. Not only has each service innovation come as a protective response, the policy change which triggered the response has been uniformly and vigorously opposed by AT&T.

At least one economist, reviewing the record in communications innovation, concludes that under rate-base regulation, a firm will become primarily a risk-averter, since the potential profitability of high-risk ventures is diminished. If progressive public policy is construed to include the provision of flexible and diversified service offerings, the regulatory challenge under the existing rate-base system is formidable.

B. Regulation of Communications Common Carriers

In a sense, the Federal Communications Commission's regulatory task is a matter of trying to make up for AT&T's sixty-year head start. Not until 1934 was the FCC created;
prior to that time, regulation of telegraph and telephone services was within the jurisdiction of the Interstate Commerce Commission, and there had been some feeling in Congress that the ICC was overly preoccupied with its role as railroad regulator and gave insufficient attention to the communications common carriers.\textsuperscript{35}

The Communications Act of 1934, which chartered the FCC, offers a mandate to regulate "interstate and foreign commerce in communication by wire and radio so as to make available, so far as possible, to all the people of the United States a rapid, efficient, nationwide, and worldwide wire and radio communications service with adequate facilities at reasonable charges."\textsuperscript{36}

To accomplish this immodest objective, the FCC operates on an annual budget of about $35 million, or about 0.2% of Bell's annual revenues. Even more striking, the FCC's Common Carrier Bureau can hardly keep pace with AT&T's growth rate; from 1958 to 1968, common carrier revenues rose by 143%, while the number of FCC staff members concerned with common carrier regulation grew by only 37% to a level of 158 employees,\textsuperscript{37} and from 1965 to 1972 the number of man-years approved by Congress for the regulation of common carriers increased by a solitary unit.\textsuperscript{38}

However, since regulation is not precisely tug-of-war, manpower counts are perhaps not the best way to measure an agency's influence. More to the point of regulatory effective-
ness is the fact that the Commission has jurisdiction over only a fragment of the whole field of common carrier activity. Limited to interstate commerce, the FCC oversees only 37 of the 1750 operating telephone companies, and in 1970 had responsibility for less than 30% of Bell's operating revenues.

The FCC's primary policy implement is "rate-base" regulation. That is, the maximum revenues allowed to a common carrier are the sum of operating expenses and a fixed percentage of the depreciated value of the firm's assets, the percentage being set by the regulatory agency. While this control mechanism is administratively simple and provides direct public controls over private profit-taking, rate-base regulation must be recognized as a rather peculiar incentive system for a firm in a technologically volatile field. Critics assert that a firm operating under the scheme will inevitably become revenue-maximizers, and will attempt to add to its rate base by a) investing in high-capital technologies, preferably so as to minimize the depreciation rate, and b) leasing equipment to customers rather than selling it. Because earnings are independent of operating expenses, motivation to reduce costs is lax and because profits are constrained, the incentive to chance risky innovations is slight.
A second central feature pertaining to the FCC's regulation of AT&T is the convention of "continuing surveillance". Rather than attempt to undertake comprehensive and formal regulatory proceedings, historically the FCC has relied on a passive review of hundreds of common carrier reports to the Commission each year. FCC Chairman Dean Burch has defended the practice as more pragmatic, less costly to the public purse, and more expeditious than a more formal alternative. 41

However, the agency's Commissioner-skeptics, Nicholas Johnson, counters that the method condones "closed door sessions with company officials", suggesting that the "years of cozy privacy" afforded by continuing surveillance may not have redounded fully to consumers' interests. 42

One practical result of the general acceptance of continuing surveillance is an absense of external pressure on the Commission to undertake an investigation of the fundamental issues of common carrier operation, which might, once completed, give the FCC enough information to anticipate industry developments rather than loping along behind them. Until 1965, no complete cost analysis of AT&T's operations had ever been executed; without such data, of course, there was no objective way for the Commission to evaluate charges that Bell was cross-subsidizing services for which the firm faced external competition.
FCC procedures give primary initiative to the common carriers in setting their own commercial policies. Particularly in a complex technical field like communications, this power to propose is consequential. The Commission cannot dictate the terms of a common carrier's tariff, but can only block those which it has statutory grounds to suspend. Unless specific action is taken, a tariff automatically becomes valid after a brief period of thirty to sixty days; several of those interviewed for this study stated that it has frequently proven difficult to inform and mobilize an interested association's membership in such a short interval. Procedures tend to tilt toward the carriers' advantage, and the telephone companies' cavalier behavior frequently leaves other intervenors frustrated. For example, one member of an informal advisory committee which included carrier, manufacturer, and user representatives explained that telco members generally seemed to obstruct the committee's progress withholding information in such a way as to force non-telco members to "jump through their hoops", but that other members felt powerless to force the issue; "after all, Bell might just walk out, and then look where we'd be - right where we were at the outset". Another respondent said, "Bell's attitude toward the Common carrier Bureau is just incredible. The Bureau will write Bell a letter asking questions, and sometimes Bell just won't bother to answer!".
In addition to its power of initiation, the carriers have the even more significant power of detailed information. In fact, the reigning imbalance between regulator and regulated is probably not in budget or manpower, but the imbalance of expertise. Some analysts suggest that the aspect of the Bell monopoly that has been crucial is not the monopoly in services but in knowledge; among others, Trebing has argued that the new era in communications began when AT&T lost its position as "the exclusive source of R & D in the field of communications" during World War II with the development of microwave technology outside Bell Labs.45

The telephone companies' strategic control of information is not restricted to technical data. A recurrent difficulty at the FCC has been determination of the "reasonableness" of Western Electric's prices as paid by AT&T operating companies. A 1939 effort to examine those prices in light of Western Electric's costs ended in limbo, the investigators concluding:

There is at present no satisfactory method of determining reasonable price of telephone apparatus and equipment...Western's cost accounting records do not provide dependable cost data on which to predicate elements of value.46

Several of those interviewed stressed that it is extremely dangerous for FCC staff members to challenge Bell assertions in formal processes, simply because AT&T can marshal
enough economists and lawyers to make anyone look inept unless he truly knows his facts, and there is usually little time to assemble those facts.\textsuperscript{47}

The significance of intervention by third parties in common carrier proceedings, from the perspective of FCC staff, seems not so much that of countervailing "political pressure" \textit{per se}, much less that of moral support; it is the supply of information and expertise that an undermanned staff cannot itself provide. Because they can represent the collective outlook of many firms at once, trade associations probably make the best intervenors. On some occasions (including the Above 890 Megahertz and General Rate Investigations) FCC notices have explicitly encouraged firms to act through their associations. In other instances, individual policy staff members admit that they have actively solicited association involvement in the hope of providing balanced policy debates.\textsuperscript{48}

\footnotesize{\textsuperscript{*Bell's customers suffer a similar inability to obtain data, and one of the perceived side benefits of interconnection is that competition is forcing Bell to provide communications managers with the corporate usage data they need in order to plan and control their companies' telecommunications budgets.}

\footnotesize{\textsuperscript{**This does not necessarily imply that policy-makers themselves stress the importance of multifirm associations in the policy arena. Indicative is one discussion (Interview K-1) with a public official who spent the first quarter of the interview warning me that trade associations were not really relevant, and the last quarter describing his attempts to engage the interest of ICA and NAM in a particular policy proposal and asking me how he might get in touch with other associations I had visited.}}
Perhaps realizing the impossibility of regulating performance (as opposed to profits) administratively, the FCC has increasingly resorted in recent years to the deliberate creation of market competition as a regulatory aid. Piece by piece, chips have fallen from Bell's former absolute monopoly in communications services. In general, Bell's response to the new competitors has brought distinct savings to customers, and, perhaps as significant, a proliferation of service innovations that must impress Commissioners. As is revealed in AT&T service innovations following the FCC decision to permit miniscule competitors to enter the interstate private line service field, much leverage can be secured even from symbolic competition.

Another apparent trend in FCC procedures is an increasing reliance on informal meetings and industry advisory committees to work out detailed technical and legal agreements among carriers, suppliers, and users on a voluntary basis. In part, this may be another manifestation of the absence of sufficient agency expertise; however, informal procedures have other advantages, particularly in technically complex matters for which all impacted parties are mobilized.* Among the nine issues in the present study that have arisen in the FCC, the use of such informal mechanisms is found in four.

C. The Issues

The eleven issue areas defined for this investigation were chosen according to two criteria, a) potential importance to the structure of the communications industry, and b) range of substantive content. Most involve major innovation, either in the regulatory or technological sense. Together, the eleven issues account for nearly all the facets of the current transformation of telecommunications services from virtual monopoly to something like a bounded monopoly (the details of the new industry structure are still very much unresolved).

Chapter three tells the story of multifirm group involvement in each issue in some detail. However, a thumbnail introduction to each policy debate may provide some perspective, or, better, allow busier readers to turn directly to chapter four.

1. Interconnection: There are two species of interconnection, both of which have been severely restricted until the last five years. The first is system interconnection, the second, the attachment of "customer owned and maintained" equipment (COAME). Formerly, AT&T tariffs typically prohibited such interconnection, specifying that only Bell-owned equipment could be connected to AT&T facilities because of the danger of harm to the network and telco employees. Interconnection proponents say that such harm is overstated, and that allowing other manufacturers to enter the telephone
equipment supply market will bring cost savings and new
types of service features unavailable from Bell. At present,
industry advisory committees are attempting to fashion
policy recommendations to the FCC on technical and proce-
dural details.

2. Specialized Common Carriers: In 1969 the FCC
decided to allow Microwave Communications Inc. (MCI) to
build a microwave communications system between St. Louis
and Chicago, notwithstanding the existence of common carrier
facilities between those points. Later, the Commission
decided to grant permits for other SCC systems without
case-by-case competitive hearings. Supporters of SCC's
advert to cost savings, service flexibility and performance
quality, while detractors decry opportunism, since the SCC's
will obviously service the most profitable areas, leaving
Bell to the unappealing low-density routes (thus ultimately
necessitating higher prices in those areas). SCC service
will be strictly for private line offerings. The issue is
now under appeal in the U.S. Court of Appeals in San Francisco.

3. Two-Way Cable Television: In two recent proceedings,
the FCC raised the issue of whether it should require two-way
communications capacity for new cable television systems.
Proponents foresee a "wired nation" in which CATV systems
can provide a switched broadband services to the home, including
such futuristic applications as facsimile mail delivery, the
residential computer utility, electronic funds transfer, and
the like. Opponents claim that a two-way provision is premature, since no proven market now exists for the tentative services. The FCC has decided to require at least minimal "upstream" communications capability in new CATV systems built in the 100 largest broadcast markets.

4. Domestic Satellites: The policy question, raised both inside and outside the FCC, is whether entities besides the established carriers should be allowed to launch domestic communications satellite systems. A secondary question is whether AT&T should be prevented from using such satellites for their non-monopolistic service offerings. The FCC ultimately chose to allow open entry into the satellite field and to impose minor restrictions on AT&T's usage of communications satellites.

5. The Computer Inquiry: Noting the rise in data communications and the difficulty of distinguishing data processing from communications when communications lines are used to connect computers, the FCC initiated the Computer Inquiry in 1966. Two basic policy questions were: a) should operating telephone companies be constrained from offering data processing services, and b) should data processing (including computer message-switching) be subject to FCC regulation? The Commission determined that large telcos could only offer data processing services through separate subsidiaries, declined to regulate computer services,
and left the resolution of the regulatory jurisdiction of "hybrid" edp-communications services to subsequent case-by-case treatment.

6. Bulk-Communications Charges: In 1959, the FCC decided to permit private parties to construct microwave systems, which allowed them to save on communications costs if their traffic volume permitted. Shortly thereafter, Bell filed its Telpak bulk rate tariff, based on the "competitive necessity" of meeting the challenge of private systems. In the mid-1960's some of the Telpak offerings were eliminated, after lengthy hearings. New hearings then were held to determine reasonable rates for the surviving Telpak services. Finally, the matter evolved into a series of informal meetings between carriers and users to work out new bulk rate plans. The central policy question is to what extent high-volume communications discounts should be made available to large users.

7. Resale and Sharing of Communications Services: Historically, AT&T tariffs have precluded the resale of communications services. Exceptions were made for the sharing of Telpak by certain favored industries, but later these exceptions were found discriminatory and annulled. The fundamental question is under what conditions, if any, users should be allowed to share facilities in the quest of mutual cost savings. The question touches the basic underlying issue of the practical definition of a common carrier, and is presently unresolved.
8. Multipoint Distribution Service: In 1970 the FCC decided to allow a new type of local microwave broadcast service, operating within a range of twenty-five miles and carrying private closed circuit broadband signals. Some observers saw the new service as applicable for some one-way broadband services including local data transmission, and welcomed the entrance of a new competitor into the field of common carrier communications.

9. Information System Access Line (ISAL) Tariffs: Several different AT&T-affiliated operating telephone companies filed state-level tariffs which specified a monthly price increment of 200% to 400% for communications lines that terminate at a non-voice device, claiming that the change was warranted by the fact that data communicators made calls of longer-than-average duration and therefore inordinately tied up costly communications plant. Business users claimed that the Bell system was attempting to introduce a new class of service without justification. The issue surfaced in several states, apparently ending with a study of "unusual business usage" by the California Public Utilities Commission.

10. The General Rate Inquiry, Phase II: The FCC has for eight years planned a thorough investigation of AT&T's relationship with Western Electric and the propriety of Western Electric equipment charges. In December 1971, the Commission announced that it was cancelling this "Phase II" investigation
due to a lack of adequate resources. After considerable public commotion, Phase II resumed, with an augmented Common Carrier Bureau staff. The issue has the most fundamental implications for the structure of the telecommunications industry.

11. Organizational/Procedural Reform: This issue area is a residual category which comprises several unrelated proposals for reform of the structure of governmental telecommunications policy-making. Included are the establishment of the Office of Telecommunications Policy in 1970, Congressional initiatives involving reform of the FCC, proposals for the establishment of a Cabinet-level Department of Telecommunications, and items of procedural reform. The issue area was incorporated into the study in order to examine how groups acted with respect to the rules, as well as the substantive content, of policy-making.
Footnotes, Chapter 2


4 See "Independent Phone Companies," (supra, n. 1).

5 Ibid., p. 84.


8 "Independent Phone Companies," (supra, n. 1).


10 "Independent Phone Companies," (supra, n. 1), p. 87.


20 Borchardt, *op. cit.* (supra, n. 7), pp. 24-25.

21 Irwin, *op. cit.* (supra, n. 11), pp. 49-50.


23 Mathison and Walker, *op. cit.* (supra, n. 6), pp. 5, 32.


31 Goulden, *op. cit.* (supra, n. 22), pp. 137, 152.

32 Mathison and Walker, *op. cit.* (supra, n. 6), pp. 97-98.

33 See Irwin, *op. cit.* (supra, n. 11), p. 159.


40. For seven hypotheses concerning technological innovation under conditions of rate base regulation, see Shepherd, op. cit., (supra, n. 34), pp. 86-122.


42. Ibid., p. 433.

43. Interview R-8.

44. Interview A-4.


47. Interview E-3; see also Shriver, op. cit., (supra, n. 37), p. 242.

Chapter 3

The Issues

1. Interconnection

Anyone who is partial to a "territorial imperative" (or "turf") interpretation of organizational behavior could claim compelling proof in the story of interconnection. Usually citing potential harm to service quality, the telephone companies have historically shown great zeal in opposing liberalized rules for interconnection of their systems with private telephone systems or terminal equipment (formerly labelled "foreign" attachments) not supplied by the telephone companies themselves. This zeal perhaps reached its peak in the telephone companies' warning that customers who graced their telephone directories with their own dust covers were acting in violation of interconnection provisions of existing tariffs.

The technical questions of the effects of interconnection on the common carriers' services are still in debate and negotiation, and as improbably as it might seem: the Common Car-
rier Bureau has by July 1, 1973, still not received from
the telcos what it considers adequately documented evidence
of network harm caused by interconnection, although offi-
cial requests for data have been rendered since 1971.\(^1\)

AT&T's critics, however, insist that the technical issue
is really beside the point; the telephone companies are
merely trying to forestall competition in equipment and ser-
VICES through control over customer access to telco facili-
ties. Liberalized interconnection would eliminate custo-
mers' dependence on telco-owned equipment, representing a
rather dramatic challenge to the formerly placid markets
of the larger carriers' manufacturing affiliates. The
critics also adduce a long series of historical incidents to
suggest that AT&T's interconnection policies have been used
to preserve monopoly, not service quality. Prior to the
Kingsbury commitment of 1913, the company refused intercon-
nection privileges to the besieged independent telcos con-
fining them to local service and sometimes leaving sub-
scribers with the necessity of installing two different
telephones.\(^2\) When Western Union attempted to gain a foot-
hold in television program distribution following World
War II by rapidly introducing new microwave technologies,
it found a dead end in Bell's refusal to interconnect.\(^3\)

The nation's railroads, which had previously enjoyed inter-
connection privileges with the toll network, found the arrangements threatened by Bell when they decided to introduce the cheaper microwave to replace hardwire lines along their rights-of-way. 4

Interconnection tariffs were challenged not infrequently following World War II. In fact, the Hush-A-Phone Corporation filed a complaint with the FCC seeking acceptance of its mechanical handset attachment in 1948, and after eight years obtained a favorable decision from the U.S. Court of Appeals in the District of Columbia; AT&T was directed to change its tariff. 5 However, with a single minor exception,* no trade association became actively involved in policy deliberations until the independent telephone companies (USITA), the oil companies (API), and the retailers (NRMA) intervened in the landmark "Carterfone" case in late 1966.

Inspired in part by the Hush-A-Phone case of the '50's, Thomas F. Carter began producing the "Carterfone", a device which enabled land mobile radiotelephone users to interconnect acoustically with the dial network. Between 1959

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*In May 1966, a representative of the American Telephone Consumers' Council gave testimony before the House Small Business Committee's subcommittee on Regulatory Agencies, claiming that independent manufacturers of specialty and "antique" telephone instruments were threatened by harassment by telephone companies. See Telecommunications Reports, May 31, 1966, p. 39.
and 1966, the Carter Electronics Corporation of Dallas sold about 3400 Carterfone sets; the production staff for the unit was only ten employees. When operating telephone companies refused to allow their customers to use the Carterfone, Carter retained Dallas-based counsel and in 1966 filed an antitrust suit against AT&T and GTE.*

By October 1966, U.S. District Court in Texas had remanded the case to the FCC, and in November both the oil companies (API) and the retail merchants (NRMA) asked permission to intervene.** While the support of API was very important for Carterfone, it was not entirely unexpected, since oil companies were among his customers. In addition, API members had experienced chronic interconnection difficulties of their own since World War II, and on at least one occasion had indicated that unless conditions improved, they would take the matter to the FCC themselves.  

NRMA's petition to intervene was something of a conundrum for the FCC. Since merchants were not themselves potential customers for the Carterfone, allowing them to enter would imply that the issue was being broadened beyond its original narrow considerations of the device itself; NRMA's

*According to later testimony by an FCC official, there had been "substantial correspondence between Carter Electronics and the Commission, during which the former was invited to file a complaint with the FCC on the matter. Carter evidently believed that antitrust litigation would have a greater chance of success.  

**By this time, Carter Electronics was out of business.
only interest was in challenging the **principle** of inter-
connection, which limited the utility of department
stores' private in-house telephone systems. While the
Common Carrier Bureau opposed NRMA intervention, the Hearing
 Examiner admitted the retailers' association, acknowledging
its members' valid interest in the issue's outcome. Both
NRMA and API supplied witnesses for the April 1967 hearings
who amplified the need for a general relaxation of tariff
restrictions.

In August 1967, the Common Carrier Bureau staff recom-
mendations were released, calling for cancellation of foreign
attachment tariff restrictions. The critical importance of
API and NRMA involvement is underscored by the fact that it
was not until mid-October that the Antitrust Division of
the Department of Justice sought to intervene in the case,
supporting Bureau recommendations with an *amicus curiae*
brief suggesting that present tariffs may represent anti-
trust violations.  

Oral arguments were heard by the Commissioners in
April 1968, with API, NRMA and USITA the only multifirm asso-
ciations represented. In June, the landmark Carterfone de-
cision was announced as a 6-0 vote. Existing tariffs were
found to be anticompetitive, and the FCC ordered the message
toll network opened to any device "which does not adversely
effect" service quality.
Immediately following the rejection of its Petition for Reconsideration, AT&T filed new tariffs allowing interconnection customer-owned equipment, but only through telco-owned protective devices, and it was at this point that interconnection found many allies. Six more associations registered formal opposition to the new offerings, and commented on AT&T's slightly liberalized revised tariffs filed a month later.* Among the pro-interconnection parties, the computer manufacturers (CBEMA; then BEMA) emerged as perhaps the most active group; its preoccupation with the Computer Inquiry (which had been its first real policy-related campaign) evidently precluded earlier involvement. The Commission approved the revised tariff in December 1968, ending the first stage of policy-making since AT&T opted not to appeal the Carterfone decision. Carter Electronic's litigation was settled out of court three months later for $375,000, about one-third of the $1,350,000 originally claimed.13

The Commission decided to address questions of technical standards and enforcement methods for interconnection through informal meetings among interested parties. The Department of Justice advised that such a course was inap-

*They were the aerospace firms (AIA), electronics firms (the Data and Graphic Communications section of EIA), the Ad Hoc Telecommunications Committee (AHTC), the truckers (ATA), the utilities (UTC; then NCUR), and the computer manufacturers (CBEMA; then BEMA).
appropriate, and other parties (including CBEMA) were somewhat apprehensive about the procedure, but AT&T accepted the arrangement. Earliest hopes were for settlement of the matter by September 1969; in fact, as of this writing only minor advances have been made.

Concurrently, in an episode that in retrospect looks somewhat bizarre, the Commission contracted with the National Academy of Sciences for a nine-month study of the technical problems of interconnection; six months later, another contract was awarded to Dittberner Associates for "analysis and interpretation of material furnished the agency and the NAS panel." The two studies arrived at divergent policy recommendations, the NAS report reaching a more conservative conclusion than the Dittberner effort, and most observers now recollect the whole affair as something of a pointless ritual, and it is difficult to see how either clarified or expedited the ensuing debate. By the time the Dittberner report was distributed, 26 months of inaction had passed since the Carterfone decision.

Finally, in March 1971, plans were announced for the establishment of the first interconnect industry advisory

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*Among those who formally petitioned the Commission to reconsider its planned informal conferences were the Department of Justice, the ad hoc committee (AHTC), the utilities (UTC), and ITT. See Telecommunications Reports, August 18, 1968, p.24.

**Ten trade associations made informal presentations to the NAS panel. They included all those listed above, plus the time-sharers (ADAFSO), and non-Bell telcos (USITA).
committee, to be operated under the provision of Executive Order 11007.* The idea was to provide a means for representatives of carriers, manufacturers, and users to negotiate acceptable technical standards for interconnect gear. In asking for nominations for committee membership, Common Carrier Bureau Chief Strassburg proclaimed that the initial group, which was to examine private branch exchange (PBX) interconnect standards, would be a "test tube" for later advisory efforts pertaining to other types of equipment. In January 1972, a second industry advisory committee was formed to recommend standards for dialing and answering (DNA) devices.

The PBX committee was set up with 36 members, and the DNA Committee with 17. Seven of the PBX committee members and three of DNA members directly represented trade associations, and others nominated by associations may have served as informal liaison to multifirm groups.**

The committees did not provide an effective policy-making vehicle, and at present their only real contribution has been more delay. At the outset, most of the

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*E.O. 11007 at that time specified that trade associations officials could not, unless given special permission, participate directly on industry advisory committees. This provision was not enforced, and participants seemed unaware of it.

**The PBX committee included spokesmen for USITA, EIA, CBEMA, ADAPSO, NRMA, NAM, and PCA. Two USITA representatives and one from UTC served on the DNA group.
committee members seemed to anticipate that AT&T's existing technical standards (for its own devices) could be adopted as generally applicable, but they were soon to be told that no such standards were to be found. As a result, report participants, working meetings became mired in technical detail. Almost all the associations that followed the committee's progress feel that telco representatives were blatantly obstructionist, protracting discussions needlessly; one respondent characterized the sessions as AT&T filibusters. The telephone companies, of course, maintain that a system as intricate as the dial network cannot be imperiled by shoddy customer-owned equipment.

While the advisory committees stumbled along, actions outside the FCC forced the issue, primarily at the state levels, and trade associations played only minor roles in these events. The California Public Utilities Commission in February 1973 ordered General Telephone Company of California to allow direct electric connection of certain devices, and in New York State the non-Bell Rochester Telephone Company began a trial program of liberal hardwire interconnection through simple network protective devices. The New York Public Service Commission's progressive position led the retailers' (NRMARMA) Washington counsel William Borghesani to chide the FCC for letting a state commission provide its guidance, rather than taking the initiative itself.
A second front has been the filing of court suits by interconnect suppliers against telephone companies (and vice versa). For the most part, these actions were initiated by single firms like Litton, the only exception being the $25 million class action antitrust suit filed in San Antonio by a consortium of five NATA members. In early 1973, many observers were looking to these suits to carry the interconnection issue from where advisory committees had dropped it.

However, it now appears that anti-interconnect initiatives by several state utility commissions will precipitate the next significant policy decisions. For example, there were hints that the Minnesota Public Service Commission would be given the power to regulate all suppliers of telephone equipment, and Nebraska's Attorney General has issued an opinion that the FCC's Carterfone ruling need not affect equipment used for intrastate calls. The new battle ground, however, will apparently be North Carolina, as that state's Utilities Commission has proposed a rule prohibiting interconnect after November 1, 1973.

The North Carolina challenge stimulated the interconnect suppliers (NATA) to petition the FCC to pre-empt state jurisdiction in interconnection. This move seemed to signal NATA's attainment of maturity; in its first two years of existence, the association left the leadership of the pro-interconnect contestants to other groups, and its
role on the advisory committee had been minor. Seven other associations followed NATA to North Carolina to appose the state Commission's proposal.*28 Meanwhile, nine multifirm groups filed briefs with the FCC favoring NATA's position on the state/federal jurisdictional question,**29 and the non-Bell telcos (USITA) registered opposition.29

While network interconnection debates moved along, deliberations relating to private line interconnect followed a separate path. Telcos had previously been somewhat more liberal in private line practices, and users were somewhat threatened by more stringent post-Carterfone tariffs. Several associations successfully requested delays in implementing the new tariffs, including many of the same groups active in network interconnection, although the truckers (ATA) and manufacturers (NAM) have been more prominent in private line matters. The modem manufacturers (IDCMA) have represented an aggressive part of the private line vanguard, at one point taking the unusual step of contacting state utility commissions in order to forewarn them of new telco private line tariffs.30 In January 1972, IDCMA petitioned the FCC to investigate AT&T's justification for competitive price

*EIA, AHTC, NRMA, UTC, CBEMA, IDCMA, and NABER.

**NRMA, Aircan/ATAA (jointly), AAR, API, UTC, IDCMA, ADAPSO, and EIA. The non-Bell telephone companies (USITA) now report that they are in effect escalating the level of conflict by taking their case to Congressmen. See Telecommunications Reports, October 1, 1973, p. 26.
cuts in its modems and the telcos' requirements that data communications users interconnect through a special data access arrangement, charging that both actions were unreasonably anticompetitive. The FCC opened a docket for the IDCMA challenge, but curiously no other party has sought to intervene in the issue to support IDCMA. It seems clear enough that a definitive setback in the IDCMA case would severely hamper future competition, but neither manufacturers nor users groups seem concerned. A spokesman for one active users associations explained that his group felt its role in establishing competition was sufficient; henceforth, he said, the new suppliers would simply have to look out for themselves.

Table 3.1 lists the 22 multiform groups that have addressed the interconnect issue. All but the independent telcos (USITA) have endorsed more liberal terms. Although the fundamental regulatory challenge came from a small independent source (Carter Electronics), it may not have succeeded without the support of two large users groups (API and NEMA) willing to lend their weight against established telco policies. After the landmark decision was made, a number of other users and suppliers groups appeared, and leadership from 1969 to 1972 seems to have come largely from the computer makers (CBEMA), who were presumably acting on behalf of data communicators. Only in 1972 were the inter-
connect suppliers (IDCMA and NATA), both working outside the established manufacturers associations, in a position to lead their own fights. Among the less deeply involved associations, interest remains fairly high, and it seems certain that eight to ten associations will defend the Carterfone decision wherever it is challenged.

<table>
<thead>
<tr>
<th>Multifirm Associations and Interconnection*</th>
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<td><strong>A. High Initiative</strong></td>
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<td>1. Interconnect suppliers (NATA)</td>
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<td>2. Modem manufacturers (IDCMA)</td>
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<td>3. Non-Bell telcos (USITA)</td>
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<td>4. Oil companies (API)</td>
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<td>5. Retail merchants (NRMA)</td>
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<td>6. *5 Interconnect suppliers (CCTC)</td>
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<td><strong>B. Intermediate Level</strong></td>
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<tr>
<td>1. Ad hoc committee (AHTC)</td>
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<td>2. Airlines (Arinc)</td>
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<td>3. Computer manufacturers (CEEMA)</td>
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<td>4. Electronics manufacturers (EIA)</td>
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<td>5. Manufacturers (NAM)</td>
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<td>6. Private intercom suppliers (PCA)</td>
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<td>7. Texas interconnect suppliers (DCA)</td>
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<td>8. Timesharing suppliers (ADAPSO)</td>
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<td>9. Utilities (UTC)</td>
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<td><strong>C. Nominal Entry</strong></td>
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<td>1. Aerospace firms (AIA)</td>
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<td>2. Banks (ABA)</td>
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<td>3. Computer peripherals manufacturers (CPMA)</td>
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<td>4. Newspapers (ANPA)</td>
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<td>5. Telephone answering services (ATAE)</td>
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<td>6. Telephone consumers' council (ATCC)</td>
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<td>7. Truckers' (ATA)</td>
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*Associations are ranked according to their Issue Activity Score, an ordinal scale introduced in Chapter five.
2. Specialized Common Carriers

The wartime development of microwave transmission technology represented a fundamental revolution in the economic basis of the communications industry. Enabling carriers to substitute radio links for wireline transmission, continuous linear rights-of-way were no longer required. From 1945 on, several entities proposed to utilize microwave in setting up new common carriers for voice or video transmission, but the FCC consistently ruled against them.

Then, in December 1963, Microwave Communications Inc. (MCI) filed for permission to operate a modest microwave system with fewer than a dozen stations, costing only $425,000 \(^{33}\) (MCI was ultimately to spend almost that sum on its six-year campaign for acceptance). \(^{34}\) As the MCI plan to become a specialized common carrier (SCC) developed, it embodied all that was felt to be wrong with existing telco private line services. For example, MCI promised unlimited sharing among users, free interconnection of customer-owned equipment, custom-tailored bandwidths, and lower charges. In spite of these promises, MCI was unable to gain the support of substantial allies in its lonely struggle against the legal forces of the existing carriers. Association representatives now say that they were disinclined to join the battle because it appeared absolutely futile.
Eventually, however, the Common Carrier staff released a "surprise" recommendation that the MCI application be accepted,\textsuperscript{35} and the Hearing Examiner issued a highly dubious approval, noting that MCI's applications "may be invitations to disaster".\textsuperscript{36} In April 1968, oral arguments were heard by the Commissions, who weighed the testimony of 13 telco attorneys against that of MCI's lone lawyer.\textsuperscript{37} FCC approval was granted in August 1969, by a 4-3 vote. Court appeals were initiated, and it was only in May 1970 that the first trade association made its appearance, as the non-Bell telcos (USITA) received permission to intervene.

With the major decision allowing new entry behind it, the FCC next turned to consideration of how to treat the many new would-be SCC's that were filing applications. One route would have been to hold formal evidentiary hearings for each application. The simpler option, proposed by the Commission in July 1970, was to allow relatively free entry to any applicant showing financial viability. At this (late) stage, associations roused themselves to action. The retail merchants were the first to sign on.\textsuperscript{38} Besides two groups of common carriers (the independents \textsuperscript{[USITA]} and the radio carriers \textsuperscript{[NARS]}, two manufacturers associations* and five user groups** appeared in January 1971 oral hearings, all but USITA

*The electronics firms (EIA) and computer manufacturers (CBEMA).

**The timesharing suppliers (ADAPSO), retail merchants (NEMA), ad hoc group of large industrial users (AHTC), utilities (UTC), and banks (ABA).
in support of a policy of open entry.³⁹ Seven other groups filed written statements favoring unrestricted entry.*

Court appeals were initiated by the state regulatory commissioners (NARUC) and by the Washington Utilities and Transportation Commission. Among associations, only the computer manufacturers (CBEMA) and retail merchants (NRMA) asked to intervene in the case, which was to be heard by the U.S. Court of Appeals in San Francisco. Only NRMA represented users in oral arguments held in February 1973. The court's decision has not yet been announced.

Group involvement in a related issue illustrates what one Washington lawyer calls the "user's dilemma" in telecommunications policy. The user's dilemma is that he wants to support challenges to the existing carriers in order to obtain better communications services, but does not want competition severe enough to cripple the existing telcos, who will continue to provide most services. The issue, arising in the spring of 1971, was whether to require common carriers to give prior notice before introducing new communications service offerings to the public. The new specialized carriers, who feared predatory reactions from Bell and Western Union armed at duplicating the SCC's competitive edge. Seven groups intervened: the independent telcos

*The oil companies (API), television networks, cablecasters (NCTA), educational broadcasters (NAEB), printers (PIA), Texas interconnect firms (DCA), and a temporary committee purporting to speak for the new SCC's (BDCC).
(USITA), predictably enough, opposed the New Service Notice Stipulation, while the timesharing suppliers (ADAPSO) favored it (particularly if telcos were to offer new data processing services. The other five associations all represented users,* and all lined up against the proposal, in spite of the fact that four of them** had actively supported competition in the SCC rulemaking. Despite the use of engaging rhetoric about the virtues of competition in private line services in the earlier debate, it would appear that users want just enough token rivalry to keep the established carriers honest.

Experience has demonstrated, in fact, that this is a quite reasonable position. Reporting the loss of as much as 60% of their private line sales along routes served by MCI\(^40\) (SCC rates are roughly 40% lower than the established carriers\(^41\)), the carriers have responded with plans that can only redound to users advantage. AT&T, for instance, is believed to have hastened its program of establishing its Digital Data Service, has offered a special "Series 11,000" arrangement paralleling some of MCI's planned service innovations, and announced a new technique called "Data Under Voice" which will allow digital transmission over existing

---

*The utilities (UTC), oil companies (API), ad hoc group of large industrial firms (AHTC), merchants (NRMA), and manufacturers (NAM).

**all but NAM.
analog plant at a cost of about 60% the expense of new
digital plant.\textsuperscript{42}

Another of the carrier responses has been Western
Union's filing of matching rates for the St. Louis-to-
Chicago route served by MCI.\textsuperscript{43} The issue is crucial to
the future of the SCCs, but has drawn little active inter-
est among trade associations. The militant modem manu-
facturers (IDCMA) filed, exhorting the Commission to exa-
mine the reasonableness of Western Union's rates with re-
spect to its costs.\textsuperscript{44} The only other intervenor is the
utilities association (UTC), which alone speaks for users,
but has aligned itself with neither side in the skirmish.\textsuperscript{*}
Similarly, AT&T has proposed to abandon its hoary practice
of nationwide rate-averaging for private line services,
adopting instead a "hi-lo" schedule in which lower rates
would prevail in the higher-density routes which are vul-
nerable to SCC competition. The SCCs, primarily MCI,
vigorously oppose quick and uncritical acceptance of the
plan by the Commission, but no multifirm associations has
seen fit to join the fray.

Quite obviously, the SCCs have not yet reached the
clearing in the woods; in addition to direct pricing coun-
termeasures, they also see problems in interconnecting with

\textsuperscript{*}This practice is very unusual. Normally, groups were
found not to intervene unless they have relatively strong
interests in one or another outcome.
the established carriers (upon whom they depend for local loop service)\textsuperscript{45}, and the matter of intrastate (but intercity) service remains in the jurisdiction of the highly dubious state utility commissions. Even more ominous, possibly, are the indications that AT&T is girding for a high-pitched regulatory battle to regain lost ground. In recent weeks, Bell has petitioned the FCC to reopen consideration of the entire issue of specialized carriers, calling for a return to regulated monopoly, a freeze on SCC applications, and a "moratorium on economic experimentation".\textsuperscript{46}

Table 3.2 summarizes the extent of multifirm involvement by 19 groups. As with interconnection, the essential challenge came from a microscopic economic entity, but unlike that issue, no weighty allies helped MCI through its historic test. Many users and suppliers groups emerged for the limited purpose of consolidating gains MCI had largely accomplished, but only the retailers saw sufficient interest to participate in the SCC court appeal, and no group has stood with the tyro carriers in their subsequent squabbles with the established communications powers; in fact, most users seem more interested in short-term benefits from the older carriers' competitive reactions than in the implantation of robust long-term competitors.
Multifirm Associations and Specialized Common Carriers

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<th>A. High Initiative</th>
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<tbody>
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<td>1. Non-Bell telcos (USITA)</td>
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<td>2. Retail merchants (NRMA)</td>
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<th>B. Intermediate Level</th>
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<td>1. Ad Hoc committee of industrial users (AHTC)</td>
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<td>3. Educational broadcasters (NAEB)</td>
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<td>4. Electronics manufacturers (EIA)</td>
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<td>5. Modem manufacturers (IDCMA)</td>
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<td>6. Radio common carriers (NARS)</td>
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<td>7. Timesharing suppliers (ADAPSO)</td>
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<td>8. Utilities (UTC)</td>
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<th>C. Nominal Entry</th>
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<td>2. Oil companies (API)</td>
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<td>3. Cablecasters (NCTA)</td>
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<td>4. Manufacturers (NAM)</td>
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<td>5. Oil companies (API)</td>
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<td>6. Printers (PIA)</td>
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<tr>
<td>7. Specialized common carriers (BDCC)</td>
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<td>8. Television Networks (Nets)</td>
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<td>9. Texas interconnect suppliers (DCA)</td>
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Table 3.2
3. Two-Way Cable Television

Most people, including a majority of community antenna cable television (CATV) operators, think of the cable business as a residential entertainment service. For a number of futurists, however, the potential of CATV only begins with mass media programming; they look forward to interconnect switched two-way systems serving both homes and business offices, constituting a "wired nation". The capacious bandwidths provided by coaxial cable (combined with time-division-multiplexing techniques) lead seers to forecast a multitude of new services, including newspaper delivery by facsimile or digital transmission, remote shopping, electronic mail, and checkless/cashless sales transactions.

For the most part, these lustrous visions are taken seriously only by academic speculatists and a few journalists. Practical men term such forecasts "Blue Sky" proposals, and it is revealing that the only economic entities to maintain vigilance on the possibilities of two-way CATV are the telcos, which feel that the wired nation poses a material threat to its established position.

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*Message-switching (store-and-forwarding) is economically feasible, but the circuit-switched mode used for telephony and Picturephone is excessively costly. Trends in data communications are toward applications which largely entail message-switched requirements.
The possibilities of two-way CATV make cable operators the natural enemies of telephone men. As long ago as 1965, the independent telcos (USITA) saw the necessity of preemptive entry into CATV,* their President warning:

"If interests other than the telephone companies install enough broadband communications channels in households and business locations, and if these other interests are able to gain interconnection with telephone facilities - a not inconceivable situation ...the telephone industry will have relinquished more of its growth opportunities by default..."49

It apparently became standard practice for telcos that allowed CATV firms to rent space on their utility poles for CATV cables to stipulate that only entertainment television services could be transmitted. Frictions developed, at one point leading the cablecasters' (NCTA) President to decry a takeover attempt by the telcos,50 and NCTA later called telcos the "number one threat" to cable television.51

Ultimately the FCC held hearings on a proposal to proscribe telephone company ownership of CATV operations, a proceeding which attracted no multifirm intervenors save NCTA and USITA. In January 1970 the Commission ruled against telco ownership, a decision that a USITA spokesman designate "extreme", since "broadband communications is a natural technical evolution of the telephone business."52

*AT&T interprets the 1956 Consent Decree as precluding its provision of CATV services.
In December 1968, the FCC announced its "Broadband Inquiry" (Docket No. 18397), which like the earlier Computer Inquiry opened broad policy questions in an apparent attempt to anticipate technical developments in CATV. Contemporary news accounts called the inquiry "vast", one that "could dwarf anything yet tried by the FCC". The matter may have provided an unusual opportunity for communications users, particularly those with heavy demands for high-volume local transmission, to take part in an issue of revolutionary impact, but few associations filed.* Concerning suppliers' interests, the electronics firms (EIA) did support the establishment of a broadband cable network, a fact which one informed observer sees as a highly significant case of standing up to existing telco interests; however, the filing was effected by a small transitory ad hoc committee of CATV suppliers within EIA, and does not reflect aggressive market-seeking behavior on the part of the large established electronics interests.

The final policy setting for two-way cable proposals was in the general rulemaking proceeding for CATV rules. The Notice of Proposed Rulemaking adopted in June 1970 stipulates a "return communication capability" which "should

*The American Civil Liberties Union and Americans for Democratic Action did file to endorse two-way CATV services; these are the only cases of intervention by citizen groups encountered in the eleven issues.
provide at least the capacity equivalent to a single four kilohertz message channel."\textsuperscript{55}

In the ensuing noisy debate, the two-way requirement was almost totally obscured by the more salient issues of contention between cable and broadcasting interests. Those groups that did comment on the issue did so in passing. Curiously enough, when the dust had finally settled, the two-way provision emerged in diluted form: "we have decided that there be built into cable systems the capacity for return communication on at least a non-voice basis."\textsuperscript{56}

Among those interviewed, no one seemed to know how or why the change was made; in fact, few noticed it.

While the Great Cable Compromise was seen almost universally in terms of its impact on the entertainment industry, the telephone industry didn't fail to notice the two-way provision. \textit{Telephony}'s coverage of the settlement is found under the chary headline "FCC's Cable TV Ruling Provides Two-way Communications Option."\textsuperscript{57}

Resolution of technical details was left to industry advisory committees. The broadcasters (NAB), large television stations (MST), and cablecasters (NCTA), naturally enough, all sent representatives, but no potential users groups or outside suppliers groups were seated. It was reported that the computer manufacturers (CBEMA) asked to serve on the committee, possibly reflecting their dawning
awareness of the potential of cable-carried data transmissions, but they were turned down. 58

Table 3.3 summarizes association activity, which was mostly at the Nominal Entry level. Besides the independent telephone companies (USITA) all four entertainment groups (the broadcasters [NAB], the large television stations [MST], the theater owners [NATO], and the cable industry itself [NCTA]) all registered opposition to the concept of two-way cable. The cablecasters declared, in tones soft

**Multifirm Associations and Two-Way CATV**

A. **High Initiative**
   
   none

B. **Intermediate Level**
   
   Non-Bell telcos (USITA)

C. **Nominal Entry**
   
   1. Broadcasters (NAB)
   2. Cablecasters (NCTA)
   3. Computer manufacturers (CBEMA)
   4. Educational Broadcasters (NAEB)
   5. Electronics manufacturers (EIA)
   6. Information industry (IIA)
   7. Large television stations (MST)
   8. Manufacturers (NAM)
   9. Newspapers (ANPA)
   10. Theaters (NATO)

Table 3.3
enough to avoid embarrassment by their own earlier "blue-sky" promises, that the requirement was "premature". The objection, evidently, was the additional capital requirement (estimated at 15% to 30% of construction cost\textsuperscript{59}). The remaining four users groups and two supplier groups registered token approval. When asked why they declined to address an issue with such obvious long range importance on the supply of communications, association spokesmen uniformly pointed out that the benefits were simply too far in the future to warrant serious attention. It may still be true, as Commissioner Johnson has put it, that two-way CATV plus a switching capability can provide "an alternative to the telephone company with an information-moving capacity to make Ma Bell look like an old lady with two paper cups and a piece of string".\textsuperscript{60} Even the most restive customer groups, however, took no meaningful steps to create pressures for the innovation.

4. The Computer Inquiry

If anything seemed technologically predetermined, it was that the worlds of computers (information processing) and communications (information transfer) were destined to collide. Many computer systems, including time-sharing and electronic information retrieval, grew to resemble communications networks; simultaneously, the advent of automatic electronic
switching techniques in communications was essentially a process of computerization. Underscoring the technological convergence between a regulated and unregulated sector was the fact that data communicators have historically been unimpressed with the quality of services they could expect from a network optimized to the demands of voice traffic.

The discontent, however, did not spontaneously erupt in disputes before the FCC. Before 1966, there were only minor difficulties. For example, in August 1964, the FCC asked Western Union why it had omitted from its tariff the off-line processors which were part of a larger system provided to the Government Services Administration. A year later, the Bunker-Ramo Corporation complained to the Commission that it had been refused telephone service for its new "Telequote IV" automated stock quotation/order matching system; the common carriers explained that Bunker-Ramo proposed to offer a communications service to third parties, representing a violation of resale provisions of existing tariffs. In no case, however, was a multifirm trade association involved during this period.

Following a year of internal staff study of the problem, the Computer Inquiry was announced in November 1966. The action, reportedly undertaken spontaneously by officials of the Common Carrier Bureau, is worthy of analysis if for no other reason because it represents a noble experiment in
anticipatory policy-making. The inquiry was broadly conceived, and in fact interested parties were invited to suggest issues for consideration, and FCC Chairman Hyde stated the hope that spokesmen for the computer industry, the common carriers, and data users all would freely intervene and offer policy recommendations.66 His wishes were met with a vengeance, as 60 organizations (including 15 associations) filed 3000 pages of advice.

The breadth of the inquiry defies exaggeration. Besides asking for background information on future demands for data communications and for commentary on the adequacy of telco service offerings, interested parties were encouraged to state whether data processing per se should be subject to regulation, and whether common carriers should be permitted to offer data processing services (some observers warned that such permission might lead to discrimination against competitors in the sale of communications services).

There was common agreement among all concerned that data processing should remain unregulated. Positions on the question of restrictions on carrier participation were mixed, with carriers opposing such bans and other parties endorsing some limitations. What seems most remarkable, given the fact of total user dependence on monopoly supply, is the uninhibited criticism of carrier policies and practices levied by many user groups.
Procedurally, the Computer Inquiry was uncomplicated. Filings were accepted in early 1968, and after analysis oral arguments were heard (eight trade associations appeared*) in September 1970. The FCC's policy determination was released in March 1971; the Commission declared that data processing was not to be regulated, although the trickier question of "hybrid" computer-communications (message-switching) services was left to subsequent case-by-case treatment, and stipulated that common carriers could only offer data processing services through separate affiliate firms. To preclude discrimination, the Commission (by a narrow 4-3 margin) prohibited carriers from buying edp services from their own affiliates.

The carriers (including USITA) appealed in the Second Court of Appeals in New York; the computer manufacturers (CBEMA) and the time-sharing suppliers (ADAPSO) intervened in support of the FCC position. The appellate court generally upheld the Commission when it issued its decision in February 1973, but struck the prohibition of affiliate dealings with parent common carriers as an unwarranted intrusion into an unregulated sector.**

*USITA, CBEMA, ADAPSO, DCA, NRMA, UTC, API, and NAM.

**One side effect of the opposite finding would have been to allow entry in data processing by AT&T, which is otherwise proscribed from edp markets under the terms of the 1956 Consent Decree.
The remaining issue, that of the regulability of "hybrid" services, caused a minor stir in early 1972 when a Texas firm complained to the FCC that AT&T was refusing service for a message-switching application. The computer manufacturers quickly allied themselves with the plaintiff, but the matter then disappeared from sight. Final resolution evidently came with the new AT&T tariffs allowing resale of communications services filed in mid-1973.

It is difficult to assess the ultimate effect of the Computer Inquiry. Some claim that the final decision was hardly revolutionary, given the fanfare accorded the proceeding. However, the indirect effects seem rather considerable. For one thing, more observers contend that the heavy criticism bestowed on the traditional carriers in regard to inadequate responsiveness to data communications requirements had material effects on both the Carterfone and MCI decisions; for instance, one informant very close to the specialized carriers estimates that the MCI matter was expedited by two to three years by the Computer Inquiry response. Another side effect was the forced mobilization of the computer manufacturers (CBEMA) and the time-sharing suppliers (ADAPSO) which had never before taken public positions, but which now are among the most activist of the regular FCC intervenors.

Table 3.4 summarizes multifirm involvement in the Computer Inquiry and related issues.
Multifirm Associations and the Computer Inquiry

A. High Initiative
   1. Computer manufacturers (CBema)
   2. Non-Bell telcos (USITA)
   3. Time-sharing suppliers (ADAPSO)

B. Intermediate Level
   1. Electronics manufacturers (EIA)
   2. Manufacturers (NAM)
   3. Retail merchants (NRMA)
   4. Utilities (UTC)

C. Nominal Entry
   1. Aerospace firms (AIA)
   2. Airlines (Arinc)
   3. Banks (ABA)
   4. Newspapers (AMPA)
   5. Oil companies (API)
   6. Railroads (AAR)
   7. Texas interconnect suppliers (DCA)
   8. Truckers (ATA)

Table 3.4

5. Entry Policy for Domestic Communications Satellites

Perhaps the most dramatic and visible technological challenge to the established communications order appeared with the advent of space technology. In 1956, satellite-based communications was largely a vision entertained by
members of the American Rocket Society; five years later, nearly everyone expected an imminent revolution in domestic as well as international transmission.

Although 15 different associations made appearances at one point or another in the domestic satellite (domsat) story, the overall contribution of multifirm groups to the major policy choices was relatively slight, which is perhaps surprising in view of the magnitude of the expected benefits.

Until 1966, the reigning assumption was that the Communications Satellite Corporation (Comsat), established in 1962 as a "carrier's carrier" for international traffic, would own and operate the American domestic space net. Two issues, involving equipment procurement policy and ownership privileges for ground stations, attracted the attention of four groups.* By the end of 1965, however, the policy question was heating up, and seven users associations (plus the independent telehone companies [USITA]) addressed FCC action proposals relating to authorized use of Comsat services.**

Meanwhile, the American Broadcasting Companies (ABC) asserted that it should have the right to own and operate

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*The Electronics firms (EIA) and aerospace companies (AIA) intervened in the procurement matter (Docket #15123), and the independent telcos (USITA) and airline communications manager (Arinc) were active in the earth station ownership inquiry (Docket #15375).

** Docket #16058. User parties included Arinc, ATAA, API, ANPA, NAM, AAR, and ATA.
its own satellite-based program distribution system.\textsuperscript{73} Comsat opposed the ABC proposal, but no association participated in the dispute at this point.\textsuperscript{74} In March 1966, the FCC issued a Notice of Inquiry broadening the question to include the advisability of allowing non-governmental entities to build their own specialized domsat systems.\textsuperscript{75}

Final policy decisions on the questions of entry were reached nearly seven years later. During this period, twelve associations were to address one or another wavelet of the evolving issue, but group involvement in general was desultory.* Interviews disclosed that most associations became a little timid because, beginning in 1967, the issue was subjected to cross-pressures within the government. Both President Johnson and President Nixon essentially pre-empted the issue by assigning it to special Presidential study groups, and while the FCC maintained that it still had full responsibility for the matter, in fact no precipitating move was made while Presidential study was under way.

At least, in June 1972, the FCC decided to allow "multiple" entry in the satellite field to all qualified applicants. For the first time, competition among carriers

*\textit{Docket #16495} attracted ten users groups (NAB, Networks, NCTA, NAEB, NAM, ATAA, Arinc, ANPA, and ATA), a suppliers group (AIA), and USITA. All but USITA gave at least lukewarm endorsement to a policy of liberalized entry.
for intercity message toll traffic was allowed, since General Telephone and Electronics' proposal survived. AT&T was restricted to the use of satellites for its "monopoly" services in order to prevent predatory cross-subsidies that might discriminate against the providers of competitive leased-line service. These two provisions had not been addressed specifically by any user group.

Participants in the domsat controversy are listed in Table 3.5.

### Multifirm Associations and Domestic Communications Satellites

#### A. High Initiative

none

#### B. Intermediate Level

1. Broadcasters (NAB)
2. Cablecasters (NCTA)
3. Manufacturers (NAM)
4. Non-Bell telcos (USITA)
5. Television networks (Nets)

#### C. Nominal Entry

1. Aerospace firms (AIA)
2. Airlines (Arinc, ATAA)
3. Educational broadcasters (NAEB)
4. Electronics manufacturers (EIA)
5. Newspapers (ANPA)
6. Oil companies
7. Private intercom suppliers (PCA)
8. Railroads (AAR)
9. Truckers (ATA)

Table 3.5
6. Bulk Rates and Private Systems

Volume-discounted prices are so common that it is difficult to appreciate the fact that bulk rates in telecommunications services were all but unknown until the 1960's, and then arrived through a regulatory back door.

The precipitating event was the development of microwave propagation during World War II, which simultaneously revolutionized the economics of long-haul communications and opened up a vast new segment of the electromagnetic spectrum in the microwave region. In the next decade, the FCC allowed certain industries to construct private microwave systems on an experimental basis under the restrictive conditions that the private system provide service not otherwise available from existing common carriers. The power utilities, petroleum firms, and railroads all had requirements for service in remote locations, as well as natural rights-of-ways, and were chief beneficiaries of the experimental offering.

In its "Above 890 Megahertz" inquiry, the Commission addressed the issue of the desirability of extending the right to construct private microwave systems beyond the reigning limitations. The response must have been startling and unprecedented in the previously placid area of common carrier communications; 200 filings were made, and 5030 pages of hearings transcripts recorded 30 days of hearings spread over four months of 1957. Numbered among intervenors were
13 trade associations, including eleven users groups,* the independent telephone companies (USITA), and the electronic firms (EIA). Users groups anticipated cost savings for member firms through private systems. Common carriers countered with an argument that new private systems would amount to "cream-skimming", and that diversion of the heaviest communications routes to private microwave would ultimately lead to higher rates for their customers.\textsuperscript{77} However, in an action that one observer calls "unexpected",\textsuperscript{78} the Commission decided to allow construction of private systems.

It turns out that most intervenors had misjudged the costs of private systems, for in fact today non-carrier microwave amount to 131,000 route-miles, of which 126,000 route-miles belong to the three right-of-way industries cited above.\textsuperscript{79} However, large users have benefited indirectly in a way they had not originally anticipated;\textsuperscript{80} through competitive counter-measures by the common carriers. Claiming the right to defend themselves against the new systems,** AT&T quickly introduced new types of private line service.\textsuperscript{81} One was Telpak, which offered four packages of 12, 24, 60,

*The utilities (UTC; then NCUR), the oil companies (API), railroads (AAR), truckers (ATA), manufacturers (NAM), airlines (Arinc and ATAA), retailers (NRMA; then NRDGA), newspapers (ANPA), broadcasters (NAB), and cablecasters (NCTA).

**"Competitive necessity" thus became a valid argument in subsequent FCC deliberations.
and 240 voice channels representing up to 85% reductions from per-channel rates. A second was Wide Area Telephone Service (WATS), which offered unlimited toll calls within specified zones for a flat monthly fee. The third, Wide Area Data Service (WADS) was later withdrawn due to lack of sufficient market.

Telpak was opposed by Western Union and Motorola, and the FCC opened an inquiry as to whether it should be eliminated (Docket #14251). In 1964, the Commission issued a tentative decision that the smaller Telpak offerings were not justified by cost or competitive considerations, a move that was opposed by AT&T, the General Services Administration, six users associations,* and others.

Subsequently, AT&T sought to raise prices on its bulk offerings, including television program transmission. Once again, trade associations formed the core of the large users' opposition. Eventually, informal conferences among parties-of-record were held in Telpak and program rate matters in order that agreements be reached on reasonable rate-setting principles. The informal bulk rate meetings, attended by the Department of Defense and five users associations,**

*NAM, ATA, ATAA, Arinc, EIA, and the bus lines (NAMEBC). NAM and ATA appear to have been in the vanguard of Telpak's defense.

**Arinc, ATAA, AHTC, AAR, and ATA. An FCC official presided.
discussed a series of bulk rate plans, eventually reaching at least partial accord on a "plan 6". However, at this point Western Union and MCI challenged the legality of the negotiation process, and they were terminated soon thereafter. Announcements of AT&T's proposed "hi-lo" dual-rate private line tariffs implied that the bulk plan was similar to plan 6.

Table 3.6 summarizes association involvement in the long series of bulk rate cases. In general, it seems fair to conclude that associations have been the moving force behind policy formation in this area, whether in routine filings, court actions, or informal negotiation sessions. One cannot help noticing that the largest users have predominated, with input from low-volume users almost nil.* In addition intervenors were almost exclusively major industry-wide associations, and neither the smaller groups nor specialized users (e.g., data users) were represented. Involvement by associations of suppliers was minimal.

7. Resale and Sharing

Several recent controversies have touched indirectly on the difficult question of definition of "common carrier"

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*The newspapers (ANPA) at one point raised reservations about plan 6, asking if it would lead to higher single-channel charges. *Telecommunications Reports*, August 31, 1972, p. 16.
Multifirm Associations and Bulk Communications Rates

A. High Initiative

1. Ad hoc committee of industrial users (AHTC)
2. Airlines (Arinc, ATAA)
3. Bus owners (NAMBO)
4. Retail merchants (NRMA)

B. Intermediate Level

1. Aerospace firms (AIA)
2. Manufacturers (NAM)
3. Newspapers (ANPA)
4. Oil companies (API)
5. Railroads (AAR)
6. Utilities (UTC)

C. Nominal Entry

1. Broadcasters (NAB)
2. Cablecasters (NCTA)
3. Electronics manufacturers (EIA)
4. Independent television stations (AITS)
5. Modem manufacturers (IDCMA)
6. Cablecasters (NCTA)

Table 3.6
and "customer" entities; at issue are appropriate conditions for the resale of services to third (end-user) parties and designation as to what sorts of collectivities can legitimately share communications costs.

The "Above 890 Megahertz" decision allowed certain industries sharing privileges for their private microwave systems, and when AT&T introduced Telpak tariffs, similar provisions were included. As a result, railroads, airlines, trucking firms, and oil pipeline companies, as regulated carriers, enjoyed the right to share Telpak services within each sector. In mid-1967, a proceeding began which ultimately ended in the finding that such an arrangement was discriminatory. Eleven associations were involved, six defending existing practices,* and five challenging in the hope that unlimited sharing might produce new cost-sharing benefits for member firms.** The dispute was protracted and contentious, ending in the elimination of all sharing.

Deprived of access to cost reductions through Telpak-sharing, the trucking industry undertook to create a cost-shared private microwave system operated by an intermediary firm on a non-profit basis. Although the proposal should

*The airlines (ATAA), truckers (ATA), railroads (AAR), utilities (UTC; then NCUR), bus lines (NAMBO), and oil companies (API).

**The aerospace firms (AIA), retail merchants (NRMA), newspapers (ANPA), manufacturers (NAM), and hotels (AH&MA).
have been interesting to most user groups, in fact none rose to support the truckers' (ATA) position. The independent telcos (USITA) and other carriers opposed the idea as an unregulated "pseudo-carrier" scheme that would drain revenues. Industries with extant private systems (UTC, AAR, API) also spoke against the proposal, fearing it as a precedent for common-user systems which would overcrowd the spectrum allocated for private microwave. Final resolution of the question has not been made.

Aeronautical Radio, Inc. (Arinc) enjoys unique status; it qualifies for "single-customer" purchase of communications services, although some intracompany use is ultimately made of those services. The retailers filed an informal complaint, asking if this arrangement wasn't discriminatory, and were advised by AT&T that Arinc was rendered special because its work relates to air safety. Nine months later, the truckers (ATA) filed a formal complaint along the same lines, calling the Arinc arrangement "tariff-countenanced shared Telpak", and suggesting similar arrangement be made for the entire transportation industry. Only the bus owners (NAMBO) joined ATA in this move, which is not yet to the hearing stage.

The telephone companies, following the MCI and specialized common carrier decisions, moved to liberalize sharing provisions of their private line tariffs. In
March 1969, AT&T announced its experimental "Series 11,000", and thereafter provided the new service to intermediary firms which in turn sold multiplexed channels (on a cost-recovery basis) to third parties. MCi challenged the innovation, claiming that it was nothing more than an attempt to mimic MCi's proposed service offerings. Ultimately, MCi was to petition the FCC for rulemaking on the whole resale matter. No trade association has intervened.

Finally, the new "hi-lo" private line tariff that AT&T presently desires to submit (the issue is presently before an Appeals Court on procedural questions) allow for resale of communications by a new genus of carrier, the "value-added" networks which proposed to operate packet-data store-and-forward computer-based communications according to the successful ARPA-net techniques. Other carriers are very suspicious of the new entities; for instance, Western Union urges caution "in view of the enormous potential impact on the communications industry occasioned by ... the new services". However, no trade association has yet spoken out on any of the many policy issues that attend the new carriers.

Table 3.7 lists all associations involved in the general issue area. The list is dominated by the same entities as appeared in the bulk rates issues.
### Multifirm Associations and Resale/Sharing

#### A. High Initiative

1. Aerospace firms (AIA)
2. Airlines (Arinc, ATAA)
3. Bus owners (NAMBO)
4. Railroads (AAR)
5. Retail merchants (NRMA)
6. Truckers (ATA)

#### B. Intermediate Level

1. Manufacturers (NAM)
2. Newspapers (ANPA)
3. Non-Bell telcos (USITA)
4. Oil companies (API)
5. Utilities (UTC)

#### C. Nominal Entry

1. Electronics manufacturers (EIA)
2. Hotels and Motels (AHMA)
3. Modem manufacturers (IDCMA)
4. Radio common carriers (NARS)

Table 3.7
8. Information System Access Line (ISAL) Tariffs

Among the unforeseen effects of the computer revolution was the growth of time-sharing, allowing multiple remote use of central computers through the dial telephone network.

Time-sharing data transmission fell under rates specified in normal business usage tariffs, but in one key respect it differed from everyday voice communications; the average duration of a call was much longer. Telephone companies viewed this fact with some apprehension, since calls with long "holding times" might tie up much of their local switching plant and degrade service quality for other users. Evidently, rates did not adequately reflect the costs of long holding times.

Beginning in the late 1960's, several operating telephone companies filed state-level tariffs which included special charges for telephone lines terminating in an automated information system. Rather curiously, the new tariffs sprouted in states that are hardly among the leaders in data communications: Oklahoma, Florida, Georgia, Kansas, and Texas. In mid-1969, the Information Services Division of the General Electric Company, the dominant vendor of time-sharing services, accidently became aware of the development, and began to monitor state tariff filings, opposing those which included ISAL provisions. A pattern developed in which the telephone companies withdrew offending ISAL
plans rather than jeopardize the prompt passage of entire multimillion dollar rate requests. This pattern was repeated in early 1970 in Ohio, with General Electric still the principle ISAL tariff opponent, but by this time the issue was gaining attention, and both the computer manufacturers (CBEMA) and the time-sharers (the Computer Time-Sharing Services Section of ADAPSO, of which General Electric is not a member) became involved.

The conflict came to a head in early 1971 in Illinois. Illinois Bell Telephone Company first filed an ISAL tariff as part of its overall rate package, withdrew it, and filed it again as a separate case, calling for rates that would increase users' bills from double to seven times the former charges. Twenty-three days of hearings ensued.

Illinois Bell claimed that it was merely attempting to align its rates with its costs, since data users had essentially introduced a new and "abnormal" class of service which placed new demands on the telephone system.

ISAL opponents contended that the proposed tariff was essentially discriminatory, since it singled out a class of users on the basis of the form of transmitted messages. Further, they pointed out, the move might prove to be an important precedent for other data communications and special-use communications rates. They suggested that the ISAL tariff involved a double charge for communications, since both the
caller and the recipient using an access line would pay. Privately, one informant said the proposed rate hike was not based on valid cost considerations at all, but rather on the outdated doctrine of value-of-service. 93

It seems doubtful that the pivotal issue to the contesting parties was simply a matter of dollar costs; the proposed ISAL rate was only $30 per month, and this sum would be a small fraction of overall system costs. The crucial point was that the new tariff would give the telephone companies a means of partial control over data processors. The chief lawyer for GE's Information Services Division was reported to have observed that the ISAL matter revealed the attempt by the Bell System to participate indirectly in the field of data communications. 94

Illinois Bell withdrew its ISAL tariff in late March 1971, before the Illinois Commerce Commission issued a ruling. 95 Later, Illinois Bell filed a "usage-related" tariff, offering to solve the problem of long-duration calls by instituting charges for each additional five-minute segment of a one-unit local call. 96

Most observers consider the conflict in Illinois to be the turning point for ISAL tariffs. However, Pacific Telephone and Telegraph Company had in early 1971 already filed a "Data Exchange Service" tariff with the California Public Utilities Commission before the Illinois case was resolved.
The Commission deferred action, deciding in August 1971 to refer the general question to a newly-created Committee on Unusual Business Telephone Usage consisting of CPUC staff, carriers, equipment producers, and users. The Committee's study of the issue resulted in recommendations in December 1971 that there was no emergency in California with regard to unusual business usage, and therefore no specific need for a Data Exchange Service Tariff.\textsuperscript{97} There were no reports that the time-sharers (ADAPSO) had followed the issue to the West Coast, as General Electric had. However, the computer manufacturers (CBEMA) intensified their activity, claiming to have expended over three man-years on the CPUC study.\textsuperscript{98} The electronics manufacturers (EIA) became active in the issue for the first time in California, although to a much lesser degree than CBEMA. The Western electronic firms (WEMA) also became marginally involved, one of their actions being the polling of state commissions in the West as to the introduction of ISAL-like tariffs.

There appear to have been no subsequent developments in the ISAL tariff issue since the end of 1971.

The ISAL/unusual business usage issue is unique in that users' interests were in effect represented by manufacturers' and service suppliers' groups. No user group was itself involved in the controversy, although data communications users would clearly have been most directly affected by the
new rates. The appearance of three manufacturers' associations (CBEMA, EIA, and WEMA) may reflect to some extent the competition for members among them.

Most of those involved concede that General Electric is primarily responsible for containing the spread of ISAL tariffs; one association executive said, "GE claims that it saved the electronics industry in fighting ISAL - and maybe it did." General Electric officials profess that they still can't understand why they had no allies in the ISAL campaign until after the success in Illinois created a "bandwagon effect". To them, ISAL tariffs were clearly a discriminatory threat to data communications, were obviously cannily orchestrated by AT&T headquarters in New York, and stood as a very dangerous precedent. Yet their early exhortations fell on deaf ears.

The ISAL tariff dispute is also unique among issues selected for this study in that action was entirely at the state level. There was, for a time, some discussion of the possibility of bringing the matter to the FCC; in fact, one news account reported that the computer manufacturers (CBEMA) had outvoted IBM by ten to one in deciding to seek a declaratory ruling by the FCC to the effect that ISAL tariffs were an interstate matter in its own jurisdiction. However, no party ever actually took such action. Counsel for one of the active associations indicated that it was on the verge
of bringing the ISAL dispute to the national policy forum when the Illinois case was resolved favorably to its interest. Most of those interviewed, however, were dubious about the wisdom of such a risky escalation, given the delicate, sensitive relationship between the FCC and politically potent state regulators.

The fact that ISAL tariffs never became an FCC concern is probably the major reason that the issue had such low general visibility. While developments were periodically reported in Telecommunications Reports, the ISAL issue was clearly the least known of the eleven issues discussed with association representatives, supporting the notion that most associations' communications policy efforts are rather narrowly focused on FCC matters. Asked why his national association had remained silent, and in fact uninformed, on ISAL tariffs, one lawyer stated that it just never came up, and then added, "Gee, I don't think our general counsel would ever let me go to the state level". There are, of course, good organizational reasons for this. Any national association based on geographical representation will find it awkward to involve itself in matters obviously beneficial to a particular subset of members.

In addition, the logistics expenses of involvement in issues raised before in one or more distant states may simply be prohibitive.
Whatever the cause, the effect seems to be that issues worked out before state regulatory bodies represent something of a blind spot for most national associations. This is not without general policy implications, for, as one communications manager reasoned, today the states are "where the action is" for the telecommunications user because his budget is affected most by state rate increases. When we recall that the FCC has jurisdiction over only about one quarter of all common carrier revenues, and further note one consultant's statement that in 1970 AT&T operating companies won 76% of the state rate boosts that they sought, national policy issues fall into proper perspective. Even if the influence of the common carriers is in some sense offset at the Federal level by the opposing pressures of national groups, the inherent reluctance of those groups to pursue matters in the several states must make the state regulatory commissions seem tranquil harbors indeed for the telephone companies.

While it may be hazardous to generalize on the basis of so few cases, it can be noted that associations of equipment suppliers have been much less inhibited than user groups in addressing the state utilities commissions for the issues covered in this investigation. For ISAL tariff disputes, CBEMA, EIA, and WEMA were active; in interconnection, the interconnect suppliers (NATA) and modem makers (IDCMA) both
made contact with state commissions with regard to post-Carterfone tariffs. The private systems suppliers (PCA) earlier were active in a California "foreign attachment" case.

Table 3.8 summarizes the four active groups' activities.

<table>
<thead>
<tr>
<th>Multifirm Associations and ISAL Tariffs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. High Initiative</strong></td>
</tr>
<tr>
<td>none</td>
</tr>
<tr>
<td><strong>B. Intermediate Level</strong></td>
</tr>
<tr>
<td>1. Computer manufacturers (CBEMA)</td>
</tr>
<tr>
<td>2. Time-sharing suppliers (ADAPSO)</td>
</tr>
<tr>
<td><strong>C. Nominal Entry</strong></td>
</tr>
<tr>
<td>1. West Coast high-technology firms (WEMA)</td>
</tr>
<tr>
<td>2. Electronics manufacturers (EIA)</td>
</tr>
</tbody>
</table>

Table 3.8
9. Multipoint Distribution Service

Multipoint Distribution Service (MDS) is a new type of communications service which uses the 2150-2162 Megahertz band for the local one-way distribution of television signals to specified private users. Data and facsimile applications have also been forecast.

The regulatory proceedings which gave birth to the new service were minor and relatively uneventful. The primary policy initiative appears to have been supplied by the manufacturer of the transmission equipment who asked the FCC in 1970 to remove bandwidth limits in the 2150 Megahertz band in order to create a new market for gear that had been designed for the similar Instruction Television Fixed Service in the 2500 MHz band. The company now stands behind plans for a nationwide network of affiliated independent MDS stations.

According to observers, MDS slipped through without provoking the opposition of the major communications giants, in spite of the fact that MDS is clearly detrimental to the commercial interests of the established FCC clientele. MDS may compete with any future video telephone applications as well as program distribution plans for hotels and motels, thus introducing competition for the telephone industry. As a potential vehicle for pay television, the broadcasters could only be threatened by MDS, as is the CATV sector.
The MDS story, then, demonstrates that whether through oversight or indifference, the established powers have not closed the regulatory system to innovative forms of competition. Independent initiative can pay off.

Only four associations formally involved themselves in the MDS matter, the most active being the association of multipoint applicants (MIMCCA). The CATV owners (NCTA) and non-Bell telephone companies (USITA) raised procedural points, and the FM broadcasters (NAFMB) objected to spectrum uses that would curtail the growth of quadrasonic FM. No users group intervened.

**Multifirm Associations and Multipoint Distribution Service**

**A. High Initiative**

none

**B. Intermediate Level**

Multipoint common carriers (MIMCCA)

**C. Nominal Entry**

1. Cablecasters (NCTA)
2. FM broadcasters (NAFMB)
3. Non-Bell telcos (USITA)

Table 3.9
10. Phase II of the General Rate Investigation

An issue that has attracted considerable attention among academic economists is the appropriateness of vertical integration in the communications industry. Many contend that telco ownership of their equipment suppliers inhibits innovation and unnecessarily thwarts competition in the unregulated equipment markets. The carriers themselves contend that in fact vertical integration is essential to efficient systems management and coordination.

At the policy level, the relationship between AT&T and Western Electric has attracted attention periodically, but has never been affected materially by governmental decisions. The Congress authorized a telephone investigation during the 1930's, resulting in recommendations that AT&T be required to issue bids for equipment supply, but no action was taken. In 1949 the Department of Justice charged that the vertical arrangement violated the Sherman Act, calling for divestiture of Western Electric, its various section into three distinct firms, and stipulating that Bell companies be enjoined to purchase equipment in the competitive market. The eventual compromise was the 1956 Consent Decree, in which the tie between AT&T and Western Electric was preserved, but both entities accepted market limitations.*

*The Consent Decree is not very popular among academic observers, but nonetheless a case can be made that the self-
The General Rate Investigation was initiated in late 1965. It was set up in two phases, the first proposing to establish a reasonable overall rate of return on interstate and foreign communications services, and Phase II including an examination of AT&T-Western Electric interaction.

About 75 parties petitioned to intervene in the General Rate Inquiry, including the non-Bell telephone interests and nine users groups.*108

Phase I having been completed, the Commission on December 23, 1971 accepted a staff recommendation that it abandon Phase II due to a lack of adequate resources for the task.

Public reaction to the move was unexpectedly swift and forceful, producing a rare instance of the elevation of a common carrier issue to general popular awareness. The state utilities commissioners (NARUC) proclaimed December 23 a “day of infamy in the annals of utility regulation” in a protesting letter to Congress,109 and a Business Week editorial called for a Congressional investigation which could “put some stiffening into the commission’s all too

(cont’d) limitations accepted by Bell have in the long run benefited tangential innovations in data processing and CATV.

*The newspapers (AMPA), broadcasters (NAB), networks (Nets), airlines (Arinc & ATAA), truckers (ATA), manufacturers (NAM), Telephone Users Association (TUA), and American Telephone Consumers Conference (ATCC). The FCC rejected TUA’s and ATCC’s petitions, but TUA persisted, eventually appearing in oral hearings.
limber spine". 110 Ralph Nader warned that if the FCC hadn't the stomach to pursue the investigation, he would do it, 111 and the Department of Defense offered to loan the FCC enough auditors to resume the study (an embarrassed Melvin Laird later revoked the offer, and denied that DOD had underemployed professionals available). 112

Most important was Congressional reaction; in a matter of days, Senator Harris (D-Oklahoma) and Representative Ryan (D-New York) had introduced legislation calling for an immediate $1,000,000 special appropriation for Phase II investigations.

Only one trade association, however, is reported to have responded directly to the dismissal of Phase II. The aerospace firms (AIA), not a party in the case, petitioned for reconsideration of the "drastic action" of terminating Phase II. 113

Table 3.10 lists associations active in the issue area. For the most part, the listed associations are passive parties in the General Rate proceeding, and have taken no specific action regarding the AT&T-Western Electric relationship. Interviews confirmed that most groups wish to maintain a low profile on the matter, which they fear is subject to higher political considerations.

The "High Initiative" activity of the private systems suppliers (PCA) is unrelated to the General Rate Investi-
gation. It reflects a PCA move to effect a reconsideration by the courts of the 1956 Consent Decree in order to preclude AT&T from competing in the supply of private in-house systems (e.g., intercom and hospital call systems), since that activity is not regulated by government. PCA fought its suit to the Supreme Court, which declined to take the case.*114

Multifirm Associations and the General Rate Investigation, Phase II. (Divestiture of Western Electric from AT&T).

A. High Initiative
   Private intercom suppliers (PCA)

B. Intermediate Level
   Aerospace firms (AIA)

C. Nominal Entry
   1. Ad hoc committee of industrial users (AHTC)
   2. Airlines (Arinc, ATAA)
   3. Broadcasters (NAB)
   4. Manufacturers (NAM)
   5. Newspapers (ANPA)
   6. Non-Bell telcos (USITA)
   7. Retail merchants (NRMA)
   8. Telephone consumers' council (ATCC)
   9. Telephone users (TUA)
   10. Television networks (Nets)
   11. Truckers (ATA)

Table 3.10

*Another court case was successful. An ITT suit in Hawaii resulted in a finding that General Telephone should divest its manufacturing affiliates. Years of appeals are foreseen, however, before the order will take effect. See "Antitrust Ruling Hits GTE - and Hits, and Hits," Telephony, December 25, 1972, pp. 9-10.
11. Organizational/Procedural Reform

The final issue area is a residual category. The foregoing sections relate to interest group involvement in matters of policy content. Here the focus is shifted to the question of changing the procedures of policy formulation. In a sense these are more significant issues, since they affect the rules within which decisions are made.

There has been no shortage of proposals for organizational reform in the past decade. FCC Chairman Newton Minow, for instance, proposed that the FCC would be more effective if it were run by a single administrator. Ideas circulated about the formation of cabinet-level Department of Telecommunications that would parallel the Department of Transportation. FCC Commissioner Bartley suggested that the Commission be separated into two five-member entities (one for broadcasting, one for common carrier communications), and both Senator Metcalf (D-Montana) and Representative Dingell (D-Michigan) have introduced bills which embody this idea, also stipulating that the FCC budget be submitted directly to Congress rather than through OMB. More significant, since it was actually implemented, was the White House proposal (anticipated by recommendations of President Johnson's Task Force) to establish the Office of Telecommunication Policy to provide positive policy recommendations in a field that many critics felt lacked rational coordination.
All of these proposals had implications for carrier, supplier, and user associations' interests. However, re-
view of public commentary reveals only one case of a trade association endorsing an organizational change. This was the public call for a Department of Communications at the Cabinet level issued in 1967\textsuperscript{120} by the President of the cable television stations (NCTA).

The activity reflected in Figure 3.11, except for the NCTA anomaly, is associated with two much smaller pro-
cedural matters. One is the predictable reaction to a new schedule of fees imposed by the Commission on the industries it oversees, part of its shift toward a policy of recovering in fees its full budget allocation. The second is an extension from 30 to 60 days of filing deadlines in rulemaking proceedings. Several users associations sup-
ported the change, pointing out that it was extremely diffi-
cult to mobilize members and prepare adequate replies with-
in one month.
Multifirm Associations and Organizational Reform for Telecommunications Policy

A. High Initiative

none

B. Intermediate Level

Cablecasters (NCTA)

C. Nominal Entry Level

1. Aerospace firms (AIA)
2. Broadcasters (NAB)
3. Computer manufacturers (CBEMA)
4. Manufacturers (NAM)
5. Modem manufacturers (IDCMA)
6. Newspapers (ANPA)
7. Non-Bell telcos (USITA)
8. Oil companies (API)
9. Radio common carriers (NARS)
10. Retail merchants (NRMA)
11. Time-sharing suppliers (ADAPSO)
12. Utilities (UTC)

Table 3.11
Footnotes, Chapter 3

1. Telecommunications Reports, December 20, 1971, p. 11.


13. Telecommunications Reports, April 7, 1969, p. 22.


Telecommunications Reports, January 24, 1972, p. 6.

Interview D-1.


Telecommunications Reports, October 2, 1972.


Telecommunications Reports, October 9, 1973, pp. 18-22, 39-43.

Telecommunications Reports, August 23, 1971, p. 17.


Interview A-3.

Telecommunications Reports, January 13, 1964, p. 68.


"The Un-Telephone Company," *Communications*, June 1969, p. 5.


*Telecommunications Reports*, October 9, 1973, p. 4.


*Telecommunications Reports*, April 10, 1972, p. 3.

*Telecommunications Reports*, September 4, 1973, pp. 8-9; see also *Industrial Communications*, October 5, 1973, pp. 18-20.


52 Telecommunications Reports, January 25, 1971, p. 34.
54 Smith, op. cit., (supra, n. 47), pp. 84-86.
56 37 Federal Register 3252, at 3270.
57 Block, Victor, "FCC's Cable TV Ruling Provides Two-Way Communications Option," Telephony, February 14, 1972, pp. 11-12.
58 Interview G-5.
61 Telecommunications Reports, August 10, 1964, p. 19
63 Common Carrier Bureau Chief Strassburg announced in October 1965 the formation of a small task force to investigate the issue. See Telecommunications Reports, October 25, 1965, p. 1.
64 Telecommunications Reports, November 14, 1965, p. 1ff.
65 Interview H-1.
67 See Telecommunications Reports, September 8, 1970, p. 4ff.
68 See Telecommunications Reports, March 13, 1971, p. 4ff.
70 Telecommunications Reports, February 22, 1971, p. 17.
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102. Interview L-2.

103. Interview G-2.


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113 *Telecommunications Reports*, January 9, 1972, pp. 22-23.


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Chapter 4

Summary Notes on
Multifirm Associations and Their Activities

In order to provide a qualitative backdrop for the quantitative analysis of ensuing chapters, Chapter four, based largely on interviews with principals involved in group action before the FCC, attempts to treat a series of more general considerations that do not lend themselves to systematic verification. It is hoped that these observations will provide glimpses of the political ambience of telecommunication policy-making that are unlikely to be found in the narrower quantitative analysis.

A. Groups and Their Interaction

1. Varieties of Associations

Any pluralist who derives satisfaction from the formal participation of many diverse groups in policy-making procedures will be doubly gratified in the case of telecommunication policy, where the number of different interests
represented before the FCC is almost matched by the numerous types of multifirm groups involved.

About half of the 45 associations identified in this study conform to the popular conception of the industry-based trade association; examples include the American Association of Railroads (AAR), the American Bankers Association (ABA), and the Electronic Industries Association (EIA). This half of the sample consists of relatively large national associations whose members comprise a majority of the firms in a particular market. A central staff of from ten to a hundred professionals looks after the broad needs of the entire industry. Interaction between members and the Federal government is only one of several association functions, and although it may be the predominant activity, government relations must share the association budget dollar with several other programs, including collection and distribution of production statistics for the sector, public relations and advertising, establishment of product standards, labor relations, and the "education" of member firms' management through publications and seminars.

Only four of these industry-wide groups, including the truckers (ATA), the utilities (UTC), the hotels (AH&MA), and the printers (PIA) are federal in structure; individual firms belong only indirectly through membership in regional or specialized associations which themselves constitute the national association. Two other associations have mixed
membership, admitting both individual firms and regional associations. Only the educational broadcasters (NAEB) have accepted both corporate and individual members.*

In a minority of cases, associations attempt to serve members operating at different commercial levels, effecting a vertical integration of interests. The independent telephone companies (USITA) and the motor bus owners (NAMBO), for instance, welcome equipment manufacturers into their ranks. The interconnect equipment suppliers (NATA) already include both manufacturers and distributors, and are reportedly accepting applications from interconnect equipment users as well.¹

All but four of the 45 associations are national in scope.

Restricting our view of the large industry-wide associations would hardly tell the whole story of multi-firm action in telecommunications. In fact, half of the associations maintain a staff of fewer than ten full-time employees, hardly adequate to provide the complement of member services required for an entire industrial sector.

A few groups exist primarily to address narrow specific interests indirectly related to common carrier communications, and make no pretense of serving the general needs of a sector. For example, the large television stations (MST) have directed

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*This policy of admixture was ultimately found unsuccessful, and NAEB is now in transition to a role of strictly professional society.
most of their attention toward preventing intrusion into their markets by cable television systems, and have done so with a staff of only four (although outside consultants are used liberally), evidently leaving most of the conventional trade association functions for its 300 members to be provided by the National Association of Broadcasters (NAB).

Similarly, the Information Industry Association (IIA) represents no clearly-defined expanse of market terrain, and appears to be chiefly involved in protection of copyrights on behalf of twenty-five disparate members. The Computer Peripherals Manufacturers (CPMA) could hardly serve the capacious sector implied by its name with its staff of three.

Groups like these show that interest articulation need not be stifled by the tendency of large national associations to suppress the interests of a minority of members; such minorities can form special-interest groups without losing the privileges of association with larger general interest groups.

Other special-interest associations have been established independently of national associations specifically for the purpose of addressing communications matters, and typically have no other postal address than the offices of their special communications counsel. Some of these, including the power utilities (UTC) and the ABC-CBS-NBC (Networks) consortium undertake to represent whole market sectors in communications regulation; in fact, UTC transcends the boundaries of single national industry associations, having as
constituent members the American Gas Association, the American Public Power Association, the American Water Works Association, and the Association of Edison Illuminating Companies.

A few communications-oriented associations simply represent a small minority of the most impatient firms in an industry. One such group is the Ad Hoc Telecommunications Committee (AHTC), which includes twelve large firms in different businesses: American Express, du Pont, Ford Motor Company, Union Carbide and Humble Oil are among those on its membership roll. The modem manufacturers (IDCMA) comprise only about eight of the many makers of non-telco modems, but they have pressed issues much less timidly than larger groups which must balance more diverse interests. The Committee for Competitive Telephone Communications (CCTC) has only five members, but could have significant ultimate impact on the whole interconnect industry; it has filed a class action antitrust suit against AT&T in the U.S. District Court in San Antonio.

Three of the associations may be more symbolic than real as multifirm groups, as it has proven somewhat difficult to pinpoint their membership base; they are the American Telephone Consumers Council (ATCC), the Telephone Users Association (TUA), and the Business and Data Communications Committee (BDCC). However, groups of this form should not be dismissed cavalierly; they do purport to speak in the name of groups not otherwise mobilized before policy-making bodies, and can thus provide important points of view, whatever the "legitimacy"
of their representation. Even if they are merely one-man operations, the early stages of Ralph Nader's career should convince us that they are not thereby rendered ineffectual in policy matters.

Finally, there are four entities which do not easily fit into any of the above categories. Aeronautical Radio, Inc. (Arinc) is not formally an association at all, but a communications company. However, since it is both owned and used primarily by the scheduled airlines, it can be relied upon to reflect their collective interests in communications rather closely. Other industries have contemplated the creation of organizations like Arinc in the hope of gaining the special resale privileges that Arinc now enjoys. The Digitronics Users Association (DUA) comprises customers of the specialized terminal equipment of the Digitronics Corporation, and as such is sui generis among the 45 groups. Both the International Communications Association (ICA) and the California-based Tele-Communications Association (TCA) are formally trade associations, although they have to this point acted primarily as professional societies. Each draws its members from very high volume communications customers.

In general, then, the political environment of telecommunications policy is a blend of industry-wide general interest organizations and a roughly equal number of narrower special-interest entities. Consistent with the tenets of analytical pluralism, individual firms are likely to have more than one
channel to policy-making, since many of the special-interest associations have overlapping memberships with the general-purpose groups.

The profusion of groups active in communications policy issues should not obscure the central fact that the communications arena is very sparsely populated in comparison with the number of potential entrants. There are estimated to be about 2000 national trade associations in the U.S., all of whose members are affected in one way or another by policy decisions in telecommunications, our survey shows only about 2% of them involved in one or more of eleven important communications issues. Most associations of large users, such as the American Insurance Association, the National Association of Securities Dealers, and the Automobile Manufacturers Association, represent estimable economic power, but have evidently opted not to use their influence to affect the regulation of communications, although communications is a crucially important service to their firms' daily business operations. Also conspicuous among the absent are national associations of distributors, which are estimated at 350 in number, but which have not been represented before the FCC.

Users of data communications services have chronically complained that telephone companies fail to meet their special requirements. However, their well-known dissatisfaction has never been effectively channeled to public authorities by direct collective action; when the Computer Inquiry elicited
statements concerning the quality of telco data services, comments arrived at the FCC only as filtered through the manufacturers' associations and industry-wide user groups. Possible spokesmen for the data communications users are found in existing organizations of computer users such as IBM's "GUIDE" and the Computer Users Association formerly connected with RCA, but none has thus far ventured into the forums of policy-making in search of better communications service. Policy-making in communications affects many other identifiable groups which have not mobilized despite their common interest in better or cheaper communications service. In particular, small businesses, firms operating along low-density communications routes, and narrow-channel users have all been affected by recent decisions, but no multifirm action has directly reflected their stake in communications policy.

2. Group Formation

One of the key questions about multifirm group behavior in relation to public policy is that of the relative fluidity in interest group formation. An exaggerated pluralist view might predict that classes of parties affected by a proposed policy will spontaneously organize to address it. According to this view, for example, a proposal to eliminate rotary dial telephones could be expected to result in an opposing Dial Telephone Users Association. An opposing view might hold that, organizational sluggishness being what it is, spontaneous
group formation will be negligible, and that policy-making can proceed on the assumption that only existing organizations need be considered in the design of policy.

Actual empirical findings on the question are mixed. Twenty associations, or nearly half of our sample, are organizations that would probably not exist if there were no FCC; they were established either as a direct or indirect result of FCC decisions. Some, like the power utilities (UTC) and the three television networks (Networks), were organized within market sectors to provide a specialized interface for a series of communications issues. Others were stimulated to action by particular FCC policy issues; for instance, the timesharers (ADAPSO) and the computer manufacturers (CBEMA) first entered the policy arena to defend their industries in the FCC's Computer Inquiry, and five different new associations of telephone equipment suppliers (NATA, IDCMA, PCA, DCA, and CCTC) have grown out of interconnection policy-making.

On the other hand, for six of the eleven issues, no new groups formed, even though we could easily identify unrepresented classes of affected firms. We find, for instance, no Association of Potential Satellite Users and no Anti-ISAL League, let alone a Committee for the Dismemberment of AT&T. In fact, the only case of a new interindustry association is the ad hoc committee of large industrial users (AHTC) which
embraces firms from the steel, automobile, chemical and other sectors. *

The relative abundance of newly-formed associations does not contradict the proposition that associations are fundamentally defensive with respect to policy-making. The majority of the new associations jelled not in order to move the FCC, but rather to protect itself once the FCC had moved. For example, neither the computer manufacturers (CBEMA), nor the timesharing firms (ADAPSO) instigated the Computer Inquiry, but once the policy issues were framed, they were compelled to active intervention by perceived threats to the stability of their industries. Similarly, all five interconnect suppliers groups were organized after the basic interconnection questions had been answered. The Washington counsel for one of these groups phrased its objectives in strictly defensive terms: 1) protecting the gains made to date and 2) fighting Bell moves toward discrimination. 3 We might have instead expected to hear him speak of "opening new markets" or "pushing back interconnection restrictions in all areas".

Group formation via the breakup of established organizations over policy disputes in telecommunications is rarely

*After the research was completed, a news item revealed a second case. Six user firms, including Swift, Schenley, and Monsanto, filed a class action suit against AT&T in U.S. District Court in Manhattan. They claimed that fear of competition from interconnect firms led AT&T to improperly assess excise taxes on intracompany communications through AT&T's Centrex systems. See Telecommunications Reports, Vol. 39, No. 23 (June 11, 1973), pp. 4-5.
found. The solitary exception, while intriguing, is merely an exception. It involves the establishment of the ad hoc industrial group (AHTC) by disgruntled members of NAM, reportedly over the failure to adopt a strong position on Telpak prices. NAM had previously taken firm stances on several issues, but according to several informants, such independent action was curtailed abruptly within NAM by the common carriers' manufacturing affiliates. The NAM/AHTC split did not entail permanent withdrawal by AHTC members from NAM or even from its Telecommunications Committee. The only other remotely similar case, involving less open intraorganizational conflict, occurred when five of the interconnect suppliers (NATA) formed a separate entity (CCTC) to litigate its antitrust suit against the Bell system in Texas.

Once formed, multifirm associations persist. Typically, they broaden their scope and aspire to permanence; of the twenty organizations established as a result of policy decisions, eighteen survive today.

3. **Group Interaction**

One of the striking aspects of interest-group action in telecommunications policy is that it does not seem to follow conventionally "political" rules of conduct. That is, one does not find the complicated strategies or political coalitions that are normally associated with international relations or electoral politics.
It would be inaccurate to see involved long-term policy strategies in group intervention at the FCC; issues are addressed in relative isolation from one another and indirect "angles" are infrequently played. With a handful of exceptions, the association representatives' rationale for intervention were anything but devious. For example, no association spokesman, even in the least formal interviews, ever claimed that his group took a particular position opposing AT&T simply in order to weaken Bell's general market position; unless direct benefits were seen, the group usually remained silent. Also indicative is the fact that no group favored the liberation of cable television because it would reduce congestive pressure on the electromagnetic spectrum, or supported specialized common carriers strictly because it hoped that part of AT&T's ultimate response would be the eventual abandonment of nation-wide price averaging. Second-order effects of policy outcomes are apparently too remote to interest multifirm groups.

Generally, each issue is considered in terms of short-term impact, and one does not find an abundance of extended policy "campaigns". Reviewing his association's somewhat inconsistent record on communications sharing issues, one user-group executive explained, "We do a lot of broken-field running at the FCC."4

Another feature of association activity that distinguishes it from other forms of politics is the absence of
formal coalitions. To a surprising degree, associations engage in independent activity, and there seems to be an active resistance to joint action among intervening parties. In only one instance, that of the Utilities Telecommunications Council (UTC) have several separate industry associations been welded together to form a permanent structure for communications matters. Even those associations which assume identical positions on particular issues very rarely combine to submit a joint filing or undertake to share resources in the common effort. Occasionally, one association will submit a relatively brief statement of support for another party's position. Usually, however, there is reluctance to associate fully with another party's position; for example, one user association representative explained, "our interest in the General Rate Inquiry was really identical to [another group's], but we didn't publicly support their filing because we weren't sufficiently familiar with the data they used."\(^5\)

There are, of course, cases of separate associations taking common but independent positions in concert across issues; for instance, the motor bus owners (NAMBO) have never taken positions which differ from that of the truckers (ATA). However, this fellow-traveling is readily explained by the congruence of the two groups' communications needs, and the interesting question is why they choose not to formally combine their efforts in communications policy and thereby share costs.
There is evidently frequent informal discussion among associations representatives, both at the level of staff and attorney. It would appear that the objective of many of these contacts is for activist groups to exhort less active groups to become involved in particular issues. The computer manufacturers (CBEMA) are reportedly particularly active in this respect; three different associations mentioned that CBEMA had urged them to take positions on various matters. Occasionally, this type of personal persuasion is effective. One association's counsel, for instance, related that he had been induced to appear at the oral hearings on specialized common carriers by the communications attorney for another users association, but that he subsequently became "apprehensive that our position went a little too far. I don't think I'd do that again." 6

Cooperation between users groups and manufacturers groups, or between users and carriers, is limited, although attempts at alignment are not infrequent. It is reported that principals at Microwave Communications, Inc. (MCI) met with several associations of users trying to elicit public support, but ultimately MCI stood alone in its regulatory fight. Ironically, one activist user association disclosed that it had tried to persuade MCI to provide a witness in the General Rate Inquiry hearings, but that MCI eventually declined, possibly in fear that its position would be turned against it after it obtained common carrier status. 7 One group of equipment suppliers proposed a relatively large, con-
tinuing joint effort with an activist user association, but was disappointed by the user group's cool response, an invitation to send a speaker to its national convention. One marginally active association's representative explained the group's silence on interconnection issues by claiming, "we depend on CBEMA on this" but such trust may be misplaced, since suppliers groups generally acknowledge that their action is normally narrowly restricted to issues of direct interest to them as suppliers. Manufacturers cannot be depended upon to represent their users outside those issues specifically relating to equipment; for example, no suppliers groups at all appeared in issues related to Telpak rates and sharing, and they have hardly taken the leading roles in the specialized common carrier efforts.

Consistent with the absence of coalitions is the fact that associations see no problem in aligning themselves with parties who flatly oppose them in other issues. Distrust among associations is universal, but true enmity is virtually unknown, and there is little embarrassment when circumstances make for strange bedfellows on particular issues.

4. Intergroup Competition

One has the impression that user groups do not see intervention in communications policy a competitive matter, but that manufacturer/supplier groups do. User groups appear to have little specific knowledge of or interest in each
other's communication policy programs. For example, few associations of users were familiar with the nature of the International Communications Association (ICA), even though if ICA becomes active it will represent some of the same firms and adopt the same positions as presently active users groups, such as the ad hoc committee (AHTC) and NAM. In fact, some users associations are quite willing to let others take the initiative; for instance, counsel for one industry user group admitted, "we'd be less active if NAM decided to pick up the ball again for industrial users."\(^{10}\)

In contrast, manufacturers groups are both aware of and sometimes apprehensive about each other's activities. The undercurrent of competition is doubtless influenced by the fact that, unlike industry-based user groups, manufacturer-supplier associations compete for members among the same firms. Furthermore, since firms can belong to several associations simultaneously, performance in communications policy matters is inevitably compared. One of the dimensions of rivalry is between the Electronic Industries Association (EIA), which aspires to represent the whole industry, and specialized groups like the West Coast electronics firms (WEMA), the modem manufacturers (IDCMA), and the interconnect suppliers (NATA), which can be more forceful in representing particular interests. It was perhaps this kind of competitive strain which led to the evolution of the unique EIA structure allowing a high level of autonomy to individual
sections within EIA divisions. Another dimension of com-
petition surfaced in the reported contention among CBEMA,
EIA, NATA, DCA, and PCA for membership of interconnect
suppliers; each apparently wanted to gain the right to speak
for the newly-emerging industry.

B. Structure for the Articulation and Aggregation of Multi-

firm Interests

1. Association Committees

Within the typical government relations program, interest
in communications policy is only one of many diverse policy
concerns. For associations whose members are mainly users
of communications services, communications policy is normally
the province of a particular committee or subcommittee which
comprises communications officers of several member firms.
For suppliers groups, the committee is likely to be organized
along product lines. The committee is normally served by
a specialized professional staff, although it may share this
staff with other committees.

It is not inevitable, even in the large national asso-
ciations, that communications committees find themselves
stymied by the difficulty of accommodating the disparate
communications interests of all member firms. In some asso-
ciations, at least, considerable autonomy is achieved. For
example, the department stores' (NRMA) Telecommunications
Committee financed its legal representation in its early
years by "voluntary contributions from interested retailers" and became perhaps the most outspoken single representative of general business users during the most revolutionary period of FCC policy-making for common carrier issues. In the Electronics Industries Association (EIA), flexibility is attained by allowing any one of several communications-oriented committees to file independently at the FCC. In fact, a staff member indicated that he could simultaneously endorse conflicting policy statements for different committees; however, this anomaly did not occur in any instance for the issues considered in preceding chapter.

There is no guarantee that communications committees accurately reflect the association members' communications requirements, and in fact most appear to be biased toward the larger firms in the industry. This is partly due to the natural oligarchy of organizations, and since most associations assess dues in relation to a production output measure, it is to be expected that the larger firms will dominate in special committees. In addition, it may be that only the large corporations have professional communications managers with the time and interest to devote to committee affairs. Smaller firms appear to go without voice within the large associations in relation to communications policy; in fact, even the U.S. Chamber of Commerce's Communications Committee is dominated by commercial giants like IBM, Motorola, and the largest common carriers, although the Chamber is sometimes
viewed as the spokesman for smaller firms. It is also possible, although beyond the scope of this study, that other interests are systematically filtered out in interest aggregation in association committees.

2. The Washington Law Firm

One can not fully understand the world of telecommunications policy-making without understanding something about communications law firms. If the process of interest articulation seems distorted by the interposition of associations between the firm and the government regulator, it is rendered even more complex by the frequent interposition of law firms as intermediaries between associations themselves and policy bodies. To a significant extent, these firms comprise a distinct link in the chain of interest aggregation, a separate layer in the strata that separate the private and public sectors.

Of the associations included in this study for which data is available, nearly 60% employ external communications counsel. Of the nine groups in the FCC’s "Club of Regulars", 14 rely on special outside attorneys. A schematic diagram Figure 4.1 (following page) illustrates the lawyer's role as intermediary. The pattern seen in communications policy evidently holds generally for most American trade associations; despite the prominence of government relations programs, one informant close to current association practices stated
Figure 4.1 - Use of Washington Law Firms
that only about 15% of all associations having annual budgets larger than $1,000,000 employ staff lawyers.\textsuperscript{14}

Informed observers see no clear pattern in the use of external versus internal communication counsel among associations. Those associations which rely on in-house attorneys tend to be the larger, older groups; of the associations created after World War II, only the cable television systems (NCTA) directly employ their own counsel for communications matters. However, many of the older associations work through outside law firms.

The use of outside counsel is defended as the best means of gaining access to superior legal expertise in communications without having to divert association staff to a substantive area that is not the primary policy concern of the group. One association staff member stated that outside counsel was employed because "our general counsel is too busy to get involved in communications,"\textsuperscript{15} revealing the organization's priorities rather succinctly. Retaining outside counsel allows association lawyers to concentrate on the group's own front yard affairs, also providing organizational flexibility in an activity that may or may not be a continuing policy concern. It would seem more difficult to discontinue the services of an internal FCC specialist, not least because such a specialist would doubtless cultivate internal membership pressures for a self-perpetuating communications program. However, even outside counsel can provide the catalyst for
demands among elements of an association's membership. This may have occurred at NAM in the middle 1960's, when very strong stands were taken favoring Telpak preservation16 and "positive" CATV regulation; 17 NAM also was an active early party in the General Rate Investigation. Observers report that NAM's relative militance was eventually muffled because of internal pressure. Most seem to feel that the in-house attorney who was then hired to replace the energetic Jeremiah Courtney has since functioned primarily to contain, rather than encourage, the enthusiasm of user-members of NAM's telecommunications Committee.

An important function performed by Washington lawyers is establishing and maintaining informal contact among various organizations through members of the legal profession. It would appear that much of the strategic coordination of group action rests on personal relationships among members of the communications bar. In interviews, lawyers almost uniformly referred to one another on a first-name basis, and it may be that mutual trust and personal friendships are important intergroup lubricants. For instance, the general counsel for one association of users emphasized that cooperation with a manufacturers association was predicated on long friendship with the latter's attorney. 18 Another user group's counsel recalled that a friend had visited his office one day to introduce one of his clients, an executive with a firm that aspired to specialized common carrier status. The visitor
sought policy support for the aspirant enterprise, which the host agreed to propose to his group (the association's members weren't buying thinking the fight would be futile). More important, perhaps, is the fact that professional friendship can transcend interorganizational conflict. Men who earn a living opposing AT&T not infrequently maintain ties with attorney friends within Bell. With enviable professional detachment, one attorney said, "We (lawyers) are all friends. It's our clients who don't get along".

At first glance, there appears to be an analogy between the role of the association lawyer with respect to his client and the Secretary of State in relation to the American Government. Each professional is something of a gatekeeper between an entity and its larger environment, his role being the interpretation of the entity's best interests in external affairs and advisor as to how those interests may be secured. For the communications policy arena, however, the analogy fails; the specialist lawyer is less an "Undersecretary of State for Communications" than an "Ambassador to the FCC". His forte is as much agency expertise as substantive specialization. He is unlikely to be the chief association functionary in communications matters outside the Commission, particularly if legislative or White House politics are involved. One attorney suggested that the FCC's delicate intragovernmental relationships make it imprudent for a lawyer to represent a client concurrently at a regulatory agency and on
Capitol Hill. Another, explaining his reluctance to pursue an issue that had levitated from the FCC to high levels of government, stated, "I'm not a lobbyist - my field is regulation, not the Congress." A number of attorneys asserted that if political action at higher levels became appropriate for their groups, they would refer the matter back to member firms' Washington representatives.

Protocol places other limits on the communications attorney's role. His relationships with association members are generally indirect, channeled through an association official attached to the relevant committee. This means, for example, that status reports to members are usually delivered by the official, even when the attorney has a far more thorough knowledge of policy implications and the historical details of the association's actions. Certain species of agency relations are similarly constrained; if an association wants to line up an FCC official as a convention speaker, for instance, the invitation is customarily extended directly by an association spokesman rather than through an attorney. In many cases an appearance by association members or staff is more persuasive and more welcome at FCC hearings than presentation of the same arguments by an association's communications counsel.

Reference to Figure 4.1 above indicates that 15 of the most active associations are represented by only eight Washington law firms. What effect does this funneling process have
on the free expression of diverse interests in communications policy? The question has significant implications for theories of political economy. An elite theorist could well see it as evidence that matters are tightly controlled by a relatively small clique of influential men, while a pluralist would contend that law firms merely reflect the independent interests of diverse clients. Not surprisingly, the evidence reflects some truth in both views, but the pluralist view ultimately seems more plausible.

Curiously, some elements within the community of communications law support the elitest viewpoint that important group initiatives originate in Washington law offices. When asked why he thought two associations of users represented by his firm had been unusually active at the FCC, one legal patriarch supplied a blunt (and somewhat impatient) reply: "Of course they're active. I organized them." Similarly, a majority of those consulted on the reason for the activist posture of the retail merchants (NRMA) in comparison to other user groups believe it best explained in terms of lawyer William Borghesani's ability to make effective "promotional pitches" to NRMA members.

There are cases in which the positions of associations which retain common Washington law firms seem closely orchestrated. For example, there were four users associations represented at the Computer Inquiry oral hearings, of which three were clients of Keller & Heckman. Telecommunications
Reports has adopted a convention of grouping reports of association policy statements according to law firms, apparently on the assumption that the positions will be nearly indistinguishable.

In only one case, however, did an association's outside communications counsel imply that the law firm was the sole motive force behind his client's record of formal actions. Among his assertions were statements a) that the group was generally active merely because its general counsel was a partner in the law firm, which happened to be involved at the FCC with other clients; b) that a public statement made in the association's name was really the expression of indignation by lawyers in the law firm, and that the association was simply a "convenient vehicle" for the statement; and c) the association did not file on the specialized common carrier issue, although it had been vocal on related matters, because "we persuaded them that their interest was covered" by the law firm's representation of another client firm. This attorney expounded a general view that communications policy is directly constrained by the limited pool of available, knowledgeable communications lawyers. To illustrate, he suggested, public policy for television was delayed in the 1940's because most of the day's competent communications attorneys were already busy with A.M. radio matters.25
Intriguing as the implications of this theory might be, it was the only discussion that seemed to postulate the sovereignty of the Washington law firm.* There are many examples of conflicting policy positions being supported by clients of the same outside law firm. The general practice seems to be to provide separate contact points within the law firm for different clients. There hardly seems to be any inordinate pressure for conformity of viewpoint among individual lawyers within a firm: in fact, one observer reported that the attorneys at Keller & Heckman were well-known to travel their own separate and occasionally contradictory paths. 26 A further indication of the slack in the law firms' reins can be gleaned by noting the diversity of associations which share communications counsel (see Figure 4.1).

There is no evidence of tightly-controlled monopoly in communications law practice. While the major interests do filter through a smaller number of different law firms, even that smaller number is large enough to permit many independent and competing channels. Furthermore, when new elements arise in the communications field, corresponding adjustments in law firms rapidly give the new interests a voice. Typically, it seems, the new elements (e.g., cable television,

*General reluctance to see matters in this light may, however, be conditioned by ethical canons which damn some forms of professional aggressiveness as "ambulance-chasing".
non-telco telephone equipment suppliers, specialized common carriers) employ counsel outside the established group of law firms in common carrier matters, but they are hardly shut out of the system altogether.

The law firms do not normally themselves take policy positions. The only counterexample found in this investigation was McKenna, Wilkinson & Kittner's stand seeking delays in the multipoint microwave issue. Spokesmen for the opposing side on this issue view the action as highly irregular, a last-resort obstructionist measure.  

In conclusion, the expression of private interests is not seriously contorted by the fraternity of communications lawyers. Their power is predominantly the power of expertise, not of privilege. Clients need that expertise, but need not surrender autonomy to it. Washington law firms may have some limited discretionary scope regarding procedural tactics, perhaps affecting the level of activity in a given policy issue; however, they do not dictate associations strategies.

C. Intraorganizational Factors

1. Varieties of Collective Action in Telecommunications

Much of the multifirm activity relating to common carrier communications services covered in this investigation consists of formal filings in response to FCC Notices of
Inquiry, Notices of Proposed Rulemaking, and the like. Operating under the terms of the Administrative Procedures Act, the Commission's rules reflect what might be called a "lightening rod" conception of policy-making. At several stages in a proceeding, tentative decisions are published, and all affected parties are given a fixed period to prepare and submit comments. Similar opportunities are frequently granted when the FCC wants partisan analysis of proposals already submitted by other intervenors, or, occasionally, proposals contained in independent analyses. The general result is that associations face an open forum in which groups' recommendations can be registered with only minor legal expenses.

As importantly as these formal filings, in many cases, is ongoing association participation on FCC Industry Advisory Committees and in informal meetings of parties of record. While the cost of this type of intervention can be higher than simple written statements, the fact that the Commission frequently (whether explicitly or implicitly) delegates real authority to those involved in these informal proceedings means that participants can effectively negotiate directly the terms of public policy outcomes. Another category of activity comprises informal contacts with the FCC, most often at the staff level; however, data collection on these contacts is difficult, and no attempt has been made to assess them.
In addition to dealing with the FCC, associations can play an important service role for their members in less structured undertakings. One of these is direct informal negotiations with AT&T on behalf of group members. In discussing his activist association's relative tranquility on the issue of interconnection, one spokesman for an industry which operates private microwave systems noted that it wasn't necessary to go to the FCC for help. "We had already negotiated very liberal interconnection arrangements for ourselves with Bell. I'm often amazed at how much you can accomplish informally - without dragging problems into the Commission."28

Similarly, two different attorneys representing industry associations indicated that they had initially approached AT&T directly in order to explore the possibility of gaining either single-customer status or Telpak-sharing for their industries; only when unsuccessful at this level did they pursue their objectives through formal Commission procedures.29

Other examples include private dialogues between the power utilities (UTC) and AT&T regarding arrangements for automated meter-reading systems using telephone facilities,30 and the marathon seven-year series of talks between AT&T and the cable television systems (NCTA) regarding conditions for the rental of space on utility poles for CATV cables. (Although the non-Bell telephone companies [USITA] did not participate directly in these parleys, their collective presence was felt, as they had warned that if the negotia-
tions brought "inacceptable" results, they would take appropriate measures.\textsuperscript{31} In general, policy-makers must be somewhat ambivalent about this species of "collective bargaining"; on the one hand, agreements can be worked out voluntarily and without the expense and delay of formal procedures, but on the other hand it can lead to special "deals" for organized users at the ultimate expense of the general customer.

Associations can also affect policy-making indirectly by providing a public forum for the discussion of current issues. Most frequently this is done in highly-publicized convention speeches before association members. Bell's critics, as well as its new competitors, find a ready soap box for making their special appeals at association meetings. Trade press coverage of national convention speeches can reach public opinion much more effectively than routine accounts of dry formal agency proceedings. Both the department stores (NRMA) and the large user firms (ICA) are notable in hosting speakers who ventilate issues and publicly challenge the claims of established carriers, but the practice has been most highly perfected by users of Digitronics Corporation products (DUA). DUA was the first group to sponsor public discussion of the implications of the Carterfone decision in 1969, and in 1970 FCC Commissioner Nicholas Johnson used the DUA podium to deliver his colorful speech, "Why I am a Conservative, or For Whom Does Bell Toil?", which
AT&T found so objectionable that it filed a formal "petition for disqualification" of the outspoken Johnson for subsequent AT&T-related decision-making.32

Associations can also be effective by simply helping to coordinate the behavior of their members vis-à-vis AT&T. Most commonly this is done by providing commercial intelligence; for example, the private intercom suppliers (PCA) once distributed among members a comprehensive chart of Bell equipment offerings,33 and the department stores (NRMA) distributed a list of independent companies offering interconnection equipment and publicized interconnection cost savings of 5% to 30%.34 Showing more aggressiveness than most trade groups, NRMA also openly encouraged its members to oppose state-level telco rate hikes, advising any timid members that "in most cases, the retailer need not be identified by name if he works through his retail association",35 and at one time was reported to have organized "teams of common carrier consultants to aid merchants concerned about state rate proceedings".36

In no case did an association attempt to promote its case by a direct appeal to the general public (as opposed to the communications public) in order to create external pressures on the FCC. For none of the issues treated here was an appeal via mass media deemed appropriate perhaps reflecting the FCC's relative political independence from both legislative and executive pressures in common carrier matters,
Many associations have turned to litigation to press their positions on the eleven issues. However, with only two exceptions, court action has been restricted to appeals of FCC orders, thus merely reflecting the associations' willingness to escalate one step in policy conflicts already in motion. Trade associations have participated in appeals of FCC actions in Telpak elimination, Telpak-sharing, the specialized common carriers, and the Computer Inquiry, taking dominant roles in the first two. The two exceptions involve attempts by small groups to effect changes outside the FCC. One was the attempt by the suppliers of private intercom systems (PCA) to obtain a court ruling which would interpret the Consent Decree of 1956 so as to preclude AT&T from provision of internal communications equipment. PCA initiated proceedings in New York City, in which the judge evidently conceded the propriety of PCA's legal standing but found that his court lacked jurisdiction. PCA then unsuccessfully took the challenge to U.S. District Court in New Jersey, and ultimately to the Supreme Court, which refused to hear the case.\textsuperscript{37} The second instance involves a current class action antitrust suit in Texas filed by the consortium of five independent telephone equipment manufacturers (CCTC).

It is perhaps a little surprising that so few associations have elected to resort to judicial solution of commercial disputes. Privately initiated antitrust suits are not
rare; in fact, private parties filed 1300 such suits in 1972, while the Department of Justice itself initiated only 96.\textsuperscript{38}

It would appear, however, that this advanced form of commercial warfare is mainly practiced by the less inhibited individual firms, and is perhaps too radical for well-established multifirm associations.

It should be noted that for the issues covered in the study, associations insisted that attempts to enlist political assistance from members of Congress were extremely rare.* These claims are, needless to say, impossible to verify, and a skeptic could not be faulted for suspecting that they are disingenuous. However, some credence can be given to the attestations of innocence since several informants indicated that their associations had taken their concerns to Congress in other instances, particularly in land mobile communications policy. With regard to formal activities before the Congress, a review of ten years of trade press news articles revealed only two isolated instances in which associations appeared at Congressional hearings on common carrier issues.** In general, Congressional attention to matters of common carrier communications has been limited, and there is no evidence that associations have maintained well-traveled paths to Capitol Hill.

*Several of those interviewed indicated the belief that the telephone companies and broadcasters, however, did make use of external political influence.

**This statement covers the period from 1963 through 1972. Senator Hart's 1973 hearings on market concentration in the communications industry included testimony from four associations.
In summary, multifirm associations have restricted themselves to the less disruptive forms of collective political action, most often responding to opportunities as they develop, and moving aggressively to create opportunities less often than a laissez-faire pluralist might expect. To understand some of the constraints which limit association initiatives, we briefly consider some of the forces working within the associations.

2. Interorganizational Constraints.

The most widely appreciated difficulty confronted by association executives is the requirement of membership consensus; it is widely believed that the apparent economic power of the larger associations is usually negated by the diversity of membership interests. In stronger form, this view holds that trade associations are virtually paralyzed by the necessity for unanimity. In some cases this view is borne out; for example, one very large association whose members are particularly victimized by violent crimes opted to support gun control legislation, but felt compelled to abandon its position when a minority representing less than 1/300th of the total membership threatened to resign in protest. Similarly, the restricted role played by NAM is attributed to the fact that its Telecommunications Committee must balance the views of communications users, equipment manufacturers, and (due to the pattern of vertical integration in common
carriers) operating telephone companies. Significantly, the ad hoc group (AHTC) which fissioned off from NAM has restricted its membership to firms whose interest in communications is that of a customer, not a supplier of communications equipment. The broadcasters (NAB) who attempt to represent all segments of the industry, are particularly vulnerable to internal stress. The trade journal Broadcasting reports frequent expressions of discontent by minority factions; the radio broadcasters, the Rocky Mountain television stations, the UHF stations, the owners of television stations unaffiliated with national networks, and the television stations which transmit at maximum allowed signal power all have recently either threatened or accomplished independent action on particular issues, and separate associations also exist for FM broadcasters and daytime AM broadcasters.

The consensus criterion is normally enforced by maintaining an acceptable representational balance on the group's communications committee. In some cases, believed to be rare, an association position can be adopted only after unanimous committee vote. More frequently, according to informants, votes are deliberately avoided and initiatives are left with an executive subcommittee or with association staff.

Typically, formal action is cleared with the association's general counsel, who may be in a better position to know of potential objectors among members. In some cases,
plans must be referred to the association's Board of Directors for approval. Application of a uniformity criterion, in this case, depends to some extent on the way the Board of Directors itself is balanced. Boards are usually organized by geographical region or by submarket; normally they are not balanced with regard to firm size. In the cases of the truckers (ATA) and the power utilities (UTC) both regional and submarket interests are formally represented, and proposed actions must therefore pass through both filters.

It turns out that for telecommunications issues, consensual requirements have not stymied association participation. In fact, both UTC and ATA are among the least inhibited and even NAB seems to have achieved a state of dynamic equilibrium vis-à-vis the dissenting sub-groups within its membership, permitting the expression of narrower interests. One factor which mitigates the effects of consensual requirements within associations is the ability of individual firms to hold multiple association memberships. More generally, there are several examples of multiple memberships. One manufacturing firm belongs simultaneously to the electronics manufacturers group (EIA), the modem manufacturers association (IDCMA), and to the newer general interconnection manufacturers group (NATA). The five telephone equipment manufacturers (CCTC) involved in the Texas antitrust suit are also NATA members. Among users, repre-
sentatives of Westinghouse Electric Co. have in the last three years served as President of the large-users association (ICA), as a member of NAM's Telecommunications Committee, and as chairman of the ad hoc group of twelve large industrial users (AHTC). As noted, the electronics manufacturers (EIA) have a loosely-coordinated structure of autonomous product-oriented sections which are free to endorse conflicting policy positions— and firms can join any sections providing they manufacture in the relevant product line. In effect, the sections are independent associations. While this arrangement appears to be unique among associations, it is an effective mechanism for avoiding total paralysis. Clearly then, individual firms can have more than one channel for collective policy-related action, and need not be totally frustrated by internal conflicts of interest in one particular group.

Even within factionated associations, there are instances of action taken in the very face of internal opposition, and in general there is little evidence to support the assertion that veto powers within associations preclude all controversial stands. As perhaps the most dramatic example, Western Electric belongs to two EIA sections, including the Communications Terminals and Interfaces Section, which vocally opposed the Bell position on interconnection. Furthermore, Western Electric did not move to thwart the establishment of a new EIA element, the Telephone Equipment
Section, which has since endorsed liberalized connection rules for customer-owned telephone equipment. Likewise, there is an AT&T representative listed as a member of the department stores' (NHMA) Telecommunications Committee, but this fact has hardly seemed to modulate the committee's aggressiveness. (On the other hand, it is widely believed that pressure from AT&T precipitated the taming of NAM's earlier phase of outspoken activism.) If the issue is important enough, the majority of an association's members will simply outvote dissenters and proceed. EIA's Fixed Point-to-Point Communications Section adhered to a position of support for specialized common carriers, inspite of accurate warnings that Western Union would resign in protest. During the rash of state-level ISAL tariff filings, the members of the computer manufacturers' (CBEMA) Data Processing/Telecommunications committee were reported to have voted ten to one to bring the problem to the FCC, in spite of the fact that the lone "no" vote belonged to IBM, which provides well over half of the association's dues. There were five dissenters from the cablecasters' (NCTA) Board of Directors decision to accept the CATV compromise of 1971.

Absolute consensus, then, is not a strictly necessary condition for association action. Neither, it happens, is

*This means that an industry-wide commitment was reached despite the opposition of a quarter of the voting members of an association which itself represents less than one-half of the nation's CATV systems.
the occurrence of strong "grass-roots" pressure from association members. Not many association staff members see their role as one of passively aggregating the concerns of member firms. In fact, the only references to membership pressures during interviews were found in the cases of associations which had not been active in communications; their rationale for staying out included the lack of interest among their members. In contrast, the active associations more frequently implied that their role was one of galvanizing and molding the rather subdued interests of their members. Interest articulation, this indicates, is a process that most often is initiated by staff professionals, and merely ratified by individual members. One indicator of this point is that the membership opinion survey is only rarely used as a guide to association action. This conclusion does not imply that association executives can behave independently of members' perceived self-interest, but that the initiative rests at the staff level.

A common technique for mobilizing members' concern is the delineation of potential threats. Review of the history of the trade associations indicates that associations are most frequently formed as defensive reactions to challenging developments outside the industry. A similar pattern holds for most multifirm association behavior related to telecommunications policy. One informant in a national manufacturers association summarized his function succinctly: "Threats.
That's my whole job. Finding threats and showing them to members. Otherwise it's hard to get them to commit any funds."\(^4^2\) Another manufacturers' association official indicated that "threats from the FCC" were what "holds my group together".\(^4^3\) Several associations of users asserted that the real reason for their involvement in bulk communications rates issues was not the hope that costs might be lowered, but that rates were currently increasing so dramatically, and in such large single increments, that member firms' communications managers felt threatened by cost uncertainties which weakened their intracompany relations with corporate budget-makers.\(^4^4\)

According to those closest to trade associations, then, there is an asymmetry between an association's responses to positive and negative stimuli; threats provoke action more readily than potential advantages. Informants also see a second asymmetry between what might be called "front yard" and "back yard" activities. A firm's "front yard" activity includes action directly relating to the company's sales, while support activities, such as the provision of raw materials, labor and services can be thought of as "back yard" matters. Under normal conditions, a firm's corporate attention is likely to be spent largely on its front yard performance. As the ultimate measure of performance, profitability depends on both sales and costs, an intersection of front and back yard functions. However, most other performance indica-
tors, which some would contend are the ones that matter in day-to-day corporate strategy decisions, are front yard measures: growth of sales volume, level and growth of market shares, etc. The asymmetry principle is that associations are more likely to become active in policy matters related to front yard operations, even when the stakes are relatively small, than in policy related to the back yard, even when the stakes are relatively large.

The implication of this proposition for communications policy is to suggest another constraint on the behavior of associations of communications users; since the procurement of communications services from common carriers is a back yard operation, users associations will pursue policy matters in communications only if such action does not interfere with member firms' front yard concerns. One manifestation is to constrict activities by user firms which also maintain a supplier relationship with telephone companies. There is no mistaking the potential influence of telco procurement practices. For instance, Bell's fleet of service vehicles is said to be valued at $500 million, and one could easily understand it if automotive firms declined to risk their shares of this market by opposing Bell's desires at the FCC. An attorney for one group of users, in which member firms are represented by corporate communications managers, acknowledged that the early days of the group's policy activities were marked by conservative actions, since the higher executives
in the firms were afraid that irresponsible action would disrupt sales of their equipment to the Bell system. Even more unambiguous evidence is found in past by-laws of two intersectoral associations of large users, the International Communications Association (ICA) and the Tele-Communications Association (TCA). In both organizations, by-laws specifically proscribed adherence to public policy recommendations, and ICA has even declined to supply information and testimony which had been specifically requested by public officials. At first glance, one might suspect some sort of surreptitious influence over these organizations by AT&T, since the communications managers who represent large users at ICA and TCA depend heavily on the telephone companies in their professional capacities. However, such a conspiratorial explanation is generally deemed inaccurate, even in the eyes of Bell's most eager detractors. A more satisfactory explanation is that the by-laws were fashioned by top management of member firms themselves in order to keep professionally-minded corporate communications officers from embarrassing their companies by engaging in public activities contrary to the companies' higher interests. The by-laws provided a leash. Referring to the activist group of twelve large industrial users (AHTC) coordinated by the law offices of Jeremiah Courtney, an attorney for a major association said, "I don't know how Courtney gets away with it. I think that if the executive vice presidents of his firms understood what he's up to, they'd have a fit."
Rather than an exception to the rule of user indifference, this respondent implied, the AHTC is a mere aberration.

Fear of antagonizing Bell as a customer is not the only instance in which front yard matters take precedence over communications services. Another users association's Washington communications counsel indicated that his industry would be very interested in "single-customer" status similar to that granted to the airlines through Aeronautical Radio, Inc. (Arinc). However, the association had taken no action on the matter, because members counted the airlines among their customers, and they didn't want to jeopardize sales to airlines.

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Similar tendencies can be observed in the behavior of some of the users associations in industries directly regulated by government. Explaining why his association, active on several related issues, had declined to take a position on the specialized common carrier issue, one executive pointed out that the association had a longstanding policy preventing it from endorsing particular companies' products, and that such an endorsement would be implied by support of non-Bell communications services. The source of that policy, it turns out, is in the industry's stance before its own regulatory agency. "We can't take positions at the FCC as users of regulated services that conflict with our status as providers of regulated services under the [industry's regulatory agency]...If we did, somebody would throw it in our gen-
eral counsel's face in proceedings in our own field."49
There is little doubt that the general counsel has the last word in such matters.

Taken together, the three sets of constraints outlined in preceding paragraphs suggest important modifications to straightforward present-value-calculus as a guide to the political behavior of trade associations. The uniformity criterion implies that the distribution of anticipated net benefits to the group must be considered. The asymmetry of positive and negative outcomes hints that a dollar in new revenues may be valued less in the real world of organizations than a loss of a dollar in current revenues. Finally, the front yard/back yard hypothesis suggests that a dollar in sales revenues may have more importance than a dollar in communications cost savings to the enterprise.

While no satisfactory explanation for the pattern was uncovered, there appear to be several areas in which associations rarely venture; it is as if there exists a perimeter of conventional conduct beyond which associations do not penetrate. One of these is the higher strata of national politics beyond the FCC's Common Carrier Bureau. As was noted above, the initiation of court cases and the appeal to Congress for intercession are infrequent. In addition, associations seem to think that when issues rise out of the familiar orbit of the FCC, they ascend beyond reach. Typical are the comments of the Washington counsel of one of the most active national
associations of users. When asked about his association's silence in the area of domestic communications satellites, he said, "Oh, that was a political matter - the White House was involved." Similarly, asked about action taken in response to the termination of the General Rate Inquiry, he said, "We didn't say anything on that. It was a political issue, and had a political solution." It is, at first, somewhat disconcerting to hear a Washington lawyer use the term "politics" in a pejorative sense, but, in fact, he was hardly alone in suggesting that associations usually move within relatively limited circles in their pursuit of better communications services. Another attorney indicated that if higher political action was desired, he as communications counsel did not pursue it directly; rather, he felt constrained to work back through his members' government relations program. Presumably, the general reluctance to pursue issues beyond the FCC policy arena is partly a matter of staying safely out of association members' front yard.

A second area which has been effectively declared off-limits for many multifirm associations is that of rate investigations. Several of the largest and wealthiest associations declare flatly that they have a set policy of avoiding rate-setting proceedings. The rate investigation is generally recognized as a distinct type of issue, partly because the cost of intervention is very high. However, cost alone cannot be a full explanation, because potential benefits are propor-
tionately large. In addition, the attorney for one group of users stated that member firms joined together specifically to address rate matters, and were circumspect in pursuing non-rate issues.52

Finally, few associations are willing or able to engage in regulatory proceedings at the state level. For most, sights are set on federal policy-making, and those that have tried have encountered considerable practical difficulties in participation in the several states. Given that more than 70% of the Bell companies' revenues are from intrastate services, and that AT&T has been reported to have succeeded in obtaining 76% of all requested state-level rate increases in recent years,53 this area of weakness is not inconsequential.

3. Attitudes and Views

Interviews with association representatives were each essentially a series of "why questions", asking the group's rationale for particular policy-related actions. There are several varieties of explanations in response to why questions, some less useful than others, and in general it was difficult to elicit answers expressed in terms of the group as a unitary actor. Respondents uniformly see group choices from the perspective of their own positions within the organization, and while sure of their own rationality, were seldom comfortable in the unaccustomed role of defender of their organization's rationality.
One result was that respondents tended to couch their explanations in terms of resources available to them (as individuals) in the short run. Virtually all of them stressed that time constraints prevented them from addressing issues which they felt deserved their attention. Several responses agreed that their association did have an interest in a particular issue, but that it was low on their priority list, and they couldn't afford it. A few used a firefighting metaphor for their work, one explaining, "I suppose I should have followed up on that, but I spend most of my time fighting fires, and what I do usually just depends on which fire is hottest." Among the least active associations, inaction on communications issues was often initially justified on the grounds that there was no extant staff expertise in communications policy.

Such responses are less than persuasive, however, and lead to the follow-up query, "why couldn't the organization have increased staff or budget, if real benefits were clearly involved?" When conditions are right, associations mobilize fairly large incremental policy efforts; for example, the computer manufacturers (CBEMA) had not entered the communications policy arena prior to 1966, but managed to raise $500,000 to prepare their response to the Computer Inquiry. What association spokesmen may be saying is that the flexibility of their programs in telecommunications policy is limited by the confines of annual budgets, and that only the most dramatic
policy developments can induce the association to provide the supplemental resources necessary to meet new challenges. Some students of politics may presume that trade associations hold considerable political power by dint of their aggregate economic influence, but the association executives nonetheless feel highly constrained by understaffing and the chronic inadequate budgets.

To an academician, the business world is usually seen as a system of interacting institutions, each of which behaves according to the rational application of some explicit or implicit cost-benefit analysis. Principals within the system evidently find relatively little utility in this metaphysics, seeing their world governed by the decisions of individuals of varying degrees of competence. To them, organizational action is less a matter of institutional self-interest than a matter of executive perspicacity. Their natural inclination is to explain variations in the activities of different associations primarily in terms of whether the groups' leaders are inept, bright, or obtuse. Possibly a bit impatient with a line of questioning in search of institutional explanations for the silence of most associations on a specific FCC issue, one attorney advised, "Don't overlook plain stupidity. Most of these guys just don't know what's going on, even when it affects their interest." Another respondent warned that one shouldn't "overintellectualize" organizational behavior, that some groups simply have executives who see the future clearer than others.
In general, then, it was found that the "theory" imbedded in most informants' explanations was closer to the historian's than to the economist's or the political scientist's. For participants, behavior is to be understood only in the context of particularistic circumstances, and history is driven more by the actions of great men than of organizations.

Attitudes toward the FCC are generally those of mild impatience, and are considerably less virulent than one might have expected from private sector spokesmen toward an element of the Federal bureaucracy. In part, this may be due to the evidence of progressive agency policies as seen by most associations of suppliers and users, but is also related to the fact that a majority of Washington's communications lawyers served an apprenticeship with the agency and are thus sympathetic with its situation. Several observers feel that one weakness is that common carrier matters are usually obscured by the FCC's preoccupation with policy-making for the broadcasting industry, which is said to have more "glamour" than telephony. But the real obstacle, to most associations on most issues, is the intransigence of AT&T, and the FCC is seen as a very slow but reasonably reliable and well-meaning friend.

Much as AT&T dominates the telecommunications industry, it dominates the attention of those engaged in policy proceedings. Circumstances have usually pitted the associations
(except for the non-Bell carriers [SITÅ] against AT&T in policy disputes, and general attitudes toward the giant firm are relevant beyond their objective veracity.

A minority of those interviewed believe Bell to be positively malevolent toward its opposition. One asserted that his telephone is tapped by the carrier, and others joked rather nervously about the possibility. Almost everyone seems to have his own experience with AT&T, known as "war stories"; one association executive, for example, stated that shortly after his group had adopted a non-Bell position on one issue, he received a chilling call from an AT&T official assuring him that there would be a job for him at Bell "if they get to you". A faint trace of intrigue is sensed, and for several informants assured anonymity was the only safe course. One lawyer declined to be quoted by name, although the quotation in question was simply a colorful metaphor unrelated to policy content.

For a majority of association representatives, however, the feeling is that AT&T is less guilty of malice than sheer magnitude. Partly because the carrier is relatively insensitive to costs, it is felt, Bell can afford to spend great amounts to follow its opponents' activities, and one respondent, perhaps inflating his importance somewhat, said that AT&T had detailed "several lawyers" just to monitor him, waiting for him to slip up. 59
Most see the several Bell operating companies as closely coordinated from AT&T's New York headquarters; typical is the suspicion voiced by one association attorney that AT&T hosted a secret meeting of all major telephone companies soon after the Carterfone decision in order to reach agreement on a long-term master plan for resisting and delaying progress in interconnection. For every such suspicion of conspiracy and omniscience, however, there seems to be a story of elephanteine bureaucratic ineptitude. Few can understand why, after decades of dispute concerning the potential harm to the network of interconnection of non-carrier systems and equipment, AT&T never seemed to develop empirical data on the extent and varieties of harm. Others question AT&T's apparently short-sighted decision to increase program transmission and bulk communications rates at a time when both domestic satellites and would-be specialized common carriers were promising users better prices.

The working assumption among those who interact with AT&T in the marketplace and in the regulatory arena is that Bell can be expected to act primarily to defend its monopoly; few see the company as following the precepts of maximization. Those who oppose Bell policies find themselves as frustrated by its size as they are by its canniness in defending its position. One informant employed the image of the octopus in referring to AT&T's ability to get its way. His point is that whenever there is a major source of discontent among
users, Bell can use its vast resources to neutralize damaging dissent by offering special rates or privileges to the disgruntled, even if it means losses in particular service areas. 61 Others point to Bell's massive buying power as a potent instrument in containing dissent among firms that supply products used by the Bell System. For instance, informants recall that Motorola became a much less vociferous proponent of private microwave systems, which represented a potential market for its microwave equipment, at about the time that it contracted with AT&T for the supply of land mobile gear. The fact that Bell is the second largest single customer of IBM (after the Federal government) is said to be related to IBM's low regulatory profile. In the same vein, general distrust of AT&T's buying power is epitomized in the circulation of the rumor that Bell effectively forecloses opposition by elements within the computer industry by purchasing data processing equipment in direct proportion to suppliers' present market shares.
Footnotes, Chapter 4

1 Schneiderman, Ron, "New Price Options from AT&T," 

2 Interview R-3.

3 Interview R-7.

4 Interview I-2.

5 Interview D-2.

6 Interview G-1.

7 Interview R-1.

8 Interview R-9.

9 Interview G-1.

10 Interview R-1.


12 Interview R-3.


14 Interview B-3.

15 Interview D-2.


17 Telecommunications Reports, June 7, 1965, p. 34.

18 Interview G-1.

19 Interview A-4.
Interview A-3.

Interview M-2.

Interview A-3.

Interviews A-3 and L-7.

Interview J-1.

Interview R-1.

Interview D-2.

Interview F-1.

Interview I-2.

Interviews R-1 and G-2.

Telecommunications Reports, May 21, 1973, p. 36.

Telecommunications Reports, November 1, 1972, p. 40.


Telecommunications Reports, February 23, 1970.


Ibid., p. 3.


"The Antitrust Specialist and the Dragon Slayer," Business Week, May 12, 1973, p. 120.

Interview G-1.


Interview G-5.

Interview R-5.

Interviews A-3 and B-6.


Interview B-6.

Interview L-7.

Interview R-1.

Interview D-2.

Interview A-3.

Interview L-7.

Interview J-2.


Interview L-6.


Interview A-4.

Interview R-3.

Interview R-3.

Interview B-7.

Interview R-8.

Interview R-8.
Chapter 5

Quantitative Analysis I: The Sources of Association Activism

A. Nature of the Data

The analysis of Chapters five and six rests in part on the tremulous foundation of judgmental ordinal data coded by the investigator.

From the perspective of many practitioners of quantitative social science, use of such data may seem immoderate at best. However, the questions addressed in this inquiry do not readily lend themselves to objective quantitative measurement, particularly in view of limited available research resources. The practical choice, then, was not between "hard" and "soft" data, but between soft data and impressionism. Use of judgmental data provides an opportunity for internal analytical rigor which is absent in purely qualitative treatments, facilitating the conceptual task of systematically relating abstract propositions to empirical observations and vice versa.

Consideration was given to the use of independent judges to generate the required data, but such a course was found to be impractical because of the detailed knowledge needed in order to effect informed judgments. For most variables nearly
500 separate judgments were required (45 associations coded for each of 11 issues), each instance requiring some familiarity with a) specific substantive implications of the policy choices at issue, b) the membership make-up of the association, and c) the communications interests of association members. Few if any individuals have even superficial knowledge of this particular combination of facts, and any gain in objectivity from independent judges would be more than balanced by losses in coding accuracy.

Two tactical provisions were made to minimize subjective bias. First, independent variables were coded preceding the detailed review of actual historical association behavior (the dependent variable); at the time of coding, therefore, empirical facts of group behavior were not fresh in memory. Second, cross-comparison among comparable instances was a useful device for assuring internal consistency. That is, judgmental values for a given association among similar issues, or for a particular issue among similar associations were cross-checked for internal consistency avoiding the capriciousness of isolated assessments.

B. The Dependent Variable

Following a review of relevant FCC documents and weekly trade press accounts dating from 1963, summaries of each association's response to each policy issue were compiled and, in
most cases, verified with an appropriate association representative. The association's activity was then scored according to the following Issue Activity Scale (Table 5.1).

### Issue Activity Scale

<table>
<thead>
<tr>
<th>Score</th>
<th>Description of Association Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>High Policy Initiative: Association Helped Shape Issue</td>
</tr>
<tr>
<td>10</td>
<td>Initiative Outside Normal FCC Procedures</td>
</tr>
<tr>
<td>9*</td>
<td>Extraordinary Activity, e.g., Submits Petition to Reconsideration or Joins Court Appeal of FCC Rule Making</td>
</tr>
<tr>
<td>8</td>
<td>Maximum Activity Within FCC Procedures</td>
</tr>
<tr>
<td>7</td>
<td>High Activity, Some Subissues</td>
</tr>
<tr>
<td>6**</td>
<td>Moderate, Continuing Policy Advocacy; Appearance at Oral Hearing</td>
</tr>
<tr>
<td>5</td>
<td>Low, Recurrent Policy Advocacy</td>
</tr>
<tr>
<td>4</td>
<td>Single Filing, with Policy Advocacy</td>
</tr>
<tr>
<td>3***</td>
<td>Nominal Filing or Appearance; No Policy Stance</td>
</tr>
<tr>
<td>2</td>
<td>Association Activity, But No Formal Position Taken</td>
</tr>
<tr>
<td>1</td>
<td>No Action</td>
</tr>
<tr>
<td>0</td>
<td>No Knowledge of Issue</td>
</tr>
</tbody>
</table>

* 'High Initiative' Level
** 'Intermediate' Level
*** 'Nominal Entry' Level

Table 5.1

Like most ordinal variables, the Issue Activity Scale rests on an implicit conceptualization of activism which is difficult to define in abstract terms. In general, it combines aspects of procedural initiative (connoting aggressiveness or militancy) and of frequency of appearance before regul-
relative bodies. The procedural device of associating particular species of action with a given activity score (e.g., appearance in an oral hearing for any issue is scored "6") helps ensure comparability across issues.

We can dichotomize the Issue Activity Scale at any of three levels (as indicated in Table 5.1) in order to conduct analysis at three different activity thresholds, termed here "Nominal Entry", "Intermediate Level" action, and "High Initiative". Instances of nominal action account for 31.0% of all cases; that is, the overall expectation that an association would become formally involved in any one of the selected issues is .310. Instances of Intermediate Level action and of High Initiative are 15.2% and 4.9%, respectively, of all cases.

Histograms of action at the three thresholds are shown as Figures 5.1, 5.2, and 5.3. The relative flatness of Figures 5.1 and 5.2 discloses that the FCC has attracted as intervenors something of a "Club of Regulars". In fact, 12 of the 45 associations have filed in six or more of the eleven designated issues, and the same 12 groups dominate the picture if we restrict our focus to cases of sustained, Intermediate Level activity.*

This pattern does not extend to analysis of activities involving a high degree of policy initiative. Only five associations have engaged in High Initiative actions (such as

*We can define the Club of Regulars as the 19 groups that have participated in two or more issues at the Intermediate Level, (see Figure 5.2).
litigation) in more than one issue area, and intervention by the less ubiquitous multifirm entities is far more significant at this level. The "Club of Regulars", then, has several members who seem comfortable in responding to FCC initiatives, but who prefer not to force issues. In particular, the manufacturers (NAM), newspapers (ANPA), electronics firms (ZIA), cable casters (NCTA), and power utilities (UTC) have all participated formally in six or more of the selected issues, but none has ever intervened at the High Initiative level. In solitary contrast to these groups, the retail merchants (NEMA) have taken the initiative in four of the six issues they have addressed.

C. Independent Variables

For each association, an Association Activity Score has been defined as the sum of its eleven Issue Activity Scores. Strictly interpreted, of course, these composite group scores are not themselves ordinal.* However, if we are to investigate correlates of group activism at all, we must be willing to tolerate this breach and soften our ultimate inferences accordingly.**

*To illustrate, we can imagine that association A has scores of 3,3, and 3 on three issues, while association B has scores of 0,0, and 10. We obviously have no justification for concluding that group B's aggregate activity score of 10 reflects "higher activism" than group A's score of 9.

**The analysis of Chapter six is not affected by this breach of prudent conservatism.
Which types of associations have been the most active on the eleven issues? For the entire population of 45 associations, the median Association Activity Score is 21. We can achieve a first-order understanding of the sources of association activism by comparing median values for various categorical subsets of the sample to this population median.

### Variable 1. Communications Interest

<table>
<thead>
<tr>
<th>Interest</th>
<th>N</th>
<th>Median Activity Score</th>
<th>ΔMedian***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier</td>
<td>9</td>
<td>18</td>
<td>-3</td>
</tr>
<tr>
<td>Carrier</td>
<td>5</td>
<td>14</td>
<td>-7</td>
</tr>
<tr>
<td>User</td>
<td>31</td>
<td>22</td>
<td>+1</td>
</tr>
<tr>
<td>General(Interindustry)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>User</td>
<td>7</td>
<td>10</td>
<td>-11</td>
</tr>
<tr>
<td>Entertainment Industry</td>
<td>8</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>Private Microwave Owner</td>
<td>3</td>
<td>43</td>
<td>+22</td>
</tr>
<tr>
<td>Regulated Transport</td>
<td>4</td>
<td>40</td>
<td>+19</td>
</tr>
<tr>
<td>Other (Single-Industry) User</td>
<td>9</td>
<td>17</td>
<td>-4</td>
</tr>
</tbody>
</table>

Table 5.2

In their separate ways, laissez-faire economists and populist critics of private economic power have both emphasized the relative importance of supplier initiatives in commercial affairs. To the economist, the supplier is the active mediating

***Difference between sample and population median (21).
agent in satisfying customer preferences. If a need develops, so will normal economic incentives for some supplier to meet it, and the market mechanism thus automatically aligns buyers' and suppliers' interests. To the populist critic, suppliers are sometimes construed as manipulators of demand for their own products by extra-economic means. Neither contention finds convincing support in this investigation. Only one in five of the active associations represent manufacturers or suppliers of communications-related equipment, and as a class these nine groups have not been more intensely active in promoting their communications interests than non-suppliers.

The commonplace observation that it is difficult for regulatory agencies to elicit the participation of consumers is a half-truth. Table 5.2 shows that, as a class, user associations are about as active as non-users. However, the most active of the users are generally those with unique communications policy interests, and it is true that the general user groups which transcend the boundaries of particular industrial markets have been the least active as a class. Similarly, the nine "Other User" groups, (e.g., the hotels [AHMA], banks [ABA], department stores [NHMA]) and the eight groups representing the broadcasting and entertainment industries (e.g., the broadcasters [NAB], cablecasters [NCTA], and theater owners [NATO]) have not been unusually active on the eleven selected issues.
Leading the way among user groups are the categories "Private Systems Owner" and "Regulated Transport". The former category, comprising the power utilities (UTC), railroads (AAR), and oil companies (API) are beneficiaries of the "Above 890 Megahertz" decision permitting the construction of non-carrier terrestrial microwave communications systems. As Federally regulated industries, the latter category, comprising the airlines (ATAA and Arinc), the truckers (ATA) and bus owners (NAMBO), were declared eligible for the sharing of Telpak communications services. Each category is thus distinguished by special interests in communications privileges which have been conferred by the FCC. It should be noted, however, that these associations' policy activities have extended well beyond those issues bearing directly on policy for private microwave systems and Telpak-sharing. All of the seven privileged associations are in the "Club of Regulars" mentioned above, and their overall median activity score of 43 is far above the population median.

<table>
<thead>
<tr>
<th>Membership</th>
<th>N</th>
<th>Median</th>
<th>Δ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-99</td>
<td>18</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>100-499</td>
<td>12</td>
<td>18</td>
<td>-3</td>
</tr>
<tr>
<td>&gt;499</td>
<td>15</td>
<td>26</td>
<td>+5</td>
</tr>
</tbody>
</table>

Table 5.3
The median number of members in associations included in this study is about 200, with sizes ranging from three (the television networks) to 26,000 (the retail merchants [NRMA]). One third of the groups have more than 500 members.

In his discussion of voluntary group action relating to collective goods, Mancur Olson suggests an inverse relationship between group size and effectiveness, claiming that under normal circumstances larger groups will not always mobilize to secure collective goods: "the larger the group, the farther it will fall short of providing an optimal amount of a collective good".¹ A number of informants expressed similar sentiments, usually in the vein that it is easier for association executives to coordinate small groups than large ones.

Our data fail to substantiate Olson's group size hypothesis. Obscuring the pattern that Olson might have wished to see is the fact that many of the smaller associations are specialized groups formed to address specific, isolated communications policy issues, and thus have lower composite activity scores.

### Variable 3. Association Budget

<table>
<thead>
<tr>
<th>Annual Budget</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $1,000,000</td>
<td>10</td>
</tr>
<tr>
<td>&gt; $1,000,000</td>
<td>6</td>
</tr>
<tr>
<td>Not available</td>
<td>29</td>
</tr>
</tbody>
</table>

Table 5.4
It would have been useful to explore the relationship between group activism and operating budget. Annual expenditure is perhaps the best indicator of an organization's economic power, although it is of course less than reliable as a measure of the aggregate economic power of association members. In any event, budget figures are apparently considered sensitive information, as nearly two-thirds of the associations declined to fill requests for these data.

<table>
<thead>
<tr>
<th>Staff</th>
<th>N</th>
<th>Median</th>
<th>Δ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>23</td>
<td>10</td>
<td>-11</td>
</tr>
<tr>
<td>10-99</td>
<td>11</td>
<td>26</td>
<td>+5</td>
</tr>
<tr>
<td>&gt;99</td>
<td>11</td>
<td>45</td>
<td>+24</td>
</tr>
</tbody>
</table>

Table 5.5

Associations are less reticent about releasing information on the size of their paid staff. Since there is a fairly direct, (although imperfect) relationship between staff and budget, staff size is, in this analysis, taken as an approximate measure of the financial stature of an association.

The majority of American trade associations are small undertakings: one study shows that three quarters of all associations have fewer than 12 staff members. Groups active before the FCC show a similar pattern, with over half employing fewer than ten staff members (the population median is five).
It is the groups with the largest programs, however, which dominates FCC issues; in fact, the eleven associations with more than 100 employees exhibit a median Activity Score that is 24 points higher than the population median. For them, intervention in FCC matters is a marginal enterprise, one of several general service functions.

Most of the larger associations represent major U.S. commercial sectors, such as the railroads (AAR), newspapers (ANPA), and defense-aerospace firms (AIA).

### Variable 5. Membership Structure

<table>
<thead>
<tr>
<th>Structure</th>
<th>N</th>
<th>Median</th>
<th>Δ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Membership</td>
<td>41</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>Federation</td>
<td>4</td>
<td>24</td>
<td>+3</td>
</tr>
</tbody>
</table>

Table 5.6

For the vast majority of associations, the unit of membership is the individual firm. The four groups showing a federal structure are not dramatically more active as a class, but their number is too small to support a general inference concerning the relationship of membership structure to activism.
Variable 6. Date of Establishment

<table>
<thead>
<tr>
<th>Date</th>
<th>N</th>
<th>Median</th>
<th>Δ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1930</td>
<td>16</td>
<td>44</td>
<td>+23</td>
</tr>
<tr>
<td>1930-1960</td>
<td>12</td>
<td>24</td>
<td>+ 3</td>
</tr>
<tr>
<td>After 1960</td>
<td>15</td>
<td>15</td>
<td>- 6</td>
</tr>
<tr>
<td>Not ascertained</td>
<td>2</td>
<td>10</td>
<td>-11</td>
</tr>
</tbody>
</table>

Table 5.7

There appears to be a bivariate relationship between association age and general activism, with the oldest associations considerably more lively than those formed after 1930. This finding refutes the contention, advanced independently by several informants close to the regulatory scene, that the recent movement in communications regulation has been fostered primarily by the newer, more progressive high-technology interests. In point of fact, the traditional sectors have belied their image of lethargy by lining up vocally behind many policy innovations.

Variable 7. Market Coverage by Member Firms

<table>
<thead>
<tr>
<th>Coverage</th>
<th>N</th>
<th>Median</th>
<th>Δ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25%</td>
<td>11</td>
<td>16</td>
<td>- 5</td>
</tr>
<tr>
<td>25-75%</td>
<td>14</td>
<td>14</td>
<td>- 7</td>
</tr>
<tr>
<td>75-95%</td>
<td>10</td>
<td>34</td>
<td>+13</td>
</tr>
<tr>
<td>95-100%</td>
<td>10</td>
<td>38</td>
<td>+17</td>
</tr>
</tbody>
</table>

Table 5.8
In his study of the politics of tariff legislation, E.E. Schattschneider notes a tendency among interested parties to claim the solid backing of 90% of the relevant industry; the hearing transcript, he observes, "is replete with accounts of the unity of the nine-tenths." For tariff policy, market coverage was thus adduced as an indicator of representational legitimacy.

For communications, legitimacy seemed to be less than a prerequisite of policy involvement, as over half of the groups are estimated to have members who account for less than 75% of the relevant markets. However, it is the more "legitimate" industry representatives which exhibit greater involvement across the several issues; the median association score for groups covering more than 75% of their markets is 38, compared with 15 for the others. From one perspective, this result is paradoxical, since we might reasonably expect higher levels of activity of those groups which are unencumbered by the task of accommodating the diverse interests of whole industries of competing companies.

Variable 8. Headquarters Location

<table>
<thead>
<tr>
<th>Location</th>
<th>N</th>
<th>Median</th>
<th>△Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington, D.C.</td>
<td>29</td>
<td>33</td>
<td>+12</td>
</tr>
<tr>
<td>Other Cities</td>
<td>14</td>
<td>14</td>
<td>-7</td>
</tr>
<tr>
<td>Not Ascertained</td>
<td>2</td>
<td>18</td>
<td>-3</td>
</tr>
</tbody>
</table>

Table 5.9
The high and crescive popularity of Washington as a site for associations' central offices is clearly reflected in our sample of 45 groups, as nearly two-thirds of them are now located in the national Capitol. At least six of the associations have transferred to Washington headquarters in the last five years.

Washington-based groups are much more active in communications policy than others. Two interpretations of this finding immediately suggest themselves. A marginal cost explanation might be confected, holding that Washington-based groups simply find the expense of intervention significantly lower than associations located far from the locus of Federal communications policy; alternatively, this interpretation might be framed in cognitive terms, holding that distant groups are less involved in FCC matters because communications issues are infrequently exposed to them. A second interpretation is that location and FCC activism are both affected by an underlying third factor: a general disposition of policy activism. In this view, activist groups would be more likely to locate at the seat of government and also more likely to habituate the FCC in search of collective benefits.

**Variable 9. Susceptibility to Governmental Regulation**

<table>
<thead>
<tr>
<th>Status</th>
<th>N</th>
<th>Median</th>
<th>Δ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>20</td>
<td>22</td>
<td>+1</td>
</tr>
<tr>
<td>Unregulated</td>
<td>25</td>
<td>15</td>
<td>-6</td>
</tr>
</tbody>
</table>

Table 5.10
Associations of regulated firms account for nearly half of our sample and as a class appear to be only slightly more active in the eleven selected issues than groups of unregulated companies.

Some observers might express surprise at this result, feeling that groups that depend on public decisions for their livelihood would be more willing to seek advantages in other regulatory forums. In particular, those who assert that regulated industries usually "captivate" the agency which purports to control them would doubtless predict that aggressive attitudes toward public authority would carry over to other regulatory agencies. However, at least at this level of analysis, little corroboration is found in the data. Conversely, groups of firms that are free of government controls do not show diffidence in appearing before public bodies in seeking gains in telecommunications.

<table>
<thead>
<tr>
<th>Primary Orientation</th>
<th>N</th>
<th>Median</th>
<th>ΔMedian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications Policy</td>
<td>18</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>27</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.11

Eighteen of the associations are primarily oriented toward common carrier communications policy; that is, they were either a) formed specifically to address an imminent
communications policy decision, or b) organized as the immediate and direct result of policy. Examples of the former case are the timesharing (ADAPSO), who were galvanized by the computer inquiry, and the ad hoc committee of manufacturers (AHTC), which split from the NAM over the latter's weak position on Telpak, and exist only to address telecommunications issues. The interconnect equipment suppliers (NATA), comprising some 200 firms seeking niches in markets opened by the Carterfone decision, represent the latter type.

It might seem inevitable that groups which orient themselves specifically toward FCC decisions are more active than groups (like the retail merchants NHMA or the bankers ABA) for which communications is a relatively minor area of concern. However, there is no observable difference between the two categories (nor is there a discrepancy between the two varieties of communications-oriented groups). Generally, this is due to the tendency for the policy-oriented groups to focus their energies relatively narrowly on particular issues.

Variable 11. Internal Structure for Communications Policy Matters

<table>
<thead>
<tr>
<th>Structure</th>
<th>N</th>
<th>Median</th>
<th>Δ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Committee</td>
<td>16</td>
<td>42</td>
<td>+21</td>
</tr>
<tr>
<td>Committee-of-Whole</td>
<td>14</td>
<td>17</td>
<td>-4</td>
</tr>
<tr>
<td>None</td>
<td>15</td>
<td>10</td>
<td>-11</td>
</tr>
</tbody>
</table>

Table 5.12
About a third of the associations approach communications policy matters through a specialized committee, and those that do are generally much more active. Somewhat surprisingly, another fourteen associations which do not work through special communications committees, but which are themselves primarily oriented toward FCC policies (e.g., the modem manufacturers [IDCMA], and the utilities [UTC]), are slightly less active on the whole. This effect is probably due to the tendency for the associations in this latter category to focus exclusively on a single issue. For example, the multipoint carriers (MMCCA), independent television stations (AITS), and microwave carrier applicants (BDCC) all have thus far addressed the single issue most relevant to their communications interests.

The relationship between committee structure and activism is probably mutually reinforcing. Organizational form follows function, so committee structure is to some extent merely an embodiment of past interests: if a group has previously found itself interested in two or three communications issues, the establishment of a permanent committee for communications is the most efficient way of coordinating its activity. However, it is also plausible that once a committee is formed, it will tend to draw the association into issues which might have otherwise escaped its notice.
Variable 12. Communications Counsel

<table>
<thead>
<tr>
<th>Counsel</th>
<th>N</th>
<th>Median</th>
<th>Δ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside Specialist Lawyer</td>
<td>19</td>
<td>40</td>
<td>+19</td>
</tr>
<tr>
<td>Staff Lawyer</td>
<td>13</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>None, not Ascertained</td>
<td>13</td>
<td>10</td>
<td>-11</td>
</tr>
</tbody>
</table>

Table 5.13

As outlined in preceding chapters, the role of the communications law firm is important in trade associations' FCC activities; almost half of the associations retain special outside counsel for communications, and those that do are much more active in policy affairs. One might expect to find use of specialist law firms highest among the smaller associations which cannot afford the expense of full-time staff lawyers, but no such pattern is evident, and, in fact, six of the eleven associations with 100 or more staff members utilize the services of external communications counsel.

As with committee structure, use of outside counsel is to some degree simply a reflection of past policy involvement, which may explain the apparent correlation with association activism. However, since it would seem somewhat easier for an association to reduce or terminate a relationship with an outside law firm once a particular policy issue is settled than to dissolve an ongoing committee, there is ample reason to suspect that reverse causal processes are also at work. Outside lawyers may in fact influence the level
of activity of the groups they represent. It certainly is in their financial interest to interpret emerging policy issues in terms that dramatize their clients' stake in the outcome.

**Variable 13. Size Homogeneity of Members**

<table>
<thead>
<tr>
<th>Homogeneity</th>
<th>N</th>
<th>Median</th>
<th>ΔMedian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relatively Homogeneous</td>
<td>13</td>
<td>15</td>
<td>-5</td>
</tr>
<tr>
<td>Intermediate</td>
<td>16</td>
<td>22</td>
<td>+1</td>
</tr>
<tr>
<td>Relatively Heterogeneous</td>
<td>16</td>
<td>26</td>
<td>+5</td>
</tr>
</tbody>
</table>

Table 5,14

Sorting the associations into three categories according to the relative size distribution of members (according to subjective assessments) reveals a slightly negative relationship between homogeneity and activism. This result is counter-intuitive, and is contrary to the opinion of several informants that group involvement is often forestalled by some members' feelings that a minority of firms would derive a disproportionate share of the benefits.

One reason that size disparities fail to inhibit group action is that they are typically offset by differentiated dues structures which throw the burden of support to the more powerful members. Data on dues schedules were not collected systematically for all 45 associations. However, available information supports the findings of an ASAE survey of 855
associations, which found four instances of dues based on either company sales, physical production, or labor force for every case of flat membership fees. In the case of communications policy, it would appear that internal differences related to scale were effectively muted by proportional cost sharing.

Variable 14. Functional Homogeneity of Members

<table>
<thead>
<tr>
<th>Homogeneity of Markets</th>
<th>N</th>
<th>Median</th>
<th>ΔMedian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essentially Same Product/Service</td>
<td>16</td>
<td>15</td>
<td>-6</td>
</tr>
<tr>
<td>Different Products/Services, Same Industry</td>
<td>13</td>
<td>40</td>
<td>+19</td>
</tr>
<tr>
<td>Different Distribution Stages, Same Industry, or Different Industries</td>
<td>16</td>
<td>16</td>
<td>-5</td>
</tr>
</tbody>
</table>

Table 5.15

Again employing subjective assessments, associations were segregated according to degree of disparity among the markets served by members. The category of most homogeneous firms included such groups as the FM broadcasters (NARMB), modem manufactures (IDCMA) and airlines (ATAA). Among the least homogeneous associations are included the oil companies (API: members include refiners, pipeline companies, and natural gas interests), NAM, and the three groups of large communications users (ICA, TCA, and AHTC) which draw members from many different market sectors.
The result is a curvilinear relationship with association activism. It is simple enough to explain the relative passiveness of the heterogeneous groups on the basis of the difficulty of accommodating diverse interests. However, it is less readily apparent why the most homogeneous interests should be so much less active than the intermediate class. A partial explanation may be that many of the functionally homogeneous associations are splinter groups oriented toward specific narrow policy objectives that are neglected by larger umbrella groups to which association members also belong. For example, the large telecasters (MST), FM broadcasters (NAFMB), and independent television stations (AITS) all have sought limited single-issue objectives before the FCC in common carrier matters, evidently leaving to NAB the task of representing the entire broadcasting industry on the broader range of issues.

In other words, high activism across issues tends to manifest itself in the industry-wide associations, where "industry" is defined in the most general terms, e.g., "the railroads" (AAR), "the department stores" (NFMA), "the newspapers" (ANPA). This phenomenon is not simply a matter of organizational scope; the common carrier communications interests of the large telecasters (MST) are not qualitatively narrower than those of the whole NAB, nor are the small telephone companies (CPASTCO) significantly more limited in their range of interests than are independent telcos (USITA). Presumably the smaller organizations' members simply find it more
economical to work through the larger entity whenever possible. Yet interest aggregation seems to stop at the industry level; using similar logic, it would be cheaper still for users to work through an "All Users Association" or for all (non-telco) manufacturers to form a "National Communications Equipment Suppliers Association" but no such monoliths have evolved.

Perhaps the most satisfactory theory available to account for the non-linear pattern of interest aggregation is Olson's "by-product" interpretation of lobbying activity:

"The large and powerful economic lobbies are in fact the by-products of organizations that obtain their strength and support because they perform some function in addition to lobbying for collective goods....The lobby is then a by-product of whatever function the organization performs that enables it to have a captive membership." 5

The national economy seems to have sorted itself into distinct industries, each of which has its "authoritative" umbrella organizations. Organized around a core technology, it is the industry-wide association that protects its members from what Palamountain calls "intertype competition" 6 with the technologies of other industries (in such conflicts as railroads vs. truckers, cable television vs. over-the-air-broadcasting, department stores vs. discounters). More important, the industry-wide association usually has been the entity to which government has turned in time of national crisis in order to implement policy objectives over broad sweeps of the commercial world. These external challenges help consolidate
authority within the industry association, giving it selective incentives to distribute to members in the process of certification or the enforcement of industry standards. Individual firms grow more dependent on the industry-wide association for sanctions or for strategic information, becoming in effect captive members. As Olson would have it, a by-product of this situation is the group's attempts to secure collective goods through communications policy involvement.

Variable 15. Supplier Relationship to Telephone Companies

<table>
<thead>
<tr>
<th>Relationship</th>
<th>N</th>
<th>Median</th>
<th>△Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier</td>
<td>25</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>Non-Supplier</td>
<td>20</td>
<td>18</td>
<td>-3</td>
</tr>
</tbody>
</table>

Table 5.16

Many of those who make a living by opposing policies which the telephone companies endorse contend that one of the more effective tactics used by telcos to modulate dissent is the orchestration of company procurement policy. Stories abound illustrating how critics have been effectively muffled with strategic telco procurement contracts, the most cunning example being found in the rumor that AT&T neutralizes the computer industry by purchasing in direct proportion to manufacturers' current market shares. (Which, if true, contrasts vividly with government procurement practices.)
These suspicions, however, are not confirmed at this level of analysis. The members of 25 groups are judged to have significant supplier-relationships with telcos (the newspapers [ANPA] and broadcasters [NAB], for example, sell advertising to telcos, and computer makers [CBEMA] sell data processing gear, but the bus owners [NAMBO] and department stores [NRMA] rely very little on telco purchases). The difference in median activity scores is negligible.

**Variable 16. Competitive Relationship with Telephone Companies**

<table>
<thead>
<tr>
<th>Status</th>
<th>N</th>
<th>Median</th>
<th>ΔMedian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitor</td>
<td>13</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>Non-Competitor</td>
<td>32</td>
<td>21</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 5.17

One can imagine arguments both ways with regard to bivariate interrelations between telco competition and activism. A pluralist might expect that competitors would be more active than other groups, believing that group conflict in one arena would inevitably spill over into many other issue areas due to a pervasive spirit of belligerence. A more skeptical populist, however, might argue that competitors would maintain a low regulatory profile, fearing to antagonize a wrathful, massive monopoly power which might seek retribution in the marketplace.

The evidence supports neither view. Associations whose members share markets for goods or service with telcos and their manufacturing affiliates show the same median activity score as those which do not.
D. Relationships Among Independent Variables

For interval data, the central-limit theorem allows us to test for significance among bivariate relationships by comparing the population mean (μ) and the mean of a test sample in the context of the sampling distribution with mean μ and variance σ²/N, where σ² = population variance, N = sample size.

This procedure is not available in the present situation, but we can follow an analogous path in order to isolate the more important bivariate relationships.

If we rank the various attributes according to their median activity scores, we find that eight characteristics score better than 33, with the ninth at 26, only five units from the population median of 21. This reflects an obvious discontinuity, and for convenience we consider as "important" relationships those which show a median value 12 or more units above the population median (attributes with the lowest medians are merely opposite values to those so isolated). These eight characteristics are as follows:

**Major Correlates of Group Activism**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>N</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Staff Size &gt;100</td>
<td>11</td>
<td>45</td>
</tr>
<tr>
<td>2. Pre-1930 Establishment</td>
<td>16</td>
<td>44</td>
</tr>
<tr>
<td>3. Policy-Privileged Industry</td>
<td>8</td>
<td>43</td>
</tr>
<tr>
<td>4. Committee for Communications</td>
<td>16</td>
<td>42</td>
</tr>
<tr>
<td>5. Outside Counsel</td>
<td>19</td>
<td>40</td>
</tr>
<tr>
<td>6. Industry-Wide Scope</td>
<td>13</td>
<td>40</td>
</tr>
<tr>
<td>7. Market Coverage &gt;75%</td>
<td>20</td>
<td>38</td>
</tr>
<tr>
<td>8. Washington Headquarters</td>
<td>29</td>
<td>33</td>
</tr>
</tbody>
</table>

Table 5.18
A list of eight bivariate relationships does not make for a particularly appealing explanation of association activism. For one thing, we have no understanding of whether the eight variables reflect eight distinct influences or whether they are so closely interrelated that they are simply alternative indicators of a single underlying factor.

To investigate this question, the eight variables were dichotomized according to the breakpoints cited in Table 5.18, and all 28 bivariate relations among them were tested for significance by application of chi-square tests. Figure 5.4 shows the relationships for which the null hypothesis "no positive relationship exists" can be rejected at the $p = .01$ level. As a measure of the strength of the various relationships, a phi-square value is presented. Phi-square varies from .000 (no relationship) to 1.000 (perfect relationship; no off-diagonal values in the two-by-two contingency table).

It appears that the eight variables can be reduced to a small number of underlying independent correlates of group activism, as Figure 5.4 shows three closely-related central variables: Privileged Industry, Staff Size, and Market Coverage (legitimacy). That is to say, associations of firms with special communications policy privileges are activist, but these tend to be the same groups exhibiting high market coverage and large staffs. Three other characteristics, namely Industry-wide Scope, Association Age, and Washington Headquarters, are closely related to one or two of the three central
Figure 5.4

Relationships among Independent Variables

SIGNIFICANT AT P = .02
variables. The remaining characteristics, Committee Structure and Outside Counsel, appear to be relatively independent correlates of activism in communications policy-making, although each is weakly associated with one of the central variables.

In general, then, we expect to find active participation among a) multifirm groups retaining specialist counsel, b) groups with special committees for communications, or c) associations showing evidence of the privilege-high legitimacy-large staff size factor.

E. A (Tentative) Causal Interpretation

A plausible theory of the sources of activism in communications policy which respects the measured relationships among independent variables is represented in Figure 5.5.

Figure 5.5 is essentially a reconfiguration of Figure 5.4, with all bivariate linkages preserved. Three modifications are introduced: a) three new background variables are inserted in order to elucidate relationships among the original eight independent characteristics, b) causal linkages are represented by solid arrows drawn in the direction of hypothesized causality, and c) broken arrows replace solid lines for linkages which are deemed to reflect spurious correlations (that is, covariation explained by common third-variable influences).
Figure 5.5: A causal interpretation

Key:
- - - Causal influence
- - - Spurious correlation
The central hypothesis in this untidy causal interpretation is that many of the manifest variables can be related, directly or indirectly, to a dependence on Federal governmental policies in everyday business affairs. Most frequently, for the multifirm groups considered here, this signifies direct regulation by a Federal agency. However, the dependence can be more diffuse, as it is with the aerospace firms (AIA) whose relationship with the government is that of contract-supplier. The underlying causes of this dependence on government are taken as exogenous for our purposes, although the question as to which types of commercial activities are particularly prone to governmental dependence clearly warrants further empirical investigation.

Tracing Figure 5.5 from left to right, we propose that previous dependence on Federal policy decisions has been responsible for the establishment of associations before 1930. Since the underlying causes of the dependence are relatively static, (e.g., the conditions of "natural monopoly" are unlikely to change rapidly), there is some serial correlation in the dependence factor, relating previous to current dependence. As a result of current policy dependence, we postulate three "natural" consequences and one which has been legislated. First, the trade association of firms which find themselves dependent is strengthened. As the intermediary between individual firms and government, the association will be granted augmented authority by both sides. Individual firms submit
to voluntary central coordination in recognition of the necessity of coherent collective behavior vis à vis the external threat, and also become dependent on the association for information on the state and future of the policy environment. The government may (particularly in times of national crisis) encourage self-regulation through the existing association as the most efficient means of responsive compliance with urgent social objectives, thus also strengthening the central organization's independent authority.

A second consequence of government dependence is that the national headquarters is established in (or transferred to) Washington in order to expedite association-governmental interaction.

Third, the scope of the association tends to become industry-wide, possibly through merger of smaller existing units, in order to match the scope of the public policy decisions issuing from the relevant Federal agencies. (However, "industry-wide" is obviously a relative term whose conceptual utility is moot.*）

The fourth stipulated consequence of dependence on government decisions is the historical granting of special privileges with regard to common carrier communications. For the most part, these privileges relate back to the special sharing

---

*Some insight into the underlying question as to whether industries reflect technological groupings or are merely the artifact of arbitrary public policy decisions might be gained from international comparison of sectoral categorization. For example, do the English, French and Russians all mean the same thing when they speak of the "electronics industry"?
provisions of the "Above 890 Megahertz" decision of 1959. The FCC then determined that the newly-authorized private microwave systems could be used on a cooperative basis only for "organizations whose rates and changes are regulated by a governmental entity", 7 the rationale being that regulated organizations could not simply convert communications cost savings into retained profits. The same provisions were later made for the sharing of Telpak services.

The bivariate relationships between Policy Privilege and Washington Headquarters, and between Policy Privilege and Industry-wide Scope are both deemed spurious, since all three variables depend on the degree of dependence on governmental decisions.

As an association is strengthened to cope with forces external to the industry,* it can develop what Olson calls "selective incentives" to maintain internal order. One consequence of this development is that market coverage will increase, since few firms will be able to persist without the noncollective goods now distributed through the industry association. Market coverage is also affected by the association's age: as it matures, the association accretes membership services that cumulate to make membership more and more alluring to hesitant non-member firms.

*It should be clear that dependence on government is only one form of external threat which can fortify associations' central authority. Threats posed by intertype competition and market confrontation with monopoly and monopsony can also encourage collective economic power.
Also resulting from the development of selective incentives is a higher operating budget (measured here as staff size). This causal proposition follows Olson's "by-product" theory; once membership in a group becomes virtually compulsory, the foundation is established for new group activities aimed at providing collective goods for members, and the proliferation of these ancillary activities elevates the association's budget.

Intervention in communications policy, in this causal scheme, is the resultant of two factors. First, according to the "by-product" theory, the wealthy, "legitimate" associations will intervene to attain the collective good of cheaper, more flexible communications services. Second, groups specifically favored by communication policy will intervene to protect their gains. According to the representation in Figure 5.5, these two main effects are independent, although closely interrelated, the interpretation being that it was merely coincidental that the FCC conferred special benefits to the regulated industries, which also happen to be the strongest. This assumption may be flawed, as it is conceivable that the special privileges may themselves be due to successful lobbying at the FCC in the 1950's by the well-organized regulated industries; in other words, the special privileges may simply represent an earlier example of the by-product effect, and all activism may thus be ultimately traced back to an association's attainment of selected incentives, as illustrated in the arrow diagram of Figure 5.6:
Once an association becomes active, a pattern of subsequent intervention occurs, resulting in the emergence of the "Club of Regulars". Two separate mechanisms may be involved in this self-perpetuation effect: reliance on outside communication counsel and existence of a special committee for communications policy matters. The establishment of such committees appears to be abetted by budgets large enough to support their costs. Each mechanism assures continuous surveillance of policy issues and increases the likelihood of future identification of group interests.

Any inclination to extract expansive generalizations from this model should be seasoned with the recollection that it is based on observed variation among active groups, and therefore cannot be used in full confidence to explain the differences between active and totally passive associations.

Similarly, the exclusive focus on associations which have already declared their interest in communications policymaking may overstate the power of the Olson "by-product" theory. Our analysis shows moderately strong support for the proposition that the availability of selective incentives is a necessary condition to group action in pursuit of collective goods, but we cannot reasonably infer that it is a sufficient condition. Consider the passivity of three mammoth groups, the bankers (ABA), insurance companies (AIA) and securities dealers (NASD), all of which appear to meet Olson's criteria. Each group maintains a staff of at least 265, which would place
them in the top 10% of our sample, and all three reflect significant market coverage; in fact, the bankers claim to account for 99% of all U.S. deposits. Each has very heavy communications requirements. However, of the three only the bankers have ventured the few blocks across Washington to intervene at the FCC, and even the bankers have restricted themselves to three cautiously shallow dives into regulatory procedures. Additional clues are required which The Logic of Collective Action does not provide.
Footnotes, Chapter 5


2 Interview B-3.


5 Olson, op. cit., pp. 132-33.


7 In the Matter of Allocation of Frequencies in the Bands Above 890 MC, Report and Order, 27 FCC 359 (1959), p. 408
Chapter 6

Quantitative Analysis II: Issue-Specific Activism

Accurate or surd, interpretations in the preceding chapter would probably strike a policy-maker as irrelevant. His practical problem is not simply that of knowing which types of groups tend to frequent agency hallways most often, but rather to understand which particular policy outcomes incite specific groups to active intervention. Whereas Chapter five examined activism across issues, the following analysis undertakes an issue-by-issue investigation of the preconditions of policy-involvement.

A. Methods

The approach used to evaluate alternative propositions is cross-tabulation of actual association behavior (as coded in the twelve-point Issue Activity Score; see Table 5.1) against the predicted behavior as specified by various logical combinations of preconditions.
For reasons of computational cost, the ensuing analysis was confined to a working sample of 20 associations and five issues. The associations were selected from the full set of 45 by a random process.

The five issues included the Computer Inquiry, interconnection, bulk communications, resale/sharing, and the specialized common carrier question. These five issues were selected because they attracted the largest numbers of participants among the eleven issues, and are thus deliberately biased toward group activism. They are distinguished from the other six both in frequency and intensity of involvement by multifirm interests. At the Nominal Entry level, the overall likelihood of intervention (total number of interventions divided by the total number of potential interventions) is 0.404 for the five selected issues, and only 0.222 for the other six. At the Intermediate Level and High Initiative thresholds, the selected issues attracted four and ten times (respectively) the association involvement of the excluded issues.

The exploratory analysis rests on 96 observations, representing five issues for each of twenty associations, less four cases in which the issue had been resolved prior to the formation of the association. The 96 observations comprise slightly less than 20% of the total sample.

Each trial tested the accuracy of what will here be termed a "predictor". A predictor is a set of logical conditions which, if met, stipulates active group involvement above the specified activity threshold.
To illustrate the procedure we can consider a slightly complicated actual example. Suppose that we wish to evaluate a two-variable hypothesis specifying that an association will intervene at the Nominal Entry level (Issue Activity Score higher than two) if the economic value of the policy outcome is very high, and that it will not intervene if the present economic value is very low; if the present value is in an intermediate range, only those groups with large operating budgets (i.e., Staff Size > 99) will enter. As outlined below, estimates of economic present value are expressed in quartiles, and we can rephrase the hypothesis as the following predictor: Present Economic Value = top quartile or (Present Economic Value ≠ lowest quartile and Staff Size > 99). In shorter form, we can designate such a predictor "present value 'framing' high budget".

Application of this predictor to the 96 observations revealed 43 instances for which the predictor's conditions hold; involvement at the Nominal Entry level is postulated for each instance. We can compare these predictions (more properly, of course, "postdictors") to actual behavior as follows:

<table>
<thead>
<tr>
<th>Predicted</th>
<th>Passive (IAS &lt; 2)</th>
<th>Active (IAS &gt; 2)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>14</td>
<td>29</td>
<td>43</td>
</tr>
<tr>
<td>Passive</td>
<td>43</td>
<td>10</td>
<td>53</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>39</td>
<td>96</td>
</tr>
</tbody>
</table>

Table 6.1 Predictor: Economic PV 'framing' High Budget, at Nominal Entry level
The predictor was found accurate for 72 cases; 43 for which it accurately specified that the association would not intervene formally, and 29 instances in which it correctly stipulated formal action. It erred in 24 instances, ten of which found association involvement when the required conditions do not obtain and 14 for which the group remained on the sidelines when the predictor specified involvement. In practice, the name of the association and issue for each of the 24 errors was recorded in order to provide information as to possible corrective measures, a process analogous to the inspection of residuals in regression analysis.

In order to assess the relative performance of alternative predictors, a measure called a $j$-score is used. It may seem desirable to avoid the introduction of this new term, and to express predictive accuracy as a simple percentage (for the above example, the percentage would be $100 \times \frac{72}{96} = 75.0\%$), but such a measure limited intuitive meaning. We would, after all, expect to specify some of the cases accurately even by random guessing, and the expected number of errors incurred by guessing unfortunately depends on relative values of the marginals (bottom-totals, or the "57" and "39" in the above example)*

*To illustrate:
If a subject is blindfolded and asked to segregate six red marbles from six black ones in an urn of twelve marbles, he will expect to make six errors; however, if asked to segregate one red from 11 blacks, he will expect to make, on average, fewer than two mistakes.
The j-score is defined as follows:

\[ j = \frac{E_n - E_p}{E_n} \]

where \( E_n \) = expected number of no-information errors (by random guessing)

\( E_p \) = number of actual errors using a given predictor.

\( E_n \) is calculated according to standard probability techniques as \( \frac{2ap}{n} \) where \( a \) = actual number of instances of action above the specified activity level

\( p \) = number of instances of behavior below the specified activity level

\( n = a+p \) = total number of instances considered.

It may be noticed that the j-score bears a family resemblance to Goodman and Kruskal's "tau" in both form and purpose.\(^1\) The j-score has a fairly simple interpretation - the proportionate reduction of errors achieved by a given predictor over no-information (random) guessing.\(^*\) A value of 1.000 implies total elimination of predictive errors, and a j-score of 0.000 reflects no improvement over guessing. For the example above, the j-score is computed as \((46.1-24)/46.1 = 0.482\),signifying that nearly half of the no-information errors have been eliminated.

\(^*\)In concept, it resembles the \( R^2 \) of regression analysis, but unlike \( R^2 \), j can assume negative values.
The virtue of this homely methodology is that it produces measurable assessments of the explanatory power competing hypotheses without taxing the quality of the ordinal variables at hand. Its weaknesses are the use of subjectively-coded data, the pooling together of distinct issues (some observers might contend that each issue deserves separate analysis and is analytically incomparable with all other issues), and the arbitrary procedure of weighing all errors equally in computing j-scores.

Three series of trials were undertaken, one for each level of involvement. For the Nominal Entry level there were 38 instances of group action among the total of 96.* At the Intermediate Level, the number was 21, and at the High Initiative level only eight. The number of trials completed for the three series were 139, 109 and 35 respectively. This total of 283 manual trials accurately reflects the lack of theoretical guidance provided by verbal theory on the subject of interest group activism.** With this many exploratory probes, there is substantial danger that findings will simply reflect the peculiarities of the particular subset of observations. Accordingly, the best predictors for each of the three series were applied to data for all 45 associations, accounting for 25 additional trials.

*Instances involving missing data were excluded from the trials in which they occurred, and j-score calculations were adjusted accordingly.

**The term for such exhaustive searches is "gross empiricism". Widely practiced in most quantitative social science, it is rarely acknowledged in polite company.
B. Contextual Independent Variables

The fifteen variables introduced in Chapter five embody attributes of associations, and might be called background variables. As we wend into the study of behavior relating to specific policy options, contextual measures of the implications of each issue for each association are required. Eight variables have been encoded, seven of which reflect various aspects of issue content according to the informed judgment of the investigator.

Since trade associations operate in territory at the outer borders of economics and politics, it is inevitable that their behavior is subject to both economic and political interpretation, and one of the objectives of this investigation is to examine competing propositions from each discipline. Generally, contextual variables 1, 2, and 3 represent economic considerations, while variables 4, 5, and 6 embody "political" concepts.

For variables 1, 2, and 4, which are coded in quartile scores, the procedure used was to rank all 45 groups according to the appropriate measure for each issue. The rankings were then collapsed into four approximately equal components and quartile scores were assigned.


Contextual Variable 1. Economic Present Value

<table>
<thead>
<tr>
<th>Quartile</th>
<th>N*</th>
<th>Mean Issue Activity Score**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>24</td>
<td>4.3</td>
</tr>
<tr>
<td>Second</td>
<td>23</td>
<td>4.2</td>
</tr>
<tr>
<td>Third</td>
<td>21</td>
<td>3.0</td>
</tr>
<tr>
<td>Lowest</td>
<td>28</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Table 6.2

Contemplation of economic explanations of behavior, of course, cannot avoid the doctrine of profit maximization. The practical difficulty with profit maximization, in the present context, is the insuperable difficulty of operationalizing the concept,*** as economists have yet to reach clear agreement on precisely what the relevant objective function is. In addition, outside assessments of profitability are virtually impossible in specific situations. For example, we may know that the annual market for a potential new communications product is $X$ million dollars, but this gives us very little insight into whether cost functions for the product will allow profits, so it is exceedingly difficult to know, as a

*Breakdowns do not fall into equal quartiles because data were assigned to all 45 associations before selection of the 20 groups in the working sample.

**The mean of an ordinal variant is a meaningless value, strictly interpreted, and is displayed in these tables merely to convey a gross sense of central tendency. The median value is of no utility in this situation, which involves a large number of "tie" activity scores.

***It has been said that profit maximization is as much a doctrine of faith as of science, and in fact it does not appear to be much more falsifiable as a proposition than Original Sin.
remote observer, whether a supplier firm's decision to seek entry into the new market is consistent with rational tenets of profit maximization. Similarly, we might be able to estimate the communications cost savings of a given policy outcome at Y million dollars for firms in industry Z. However, unless we also know to what extent price competition in industry Z will offset these gains, we cannot know whether association Z's policy intervention can be explained properly as a thirst for profits.

Somewhat more tractable is the simpler notion that organizations, as Economic Man institutionalized, behave according to present value calculus. That is, they implicitly sum the material costs and benefits of specific actions well into the future, apply an appropriate discount rate to the net benefit stream, and take action if the calculus returns a positive number. A strong dose of ceteris paribus can be used to avoid confrontation with some of the problems that muddy the operationalization profit maximization.

The variable coded here necessarily incorporates further simplifying assumptions. First, the direct logistics costs of intervention are ignored on the basis that they are virtually the same for all associations and thus factor out of the final ordinal scale. Second, in the face of uncertainty of outcomes, rational men will adjust the value of each policy outcome according to the probability that it will occur, but
these probabilities are nearly impossible to define, particularly through the distorting lens of hindsight. Thus, they have been omitted from consideration. Finally, only direct, first order policy impact was considered. In the simplest case, present-value analysis of pending policy choices must evaluate two separate policy outcomes - one favorable to the interests of the industry and another which would have adverse effects. It is the difference between these evaluations, rather than either outcome valued in isolation, which should provide the key to organizational behavior. The coding procedure attempted to account for this point. First, the present value of the favorable decision was estimated (and retained as variable 2, below); then the value of preventing the adverse policy outcome. Finally, the "Economic PV" variable was established in reference to the two other values.

Coding Economic PV as a relativistic ordinal variable was clearly the only methodologically responsible course of action, given the uncertainties involved. However, we cannot escape the consequence that a zero point, crucial to the present-value interpretation of behavior, has not been established in these data. If, in fact, the "real" (unknowable) zero present value is found for groups in the lowest quartile, then norms of rationality specify that all groups in the upper quartile associations "should" involve themselves. This limi-
tation is further complicated by the unfortunate fact that the "real" zero point may be at different values in the five different issues, rendering more hazardous the pooling of observations across issues.

In spite of the unavoidable passal of caveats and qualifications listed above, mean scores listed in Table 6.1 suggest a positive relationship between Economic PV and actual Issue Activity Scores.

### Contextual Variable 2. Economic Opportunism

<table>
<thead>
<tr>
<th>Quartile</th>
<th>N</th>
<th>Mean Issue Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>26</td>
<td>4.4</td>
</tr>
<tr>
<td>Second</td>
<td>25</td>
<td>4.3</td>
</tr>
<tr>
<td>Third</td>
<td>22</td>
<td>2.4</td>
</tr>
<tr>
<td>Lowest</td>
<td>23</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Table 6.3

This variable was coded according to estimates of the value of a favorable outcome to each association for each issue.

It is considered in order to test the idea, sometimes implied in the sayings of laissez-faire economists, that the private enterprise system is pervaded by a buccaneering spirit, and that firms can be expected to act aggressively to secure potential gains. That profit-seeking may also
produce conservative behavior is rarely given emphasis in such versions of business behavior.

**Contextual Variable 3. Economic Threat**

<table>
<thead>
<tr>
<th>Effect of Worst-case Outcome</th>
<th>N</th>
<th>Mean Issue Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major market dislocation or large cost increase</td>
<td>36</td>
<td>5.4</td>
</tr>
<tr>
<td>Minor Market dislocation or moderate cost incr.</td>
<td>16</td>
<td>2.7</td>
</tr>
<tr>
<td>No change from status quo.</td>
<td>44</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Table 6.4

Economic Threat, in contrast to the opportunism measure, considers only the relative impact of an adverse policy decision for the issue in question. Unfortunately, perhaps, for the sake of symmetry with Economic PV and Economic Opportunism, it was impossible to arrange Economic Threat in quartile scores. This is due to the fact that for several issues the worst-case outcome merely reflects continuation of the status quo. For instance, if users associations had lost the interconnection and specialized common carrier issues, they would have simply been left with continued dependence on the existing telephone companies, and no group would "lose" more than any other.

The variable was suggested by the frequent observation by informants that association members seemed more easily galvanized to action by threat than by potential gains. A
predictor employing the opportunism variable roughly approximate the maximax principle of game theory, while a predictor based on Economic Threat reflects a test of the maximin hypothesis. High j-scores for predictors based on Economic Opportunism support the notion of buccaneerism in the politics of regulation; high j-scores for threat-based predictors imply that a palace guard metaphor may be more fitting.

Contextual Variable 4. Organizational Autonomy

<table>
<thead>
<tr>
<th>Quartile</th>
<th>N</th>
<th>Mean Issue Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>23</td>
<td>5.4</td>
</tr>
<tr>
<td>Second</td>
<td>24</td>
<td>3.8</td>
</tr>
<tr>
<td>Third</td>
<td>23</td>
<td>2.7</td>
</tr>
<tr>
<td>Lowest</td>
<td>26</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Table 6.5

Organizational Autonomy is the first of three "political" contextual variables.

Concepts of politics and political power lack the definitional clarity of economic terms; in fact, a graduate student in political science is typically led through a series of readings which leave him dubious of the utility of power as an organizing concept for his discipline. The following three variables, accordingly, reflect no commonly-accepted central theorems of political analysis, but instead modestly
attempt to operationalize three interesting extra-economic concepts of organizational behavior. What they have in common is the theme of "organizational domain", a type of metaphor for the territoriality and sovereignty that is sometimes seen as the basis of national and international politics.

The particular concepts embodied in the Organizational Autonomy variable are drawn from Chapter three of James D. Thompson's *Organizations in Action*, entitled, "Domain of Organized Action".

Thompson states that each organization must establish its "domain", defined as a coherent set of tasks for which the organization recognizes responsibility. "The attainment of a viable domain is, in essence, a political problem."² Since the boundaries of the domain constitute "the points at which the organization is dependent on inputs from the environment";³ the organization's political life is essentially a matter of managing its dependence on outside forces. Dependence, he points out, "can be seen as the obverse of power";⁴ the attainment of collective political power, then, is a matter of organizational autonomy.

Thompson is led to propositions which would seem to have clear implications for group interests in the supply of communications services, particularly under conditions of monopoly. His proposition 3.3, for example, states that when
input capacity is concentrated, "organizations under norms of rationality seek power relative to those on whom they are dependent", and proposition 3.1 stipulates "organizations seek to minimize the power of task-environment elements over them by maintaining alternatives." If the propositions are correct, we would expect to see multiform associations alleviating their members' dependence on monopolistic telephone companies by a) mobilizing their collective power before the FCC, and b) endorsing attempts to fragment telco monopolies.

To permit a test of such propositions, Organizational Autonomy was coded for each instance according to the degree to which a decision favorable to the association's members would reduce their dependence (normally with respect to telco operations) and the degree to which an adverse outcome would augment dependence. Codification took account of the relative importance of communications in group members' business operations. Table 6.5 indicates evidence of a positive bivariate relationship between issue activism and this variable.

<table>
<thead>
<tr>
<th>Contextual Variable 5. Defensive Posture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posture</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Offensive</td>
</tr>
<tr>
<td>Defensive</td>
</tr>
</tbody>
</table>

Table 6.6
Intervenors can enter the policy arena either to secure new advantages or to preserve existing privileges. This distinction has been coded in Defensive Posture according to whether an association's primary interest in the issue outcome was offensive or defensive with respect to current policy. The retail merchants' (NRMA) support of Carterfone interests is an example of an offensive posture; the truckers' (ATA) effort to preserve Telpak-sharing arrangements represents defensive action.

This distinction is advanced as a significant factor in Schattschneider's exemplary study of pressure group involvement in Congressional Hearings on the Hawley-Smoot Tariff bill in 1929 and 1930. However, Schattschneider reports that active groups are most likely to be those assuming offensive rather than defensive positions, while Table 6.6 reveals the opposite pattern for our data. For our 96 observations, in only one instance in four would policy involvement be defensive.

Contextual Variable 6. Relationship to Firms' Output Function (Yard)

<table>
<thead>
<tr>
<th>Yard</th>
<th>N</th>
<th>Mean Issue Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Front Yard</td>
<td>14</td>
<td>3.2</td>
</tr>
<tr>
<td>Back Yard</td>
<td>82</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Table 6.7
As discussed in the qualitative summary of interview findings (Chapter four), there is a feeling that business groups tend to see issues relating to their sales output in a different and brighter light than issues relating to factor inputs, assigning lower priority to Back Yard issues like communications. In particular, we found a belief that corporate communications managers were frequently constrained from policy endorsements by their own company superiors, whose overriding concern with Front Yard matters leaves them insensitive to problems of communications supply.

Schattschneider detected a similar tendency in his study; his taxonomy distinguishes between "primary interests' and "secondary interests", the latter "once or twice removed from the transactions affected by the [import] duty, but ... engaged in profitable traffic with primary interests". 8 (For example, sugar importers might be expected to oppose higher duties, but confectionery producers would not.) Schattschneider asserts that this phenomenon is weaker than the offensive/defensive distinction. Our findings show very feeble bivariate support for the proposition, as reflected in Table 6.7.

<table>
<thead>
<tr>
<th>Contextual Variable 7. Issue Divisiveness (vis à vis Association Members)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of Divisiveness</td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td>Low</td>
</tr>
</tbody>
</table>

Table 6.8
Some organizational analysts emphasize the role of internal bureaucratic politics in explaining the actions of the organization as a unitary entity. The economist exhorts us to examine the objective conditions confronting the organization; the student of bureaucracy directs our attention to intraorganizational conflicts and consensus.

Two background variables have previously been introduced which attempt to account for intraorganizational stress (Size Homogeneity and Functional Homogeneity). Issue Divisiveness attempts to evaluate, for each instance, whether particular subgroups within the associations would subtend shares of the benefits or costs of issue outcomes in disproportion to their support of the group. Common sense joins bureaucratic theory in suggesting that associations are often neutralized in addressing issues which threaten to exacerbate organizational fissures, but neither doctrine is confirmed by the present data, which show a slightly higher propensity for action in cases of issue divisiveness. Evidently there are counteracting forces at work, possibly including internal interest accommodations by mutual adjustments among member firms.
Contextual Variable 8. Prior Involvement in Communications Policy

<table>
<thead>
<tr>
<th>Previous Entry at Issue-Score &gt;5</th>
<th>N</th>
<th>Mean Issue Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twice or more</td>
<td>36</td>
<td>5.4</td>
</tr>
<tr>
<td>Once</td>
<td>16</td>
<td>2.7</td>
</tr>
<tr>
<td>Never</td>
<td>44</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Table 6.9

<table>
<thead>
<tr>
<th>Previous Entry at Issue-Score &gt;2</th>
<th>N</th>
<th>Mean Issue Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twice or more</td>
<td>55</td>
<td>4.2</td>
</tr>
<tr>
<td>Once</td>
<td>30</td>
<td>0.9</td>
</tr>
<tr>
<td>Never</td>
<td>11</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Table 6.10

According to one policy staff informant, involvement in communications tends to follow a "chain of activities", with the same organizations appearing issue after issue. This observation conforms to the discovery of a "Club of Regulars", and as a contextual variable is coded as the number of previous involvements in the eleven selected areas by the time of latest feasible entry into the issue in question. Because of extensive temporal overlapping among the eleven issues, it was inappropriate to use a simpler construction reflecting the number of previous involvements at the outset of each individual policy debate.
Two versions of the variable were tried, but only the first version is reported in following sections since its predictive performance was found to be uniformly stronger.

C. Relationships Among Contextual Variables

Systematic investigation of bivariate relationships among the eight contextual variables reveals eight linkages that are significant at the p = .01 level, as depicted in Figure 6.1.

In general, the variables interrelate according to intuitive expectations. The three economic variables are linked, which is not surprising since Economic Present Value is simply a weighted combination of Economic Opportunism and Economic Threat. The three political variables are also interconnected, which reflects the empirical fact that, for these particular observations, front yard issues tend also to involve the defense of current policies, and that defensiveness tends to correspond with instances of substantial impact on firms' autonomy. The remaining variables, Issue Divisiveness and Prior Involvement, are both unrelated to any other contextual variable.

The significant aspect of Figure 6.1 is the close relationship between economic and political conceptualizations; there are four linkages between variables in the two classes. This does not necessarily reflect conceptual haziness in the distinction between economic and political terms. It does signify that for the observations considered, economic and political interests are aligned. For example, consider the relationship between Economic Opportunism and Organizational
Figure 6.1: Bivariate Relationships, Contextual Variables

Significant at p < 0.06
Autonomy in the case of a user association contemplating intervention in specialized common carrier deliberations. Groups whose members depend heavily on private line interdty communications may be expected to perceive the creation of competition as a step toward reducing dependence on a single supplier (in accord with Thompson's "Proposition 3.1" concerning the maintenance of organizational alternatives). However, the same groups that will also be expected to intervene according to rules of economic opportunism, since the new carriers were, in fact, promising dramatic immediate cost savings to users. Similarly, we can appreciate the empirical relationship between Defensive ness and Economic Threat; for example, the truckers'(ATA) defense of existing Telpak-sharing provisions was clearly based on prospects of large cost increases associated with the revocation of sharing privileges.

This discussion adds little to the simple observation that we have selected a field in which politics and economic meet. As we proceed to compare the predictive power of political and economic hypotheses, we should recall that the issues under analysis do not provide sharp distinctions between the two interpretations.

D. Activity at the Nominal Entry Level

1) One-Variable predictors

Figure 6.2 displays j-scores for predictors incorporating each background and each contextual variable with respect to all 39 instances of formal involvement. Where appropriate, different dichotomizations of ordinal explanatory
Figure 6.2

One-Variable Predictors, Nominal Entry
variables were tested, with only the most successful ver-
sion reported in Figure 6.2.

The results underscore the phenomenon of the "Club of
Regulars" in the common carrier communication policy en-
vironment. Not only is recurring intervention by the same
associations a discernible trend; it is easily the best
single indicator of formal intervention. If one predicts
flatly that only those associations will intervene in a
given issue that have been involved in Intermediate Level
actions for at least two prior issues (within our eleven-
issue sample), he finds he has accurately specified 75 of
the 96 instances. In only nine instances did previously
active groups fail to intervene, while in twelve cases
associations took formal action without meeting the experi-
ence requirement. This total of 21 errors represents a j-
score of .547, indicating a 55% improvement over random
guessing.

The predictor based on a single previous Intermediate
Level intervention is slightly weaker, reflecting a 46%
 improvement over no-information prediction, but it still
outperforms all remaining one-variable predictors.

While at some profound semantic level "prediction" and
"explanation" may be proven equivalent, in this case suc-
cessful prediction does not make for a fully satisfying ex-
planaton. The answer "because it intervened previously
on other matters" is a vacant response to the question
"why did association X get involved in issue Z?", and only
leads to a rephrasing of the question to "why was association
X previously active?" In particular, we would like to be
able to generalize about the first two times each experi-
enced group became seriously involved in communications
policy. This investigation was not organized to treat
questions of organizational chronology, but some relevant
hints emerge from summary data.

Nineteen groups have now been involved in two or more
issues at the Intermediate Action level, constituting the
"Club of Regulars" (see Figure 5.2). They include 12
groups of users, five suppliers associations, the cable-
casters (NCTA), and the ubiquitous independent telcos (USITA).

The users associations sprang into action at the FCC
in a virtual phalanx. Nine of them* intervened in the
"Above 890 Megahertz" case, evidently believing that pri-

tative microwave relay systems, once approved, would prove
economical for member firms who wanted to shave long-
haul communications charges. AT&T, it will be recalled,
parried the competitive threat of the "Above 890" decision
by introducing Telpak. In response to a complaint by the

*The airlines (ATAA and Arinc), truckers (ATA), railroads
(AAR), oil companies (API), manufacturers (NAM), newspapers
(ANPA), utilities (UTC, then called NCUR), and merchants
(NRMA).
oil industry (API), the FCC in October 1965 issued a Notice of Proposed Rulemaking concerning intra-industry sharing of private microwave systems. The same nine users associations intervened in this new docket, many of them in the hope that liberalized private microwave sharing would induce the Bell system to inaugurate unlimited Telpak-sharing. Two other users groups, the aerospace firms (AIA) and the motor bus owners (NAMBO) joined the users' parade when in May 1967 Telpak-sharing became an issue in itself. The 13th users association, the ad hoc committee of large manufacturers (AHTC), essentially took NAM's place when the latter curtailed its former policy activism. Thus, for essentially all of the active users, earliest entry was occasioned by the private microwave issue, the first material challenge to telco monopoly, and was then followed by attempts to gain sharing privileges.

There is no similar lock-step pattern for the five suppliers associations, although initial entry for each was triggered by a sharp threat to existing markets by potential telco incursion. For the time-sharers (ADAPSO), computer manufacturers (CBEMA), and the electronic firms (EIA), the first major intervention was in the Computer Inquiry which threatened to unleash common carriers into markets for data processing equipment and services.* For each of

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*EIA was less obviously threatened than the others, and may have moved due to its rivalry with CBEMA.
the three, the second battle joined in earnest was that of interconnection. The modem makers (IDCMA) formed in 1971 specifically to protect themselves from fatal telco discrimination against customer-owned terminal equipment, and subsequently turned to the specialized carrier issue. The private intercom suppliers (PCA) broke into the policy arena with litigation against AT&T seeking to prevent Bell from usurping their entire markets, and then joined the interconnection issue.

Returning to consideration of Figure 6.2, we note that budget (Staff Size), privileged status, and Economic Opportunism provide equally strong one-variable predictors at j = .439, followed by Economic PV at j = .417, and use of a specialist communications law firm, at j = .369. The striking fact about this set of the seven best predictors is that they include five for which no information about the specific nature of the issue is involved. One can predict nominal action quite well simply by knowing something of the association's past FCC history, or its budget/staff level, or whether it is favored by special privileges, or whether the group retains outside counsel, no matter what particular issue is under consideration.

It should be re-emphasized that the predictor relating to privileged industry status does not stipulate that intervention will occur only if the association holds special
policy-countenanced advantages in relation to the issue at hand; privilege in any other policy area provides a good indicator of Nominal Entry.

Among the economic variables, Economic Opportunism performs decidedly better than Economic Threat \( (j = .439 \text{ vs. } j = .310) \), hinting that associations may often make formal FCC appearances in the hope of policy booty.

The "political" variables make relatively weak single-variable predictors at this action level, with Organizational Autonomy at \( j = .310 \), Defensive Posture at \( j = .201 \), and Front Yard at \( j = .072 \). The last performs a little better than pure guessing, but yields more predictive errors than the flat augury "No group will intervene", which gives \( j = .158 \). In general, the political variables fail because they are too selective, seriously understating the actual number of entrants.

Several variables introduced in order to account for one or another type of internal constraint on the freedom of group action fail to hold up. Group homogeneity with respect to member firm size fares poorly \( (j = .023) \) and homogeneity with respect to corporate function even worse \( (j = -.296 \text{ ; not shown}) \). Neither group size \( (j = .010) \), nor the divisiveness of the particular issue \( (j = -.030) \) seem to make much difference, even if common sense suggests otherwise.
External constraints do not appear to be any more restricting than internal problems. Independence from the telephone companies in the marketplace does not seem to encourage participation; at \( j = 0.036 \) we find the two predictors relating to telco interdependence.

2) Two-Variable Predictors

A selected list of two-variable predictors is arrayed in Figure 6.3. This listing is limited to the best predictors, and includes only those predictors whose \( j \)-score is higher than that for either of the two elements they contain. An extensive search was made for joint effects, particularly among the better one-variable factors.

The striking result is that only one two-variable predictor shows improvement over the one-variable predictor based on Prior Involvement. The improved version specifies intervention at the Nominal Entry level if the association in question has two previous Intermediate Level experiences or if the issue poses a serious economic threat to association members. However, this improvement isn't dramatic; the two-term version shows 20 errors of prediction, as opposed to 21 for the single-variable predictor. All other attempts (which were based on inspection of predictive errors) to modi-
Figure 6.3: Two-Variable Predictors, Nominal Entry
fy the Prior Involvement predictor floundered, as more errors were introduced than were purged by the "corrections".

Otherwise, no two-variable predictor matched the performance of the single-variable Prior Involvement predictor. At the Nominal Entry level, habit reigns.

The second-best predictor, which removes 52½% of the no-information errors, embodies a theory that all groups obey the imperatives of their Economic Present Value assessments of issue outcomes, providing PV is extreme (in the top or bottom quartile), and that in the middle range the group will intervene only if it holds privileged status. Alternatively stated, this predictor stipulates that two action thresholds are operating simultaneously; a privileged group will intervene if it is above the bottom quartile in terms of Economic PV, while all other associations are stimulated to action only by extremely high (top quartile) economic stakes. Application of this PV modification of the single-variable Privileged Industry predictor raises the j-score from .439 to .525, reducing the number of errors of prediction to 22.

Among the contextual variables, all three economic conceptualizations are found in predictors in the j = .500 range, revealing that hypotheses based on notion of opportunism, threat, or present value can be supported by the data.
However, among the political terms, only Organizational Autonomy (when combined with use of external counsel) appears among the more powerful predictors.

The three background variables which appear most frequently among the successful predictors are Outside Counsel, Privileged Industry, and High Budget (Staff Size >99). We may recall from Chapter five that the three are fairly closely correlated, possibly reflecting the same underlying factor.

The best predictor which does not entail specific information about issue content is that which specifies intervention if the association budget is high and an outside lawyer is retained, which has a $j$-score of .466. (This is only a modest improvement over the single-variable High Budget predictor, for which $j = .439$.) The interesting aspect of this predictor is that it accurately expresses sufficient (but not necessary) conditions for intervention; there were only two cases in which groups with both large staffs and outside lawyers failed to become formally involved. However, there were 20 instances of involvement when these conditions did not obtain.

3) Multi-Variable Predictors

Exploration beyond the two-variable stage quickly descends to unguided (or misguided) groping, particularly
in the absence of well-established theory, and was undertaken only in order to discover whether higher predictive power could be attained. About 30 trials were undertaken. With more than two variables, complicated conditional logics (tangles of "ands" and "ors") become unmanageable without electronic assistance, so a checklist logic was employed. A predictor based on a checklist logic delineates N attributes, any of which must hold in order that intervention be specified.

Empirical prospecting revealed the best checklist-style predictor to be one which stipulated action if any three of five conditions (including High Budget, Outside Counsel, Privileged Status, the upper two quartiles of Economic PV, and the upper two quartiles of Organization Autonomy) held. This ungainly construct achieved a j-score of .619. It is somewhat interesting that Prior Involvement is not included in the list; checklist predictors including this term peaked at j = .589. However, since the best 5-variable predictor improved the best one-variable j-score by merely seven percent (.619 - .547 = .072), and removed a net total of only four errors, it is highly dubious that the additional precision is worth the cost of the information needed to achieve it.

In general, it would appear that about 40% of the no-information errors represent cases that are simply beyond
our ability to explain systematically, reflecting virtually random behavior.

E. Activity at the Intermediate Level

While action at the Nominal Entry level has the virtue of easy and objective coding (the fact of formal entry is a matter of public record), it is not the most crucial to the policy-maker and his staff. Their need is to forecast whether support or opposition to specific policy proposals will materialize in magnitudes that matter. Accordingly, we restrict our attention to the 21 cases of higher level intervention, ignoring cases of superficial or symbolic participation.

1) One-variable Predictors

Figure 6.4 shows j-scores for all one-variable predictors with respect to the 21 instances of association activity exceeding Issue Activity Scores of 5.

While previous experience in common carrier communications policy remains relatively strong among one-variable hypotheses, it has been replaced as the best performer by the predictor based on degree of Economic Threat. For Intermediate Level activity, Prior Involvement is virtually a necessary (but not sufficient) condition of entry. In only three instances out of 60 did an association have an issue
score greater than five if it had not been previously active twice at that level; however, 18 of 36 meeting this experience criterion did not intervene at the Intermediate Level.

In order to facilitate comparison with analysis of Nominal Entry, Table 6.11 shows ranked j-score improvement between predictors at the two levels of activity.

<table>
<thead>
<tr>
<th>Variable</th>
<th>J-score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal Entry</td>
</tr>
<tr>
<td>Economic Threat</td>
<td>.309</td>
</tr>
<tr>
<td>Defensive Posture</td>
<td>.261</td>
</tr>
<tr>
<td>Front Yard</td>
<td>.179</td>
</tr>
<tr>
<td>Organizational Autonomy*</td>
<td>.222</td>
</tr>
<tr>
<td>Economic PV*</td>
<td>.309</td>
</tr>
<tr>
<td>Economic Opportunism*</td>
<td>.266</td>
</tr>
<tr>
<td>Functional Homogeneity</td>
<td>-.294</td>
</tr>
<tr>
<td>Policy-Privileged Industry</td>
<td>.439</td>
</tr>
<tr>
<td>Size Homogeneity</td>
<td>.028</td>
</tr>
<tr>
<td>Non-supplier of Telcos</td>
<td>-.036</td>
</tr>
<tr>
<td>Prior Involvement</td>
<td>.547</td>
</tr>
<tr>
<td>Industry-wide Scope</td>
<td>.223</td>
</tr>
<tr>
<td>Policy-Oriented</td>
<td>.115</td>
</tr>
<tr>
<td>Membership Size</td>
<td>.010</td>
</tr>
<tr>
<td>Outside Counsel</td>
<td>.369</td>
</tr>
<tr>
<td>Budget (Staff Size)</td>
<td>.439</td>
</tr>
<tr>
<td>Organizational Age</td>
<td>.293</td>
</tr>
<tr>
<td>Committee Structure</td>
<td>.115</td>
</tr>
<tr>
<td>Regulated Industry</td>
<td>-.058</td>
</tr>
<tr>
<td>Market Coverage</td>
<td>.158</td>
</tr>
<tr>
<td>Issue Divisiveness</td>
<td>-.080</td>
</tr>
<tr>
<td>Washington Headquarters</td>
<td>.305</td>
</tr>
<tr>
<td>Non-competitor of Telcos</td>
<td>-.036</td>
</tr>
</tbody>
</table>

Table 6.11

*First Quartile
Only three variables show stronger performance at the Intermediate Level, and they are the three contextual variables which reflect generally conservative organizational behavior. It would appear that getting multifirm interest groups to move at this higher level is something like getting indifferent bullocks to move; first you must get their attention, either by raising significant imminent financial threat, by threatening to eliminate existing policies that confer special benefits on the group, or by specifying policy proposals which directly affect members' sales.

Among the contextual variables based on economic and political-organizational conceptualizations, those emphasizing positive action weaken at the Intermediate Level, suggesting that while organizational aggressiveness is a palpable factor in interest group involvement, it may produce relatively superficial incursions into the policy arena. Economic Opportunism, which most directly embodies organizational aggressiveness, shows the greatest slippage in predictive power.

However, it should also be noted that the set of six contextual variables cohere at the top of Table 6.11. This indicates that knowledge of a specific issue's relevance for the group is a much better guide to serious intervention than to shallower forms of involvement. Most of the predictors based on background variables show serious erosion of pre-
dictive power at the higher activity level. The predictor
that ebbs least is that which delineates industries enjoying
particular communications policy privileges. Privileged
status apparently enhances a group's taste for Intermediate
Level action, even for issues which do not relate to the
privileges. Predictors based on association budget and the
use of specialist communications law firms, which were among
the best performers for Nominal Entry, fall to the accuracy
level of random guesses. This suggests that the plumper
groups may tend to file routinely on issues of peripheral in-
terest but that deeper involvement is not simply a matter
of idle wealth looking for things to do; in addition, it sup-
ports the observation that outside counsel on retainer may
have some influence in determining whether the association he
represents will submit a nominal filing for a particular
issue, but the lawyer himself cannot lead his client into
deeper involvement than the issue warrants.*

The most pronounced fade is seen in the predictor for
Washington Headquarters, which outperforms no-information
predictions by more than 30% for Nominal Entry analysis, but
is 40% worse than random guessing for Intermediate Level
action. Two interpretations of this pattern suggest them-
selves. It may be that the staffs of Washington-based asso-

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*Specialist lawyers were involved in all but two instances of Intermediate Level intervention.
ciations habitually shield themselves from internal criticism by "papering the files" at the FCC with nominal offerings. It certainly is true that association staffs' reports to members are handsomer if a long list of policy-related activities can be included, giving the impression of more lobbying representation per dues dollar. A second interpretation is that the phenomenon results from the workings of the network of legal colleagues in Washington. Lawyers representing deeply involved groups have been known to persuade peers who represent associations having only peripheral policy interest to put in a supporting appearance, either as a matter of friendship or as a minor reciprocal favor.

As with Nominal Entry, we find no evidence that Intermediate Level action is constrained by internal group heterogeneity or by interdependence with the telephone companies in the marketplace. Heterogeneity with regard to members' size and function as well as the divisive character of particular issues may augment the managerial difficulties of association executives, but these factors seem to have negligible net impact on patterns of intervention. Predictors postulating reluctance to intervene because of supplier and competitive relations with telcos perform 22% and 83% worse than information guessing. In fact, the obverse hypothesis that telco competitors are more likely to intervene is comparatively strong, although still 10% worse than uninformed guessing.
2) Two-Variable Predictors

Figure 6.5 displays the relative accuracy of two-variable predictors at the Intermediate Level; as in Figure 6.3, only those predictors which improve the $j$-score of each element are presented.

The best predictor, which eliminates almost 57% of the no-information errors, stipulates that intervention requires both Economic Threat and the use of Outside Counsel. These conditions are virtually sufficient for Intermediate Level action, as there was only one instance in which both conditions held and an association remained passive; however, there were 13 cases of intervention not accurately specified by the predictor. The joint effect of threat and outside communications lawyers is somewhat surprising, since as a one-variable predictor the Outside Counsel term was extremely weak ($j = .012$). The joint predictor's 14 errors represent only 14% of the 96 observations.

One is tempted to see in this joint effect support for the proposition that Washington law firms are the moving forces behind the politics of telecommunications policy. They seem to act as distant early warning devices, greatly clarifying clients' preceptions to relevant policy impact, in the process making the groups they represent more active than similar groups which operate without outside counsel.
Figure 6.5: Two-Variable Predictors, Intermediate Level
This view of lawyer as instigator, however, is not an inescapable implication. Noting that the predictor for Economic Threat and Prior Involvement is nearly as strong as that for Economic Threat and Outside Counsel \( (j = .543 \text{ vs } j = .569) \), we can as plausibly argue that past activism on the part of an aggressive association leads simultaneously to reliance on outsidelawyers and to heightened activism on current issues affecting the groups' interests.

The remainder of the two-variable predictors are generally combinations of successful one-variable versions, and, sadly enough, do not reveal an unequivocal basis for distinguishing the best among competing hypotheses. If we restrict our focus to the seven highest predictors, all of which eliminate more than 50% of the number of no-information errors, we see that all three political variables appear, in various combinations, and that among the economic variables only Economic Threat appears. Prior experience is a factor in four different predictors, and among background variables, only Outside Counsel and Privileged Industry appear. Hypotheses incorporating Economic Opportunism, Economic PV, and High Budget, which were relatively accurate predictors in analysis of Nominal Entry activity, have weakened considerably.
3) Multi-Variable Predictors

As in the analysis of Nominal Entry, about 30 predictors incorporating three or more variables were evaluated. The best \( j \)-score achieved was \( j = .522 \), well below the better two-variable predictors. (That predictor was of the "checklist" genus, predicting intervention if any two of the three conditions Economic Threat, Outside Counsel, and Front Yard were found.)

Some experimentation was performed with the concept of differential thresholds of self-interested intervention. For example, one predictor embodied the hypothesis that if the issue is a Front Yard matter or requires a Defensive Posture with respect to current policies, the association would intervene if it were in the top two quartiles in terms of Economic PV; otherwise, it would become involved only if it were in the first quartile. The highest score achieved with this class of predictors was \( j = .522 \).

Visual inspection of errors of two-variable predictors show that hypotheses that distinguish among issues, rather than summing across them, could lead to predictive breakthroughs. In particular, it was observed that for the "Economic Threat and Outside Counsel" predictor, several large user groups, all members of the "Club of Regulars" intervened in the bulk communications (Private Microwave/Telpak) issue and the resale/sharing (Telpak-sharing, etc.) issue
when the predictor stipulated no involvement. It appears that different rules of entry operate for these issues - or perhaps that perceived benefits were of a much higher order than the other three issues.

An appropriate correction would predict intervention in the two Telpak-related issues if the group is a users group and has twice previously intervened for the interconnect, specialized carrier, and computer inquiry issues, groups perceiving financial threat and also using outside lawyers would be expected to act. This complicated predictor achieves a \( j \)-score of .809, erring in only six instances. The crucial question to be answered if this rude empiricism is to be elevated to theoretical respectability is precisely what characteristic distinguishes the two Telpak-related issues from the others. One answer would be that they do not involve fundamental questions of industrial structure (and market entry) in communications. Another possible distinction is that benefits from favorable resolution of the bulk rates and resale-sharing debates are direct and certain. In contrast, the expected advantages of liberalized interconnection rules and establishment of competing microwave carriers are problematic and may require years to develop.

With only five issues under analysis, it is infeasible to pursue the possibilites further in the present context. It should be clear, however, that the development of issue
typologies may well hold considerable promise as a means of achieving a deeper understanding of the roots of interest group behavior.

F. High Initiative Activity

One-variable and two-variable predictors for High Initiative policy activities are presented in Figure 6.6. Because there are only eight occurrences of such drastic measures among the 96 instances under analysis, there is considerable hazard that the data base is too small to support weighty generalizations.

The general result is a reinforcement of the shifts observed as we moved from Nominal Entry to Intermediate Level analysis. Contextual explanatory variables predominate among the successful predictors, indicating that unlike the case of Nominal Entry activity, High Initiative involvement can be predicted only if one knows the detailed implications of the issue under consideration. Among the contextual variables, those reflecting "preservationist" tendencies (Economic Threat, Front Yard, and Defensive Posture) appear stronger than those which reflect opportunities for collective economic or political gain (Economic PV, Economic Opportunism, and Organizational Autonomy).
Figure 6.6: Predictors, High Initiative
Because of the small number of actual High Initiative activities, predicting flatly that "no group will intervene" achieves a j-score of .455. Only three predictors represent an improvement over this stark categorical predictor, all involving Economic Threat. The best variation, stipulating High Initiative activity when a group faces economic losses and has prior experience at the FCC, dispenses with 59% of the no-information errors, leaving only six inaccurate predictions. The best guide to belligerent, policy-forcing multifirm behavior, it would appear, is the question "Who stands to lose most?"

Among the modifying background variables, the familiar three (Prior Involvement, Privileged Industry, and Outside Counsel) serve best in conjunction with various contextual variables, as they did in the analysis of Intermediate Level behavior. None of the three emerges as clearly superior.

G. Full-Sample Trials

In order to test for bias in the working sample, a limited number of trials were undertaken for the five selected issues and for all 45 associations; this involved analysis of 213 observations in place of the working sample of 96. A total of 25 predictors were re-evaluated, comprising the best performers for each of the three activity thresholds.
In general, the results are fairly stable with respect to working-sample findings, as the median discrepancy in j-score between corresponding working-sample and full-sample predictors was .076. There were three systematic trends which impinge on the general findings of preceding sections.

1) For the full-sample runs, j-scores tended to be lower at all three action levels; the average change was a .056 decline. In other words, the runs based on the 20 associations overstates the reduction in predictive error by about 5\%.

2) Predictors including the variable Outside Counsel weakened noticeably in the full-sample runs; all five such predictors fell, the average drop in j-score being .123. It would appear, then, that the working-sample of 20 associations was unrepresentative with respect to the influence of communications law firms. In spite of the drop in predictive power, however, predictors containing terms for Outside Counsel are still found among the top six hypotheses at all three activity thresholds.

3) Prior Involvement performs better in analysis of Nominal Entry and Intermediate Level activities than implied in the working-sample. At the Nominal Entry threshold, the single variable predictor for Prior Involvement increased from $j = .547$ to $j = .603$, and for Intermediate Level intervention the full-sample predictor rose to $j = .495$ from
from $j = .360$, placing it ahead of most of the two-variable hypotheses. There was no similar discrepancy at the High Initiative level.

**H. Conclusions**

The profusion of trials reported above may indicate that more has been chewed in this study than was bitten off, and in a sense that results are ultimately indeterminant, since no single predictor emerged as the undisputed champion among competing hypotheses. Misgivings, however, do not deserve to fully eclipse the modest gains in understanding that have been achieved.

1) There do appear to be underlying patterns of behavior which account for much of the multifirm activity in telecommunications policy. Furthermore, these underlying processes seem generally to account for about the same proportion of observed behavior at all three levels of activity. For example, the best two-variable predictors for the Nominal Entry, Intermediate Level, and High Initiative analyses were associated with $j$-scores of .568, .569, and .591, respectively.* Thus about 40% of the number of no-information

*If we exclude from consideration variables which simply embody aspects of the theoretically-vacuous factor of serially-correlated behavior (Prior Involvement and Outside Counsel), the best predictors exhibit $j$-scores of .525, .512, and .250 respectively, still indicating strong patterns but revealing that High Initiative actions may be much less tractable for explanatory theory.
errors seem to represent actions based on specific circum-
stantial situations which cannot be easily generalized and which
may amount to random behavior.

The warnings of some informants notwithstanding, then,
interest group intervention can be "intellectualized" to a
significant extent. No doubt each group's actual decision to
intervene is materially affected by a multitude of particu-
laristic facts, including the perceptiveness of association
executives and the lawyers they retain, but it remains true
that one can predict a given association's response to a given
broadly-defined policy issue with overall confidence levels
of 80% to 35% using very simple decision rules.

This relative explanatory success is somewhat impres-
sive when one considers the considerations that were omitted
entirely from the analysis. For one thing, no distinction
was made among issues according to their form, but it is
clear, for example, that a Notice of Inquiry invites a dif-
f erent species of intervention than a Notice of Proposed
Rulemaking. In addition, strategic considerations have been
ignored. For instance, it seems likely that a group's beha-
vior depends to some extent on the concurrent actions of
other groups in a given issue; there might well be some reti-
cence about being the first (or only) associations to speak
out on a controversial matter, for example, while it should
be relatively painless to join a bandwagon of other vocal
parties. Similarly, the notion of duplication of identical interests is not examined, although there were several occasions during interviews when passiveness on particular issues was defended by noting that "our interest was already covered on that". This effect should be particularly strong in explaining the behavior of subgroups of firms which enjoy the umbrella protection of larger associations (e.g., OPASCO in relation to USITA or CCTC in relation to NATA; however, inspection of predictive errors did not indicate corrective measures that would produce improvement). It also seems intuitively clear that associations are governed by assessments of the likelihood that their intervention will actually have a perceptible impact on the ultimate policy decision. Policy proposals which have virtually no chance of passage make poor investments for organizational resources, as do other proposals which are virtually certain of enactment. However, since these various strategic factors are difficult to assess empirically prior to the formation of policy choices, they do not provide useful inputs for constructing predictors*.

The whole class of intraorganizational explanations of behavior has also been largely disregarded. Group action takes place in an internal political context (featuring personality conflicts among executives, bureaucratic empire-

*It may be that by selecting the five issues showing the most association involvement the effect of these strategic considerations is understated.
building, intraorganizational quid pro quos, and the like) as well as an external environment. Organizational behavior is sometimes seen as very little more than a reflection of these internal disputes, but (since the general subject makes for decidedly imprudent interview questions) such conflicts remain beyond the scope of this survey.

2) The strongest influence on activism appears to be previous activism. In fact, if one seeks to forecast all cases of formal intervention, past activism alone provides nearly the best among all one- and two-variable predictors; the only improvement to be accomplished is a very marginal correction allowing for the independent effect of large economic threats. At higher levels of activity, prior experience remains an important precondition of intervention, although in these cases the variable appears as a modifying condition applied to a measure of the group's degree of self-interest in the relevant policy issue. A slightly immoderate interpretation of the foregoing results is that previous policy experience is a necessary and sufficient condition for the lighter forms of involvement and a necessary condition for more serious policy-related activities.

3) Both economic and political-organizational interpretations of self-interest are useful guides to predicting interest-group involvement in telecommunications. As a
class, the economic variables make superior predictors in the analysis of all action above the Nominal Entry level, but at the higher activity thresholds the political variables perform on about the same plane.

4) Within the sets of economic and political variables, those reflecting positive or aggressive behavior are superior if one considers all instances of formal involvement. However, for more intense levels of activity, it is the "preservationist" interpretations of self-interest that dominate. Threat of economic losses seems a more certain stimulus to serious political involvement than the promise of new gains. Similarly, the predictive power of the maximization-of-autonomy principle (embodied in the Organizational Autonomy variable) weakens when the focus is restricted to activities requiring larger commitment, while the prospect of loss of existing sanctions or of disturbance of members' markets are more reliable indicators of serious involvement.

5) Excepting the three variables cited below, no other background attribute makes a consistent contribution to the issue-by-issue prediction of association involvement, either as single-variable predictors or as modifiers of contextual variables. The only statistically significant* predictors incorporating other background variables are found at the more

*Associated with a 1% confidence level.
superficial Nominal Entry level of analysis, in which High Budget (Staff size), Washington Headquarters, and Association Age show some relationship to issue activism (see Figures 6.2 and 6.3). One is led to label these effects spurious, the result of bivariate correlation with Privileged Industry status as depicted in Figure 5.4.

Of particular interest is the predictive failure of the class of variables reflecting internal conflicts and market interdependence with telephone companies. Neither group size, heterogeneity in member size or functions, nor the potential divisiveness of the issue exhibits discernible direct or joint effect on policy involvement; similarly, the fact of dependence on telco commercial policies represents no detectable deterrent to intervention. As measured here, then, neither intraorganizational strains nor cross-pressures from telcos plays an important role in modulating public dissent.

6) Besides previous policy experience, two other variables, Outside Counsel and Privileged Industry, also appear regularly among the best predictors as modifying factors. In other words, these three characteristics seem to distinguish groups whose actions reflect their economic or political interests with high fidelity. It turns out that these three variables are closely interrelated for the 96 observations upon which the quantitative analysis rests. (Chi-square tests show two of the relationships signifi-
cant at $p = .001$, the third at $p = .01$. Thus, they all may be merely variant manifestations of the same underlying influence.

We are left with three plausible causal interpretations of the intercorrelations among the three modifying variables, illustrated schematically in Figure 6.7. Those who emphasize the entrepreneurial characteristic of Washington law firms can argue that it has been effective representation by outside communications specialists that is responsible for both the attainment of privileged status and the continuing activism on the part of their client associations. Left unexplained in this version is why this particular set of trade associations chose to retain external specialists.

A second causal theory is that the privileged groups were designated favored industries with respect to communications for exogenous reasons but once they had achieved privileged status they anticipated continuing long-term stakes in FCC policy outcomes and therefore turned to outside counsel (an intriguing question is why they chose not to hire top communications lawyers for their own staffs) to watch over their new policy interests. Then, having geared up for defense of their policy gains, they found low marginal costs of intervention in issues unrelated to their original privileges.

The plausibility of this proposition rests on the credibility
Figure 6.7: Three Interpretations
of the FCC's stated rationale for conferring special benefits on regulated firms.

A third interpretation, which seems more cogent than its competitors, is that extraneous factors caused particular groups to be generally activist with respect to communications policy. This general activism led them to retain outside counsel since they foresaw continuing intervention in communications policy, and through effective and aggressive representation at the FCC they were then able to achieve special privileges. This view shifts the crucial question to the nature of the extraneous factors associated with heightened policy activism. One hypothetical answer can be found in Olson's by-product theory, delineated in the previous chapter, which holds that the groups most likely to seek collective goods are those which are held together for other purposes and which retain control over members by use of selective incentives. Seven of the eight associations in the "Privileged Industry" category operate in regulated sectors: air transportation, utilities, railroads, etc. It can be argued that susceptibility to exogenous non-market (governmental) decisions impels firms to invest their representative association with greater independent authority, thereby strengthening the intraindustry distribution of selective sanctions. The by-product of centralized authority is involvement in peripheral matters of common interest to members like communications matters.
Thus applied, the by-product theory still falls short of a complete explanation, since it does not specify which of the many regulated industries, each represented by a strong trade association, would have become involved in communications policy. Here we should note that three of the privileged groups, the utilities (UTC), railroads (AAR), and pipeline companies (API), possess an asset particularly relevant to telecommunications: rights-of-way. Whether this unique political asset was exploited by constructing one's own hardwire long haul private communications network or as a bargaining chip in negotiating reciprocal agreements with communications common carriers, it is clear that it set these user groups from apart all others.

There is no compelling reason to believe that patterns of cause and effect in the politics of communications follow the simplistic non-recursive rules implied above in the three alternative inferences. However, if we back-track the steps taken above in the third interpretation, a partial theory of policy intervention emerges.

According to this theory, the seed of non-carrier policy involvement is in the historical fact of access to communications rights-of-way by the three interests cited above, each represented by an association fortified by the imposition of governmental regulation of its economic affairs. As these groups moved to capitalize on their unique natural
advantages vis à vis communications services, four other regulated transportation groups (the airlines, [ATA], and [National Railroad Association, NMAA], truckers [ATA] and motor bus owners [NABCO]) were drawn in by dint of their own centralized structure and their interindustrial competitiveness with the railroads; any preferential treatment of the railroads could have raised questions of discrimination against competing modes of transportation if the privileges had not been extended to members of these four associations. Actually, the air carriers were historically distinguished from other industries by the fact that radio communications were a vital part of air safety, and this feature may well be more important than competition with the railroads in the industry's special status before the FCC. Then, when privileged status became attainable, this expanded set of associations hired external counsel in the expectation of future involvement, and the associations found it possible to intervene in new policy matters which bore only indirectly on the original privileges, including interconnection and specialized carriers, particularly when the new issue posed some kind of threat to members' interests.

This conjectural scenario reflects only a partial theory because it fails to account for a handful of other non-carrier activists. The newspapers (American Newspaper Publishers Association, ANPA) gained privileged status in securing special press rates (but are not directly regulated
by government) and remained active in step with the seven other privileged groups in a broad cross-section of policy questions. NAM, sui generis in all accounts, was active as early and as aggressively as the privileged groups, and when throttled was succeeded by its activist daughter group, the ad hoc committee (AHTC). The retail merchants (NRMA) are the most important exception to the suggested partial theory, and in fact a case can be assembled that the merchants have provided a more significant counterpoise to the carriers than any other single collectivity. The partial theory also fails to stipulate the later intervention of the five active suppliers associations, triggered by the Computer Inquiry (which mobilized the computer manufacturers [CEMA], electronic firms [EIA], and timesharers [ADAPSO]) and then the interconnection question (which saw the first entry of the modem makers [IDCOM] and private intercom suppliers [PCA]). For these suppliers groups, a corollary proposition is suggested: the necessity of defense of existing markets from usurpation by telephone companies leads to mobilization on particular policy fronts, which leads to reliance on outside counsel, which in turn leads to intervention in areas of collateral interests, particularly in the event that adverse outcomes represent a threat to existing members' markets, policy privileges, or communications prices.
Chapter 6 Footnotes


3Ibid., p. 27.


5Ibid., p. 34.

6Ibid., p. 32.


8Ibid., p. 107.


10Interview E-1.
Chapter 7

Conclusions: Circumscribed Pluralism and Wheels That Don't Squeak

A. Implications for Political Theory

One of the central debates in the analysis of political behavior concerns the validity of the doctrine of interest-group pluralism, and it is useful to review our findings in the light of that debate.

Interest-group pluralism is usually associated with two related but analytically distinct propositions. The first is that the societal distribution of values is determined primarily by the interaction of groups, each of which independently seeks to maximize benefits for its members. The second is a normative claim that this is a healthy state of affairs; that is, competing groups tend to balance one another, leading to an equitable overall distribution of values. It is particularly appropriate to test the behavior of economic interest groups against the assumption of pluralism because both propositions owe much to economic
thought. The first assumption is, not coincidentally, similar to that of the profit-maximizing behavior of individual firms which is found at the heart of microeconomics, and in fact the group nature of politics was first insisted upon in the 1908 publication of *The Process of Government* by Arthur F. Bentley, who considered himself an economist.¹ The second principle is merely an extension to political processes of the famous "invisible hand" concept of Adam Smith's *Wealth of Nations*. The concept has been more recently termed "countervailing power" by economist John Kenneth Galbraith, who writes that indiscriminantly use of private economic power is checked by the collective power of those entities which are subject to it.²

Pluralism has its detractors. Among the more ardent are elite theorists, who contend that real power is highly centralized in the hands of a relatively small elite which acts to protect its privileged status. Implied in this view is the thought that societal processes are controlled by a minority of men able to manipulate rewards so as to preclude meaningful challenges to the status quo. Other doubters, like Mancur Olson, assert that attainment of equitable equilibria is foreclosed by the failure of some policy-affected groups to mobilize effectively to protect their members' collective interests.³ Still others see the constructive interplay of interest groups counteracted by the fundamental
conservatism of the groups' bureaucracies, by debilitating interdependencies among opposing parties, or by neutralizing intragroup conflict.

The quantitative results of the preceding chapters seem to support the pluralist interpretation of politics. An impressive array of diverse user, supplier, and carrier interests are represented among intervenors in the major issues in telecommunications policy, and, as indicated above, the overall historical probability that a given multiform entity would become involved in a given issue is fairly high, being .404 for the issues considered. Moreover, there appears to be confirmation that such intervention follows independent estimates of group interests in issue outcomes, whether these interests are assessed in economic or political terms, suggesting fairly open interplay among contesting parties. We found no evidence that involvement is systematically inhibited by the manipulative powers of the monopolistic telephone companies, as no relationship was discovered between activism and either competitive or supplier relationship with telcos. Nor can it be said that dissent is muffled by selective grants of privileges to particular groups which then eschew confrontation of the telephone companies in unspoken payment for their special sanctions; in fact, we found that it is the policy-privileged groups that are more likely to be involved in issues not directly
related to their communications privileges. Similarly, neither size disparity nor functional disparity among association members appears to be linked to group passiveness, and the divisiveness of particular issues vis-à-vis different members' policy interests does not appear to deter intervention. A general impression emerges that groups are relatively uninhibited in pursuing their policy interests. At this level of analysis, at least, it appears that the lack of open competition in the supply of communications services is compensated by a "free market" in the policy sphere.

Within the terrain considered in the quantitative analysis, something resembling unfettered interest-group pluralism can be observed. That terrain, however, is highly circumscribed. It will be recalled that the five issues chosen for issue-by-issue analysis were selected because they drew the most group intervention of the eleven; furthermore, the eleven were culled from an indefinite larger set of issues which attracted negligible group involvement. Most issues remain lonely affairs.

One should not lose sight of the limitations within which group pressures operate:

1) Most group attention is directed at issues which are less than fundamental to the communications industry. Fundamental issues, such as the "Phase II" inquiry into the ATT-
Western Electric relationship, or the various suggestions relating to organizational reform in policy-making, are occasions for only rare association involvement. Even within issues like interconnection and the establishment specialized carriers, most group involvement has come after the significant innovative decisions have already been reached.

2) Even on the less revolutionary issues, instances of collective private initiatives leading to new policy considerations are infrequent. Groups seldom force issues through action outside the FCC. In fact, several of the 24 cases of "High Initiative" action recorded above merely represent court appeals of prior FCC actions. With rare exception, association involvement is within the procedures specified by the FCC.

3) The FCC is the seat of virtually all overt policy-related association activity. Many of the selected issues were influenced by other policy-making bodies, including Congress, OTP, the White House, and, perhaps most significant, various state regulatory commissions, but formal association representation before these other bodies has been minor.*

4) Only short-term group objectives are normally addressed. Issues whose impact is five to ten years into the future, e.g., two-way cable television or the beneficial competitive effects strong specialized carriers, are not alluring to multifirm interests groups.

*Reluctance to address issues at the state level seems to be declining, as the entire Club of Regulars is now intervening in North Carolina's interconnection proceeding.
5) Several groups operate under arbitrary internal constraints. These may include an outright prohibition of assuming public positions (as seen at ICA and TCA), a decision not to enter rate matters (the stated case for the utilities [UTC], the bankers [ABA], and the computer manufacturers [CBEMA]), or a policy of avoiding issues which imply endorsement of one service over a competitor's.

6) There is often a time lapse between the consideration of a particular issue and the mobilization of relevant groups. For instance, the interconnect suppliers (NATA) achieved an activist posture only five years after the Carterfone decision opened their industry. Similarly, the time-sharers (ADAPSO) entered the Computer Inquiry late because they had not been previously organized but, once mobilized, followed the case through lengthy court appeals. The various specialized carriers still have not formed a single association.

In general, then, the free interplay of group interests is heavily circumscribed by practical limits to the exercise of collective private influence. As a result, many of the important policy innovations in telecommunications have come either at Commission initiatives (as was the case in the seminal Computer Inquiry and the two-way provision for CATV) or as the result of what appear to be aberrant challenges by small independent firms without established positions in the industry. One cannot but be impressed that impetus for the two chief assaults on telco monopoly (interconnection and
specialized carriers) came from two men, Carter and Goeken, who were clothed with only the flimsiest of institutional powers. This could hardly be what Galbraith has in mind as countervailing power. It is not just that groups of interested firms failed to act where Carter and Goeken ultimately succeeded; the passivity enveloped even activist single firms like General Electric and ITT which have obviously been prime beneficiaries of the interconnection and specialized carrier decisions.

If there is a behavioral rule that collective action is confined to the less disruptive, more routine varieties of policy intervention, the retail merchants (NRMA) are the exception needed to prove it. NRMA, unlike the other associations, seems to invest any intervention it chooses to undertake with a high degree of initiative. The group, for example, was instrumental in broadening the Carterfone proceeding to a point that gave it significance to all users, and NRMA complaints to the FCC helped nucleate formal consideration of Telpak sharing and Arinc's single-customer status. Only NRMA represented communications users at the San Francisco court appeal of the specialized common carrier decision. NRMA is virtually alone in exhibiting the textbook characteristics of pluralist group processes in the resolution of communications issues.
NRMA's unique history of activism is probably worthy of a case study in itself. Washington informants, who tend to explain the phenomenon as an example of slick promotion by the group's counsel, seem to have only part of the story, and the truth may well be that the phenomenon should be assigned to historical accident. The availability of an imaginative counsel seems to have been coupled with autonomous professional interest on the association's New York staff, the presence of enthusiastic member firms and, as possibly the key element, the feasibility of maintaining a committee which, while associated with NRMA, survived on the basis of special assessments levied outside normal membership dues channels.

Whatever the true explanation of NRMA's posture, it underscores the importance of the lonely challenge in major policy matters. NRMA's activism could be used to buttress a historian's "Great Man" interpretation of innovative developments in telecommunications policy; at the very least, the "heroic" behavior of Carter and Goeken and their lawyers, as well as NRMA, reveals the incompleteness of the materialist view of a world driven by groups pursuing their self-interests. For telecommunications, the modal economic interest group has been important primarily in marginal aspects of relatively minor issues.
A side issue which has attracted commentary by many observers of corporate behavior is the explanatory sufficiency of profit-maximization. As a general rule, economists see the individual firm as governed by rational norms of profit-seeking, while toilers in other disciplines are skeptical of the concept. Simon's notion of bounded rationality and "satisficing" behavior is perhaps the most noted example, but more relevant to our investigation are the observations of Palamountain and Schattschneider. A student of government, Palamountain finds classical economic theory inadequate for the understanding of commercial conflict in the distribution of products to markets. In particular, by ignoring the necessity for rules of business conduct, the fact of interfirm organizations, mutual interdependencies, and the legal context of commercial operations, he explains, classical economic interpretations miss the mark. Detailed analysis of political intervention on commercial interests in Hawley-Smoot tariff legislation leads political scientist Schattschneider to doubt the economic basis of political action; he sees the economic interpretation of political behavior "at best ... a partial description evading or concealing the difficulties of the problem ... political behavior is seen to bear a highly variable and irregular relation to economic interest." Our data seem to lend more support to an economic interpretation of multifirm group action than might have been
expected from prior empirical studies. While predictors based on economic variables are not markedly superior to non-economic hypotheses, they perform well enough to sustain credibility as a competing explanation for the working sample of groups and issues considered in Chapter six.

Anyone who adopts a purely economic interpretation, however, must acknowledge three important qualifications. First, there appears to be greater sensitivity to the threat of adverse outcomes than to potential economic gains, particularly at the higher levels of political activity. The calculation of economic present value does not distinguish qualitatively between sticks and carrots, but associations apparently do. Second, there are several factors which operate jointly with economic considerations; in particular, economic motivations seem to be stronger among groups with prior policy experiences, groups that employ outside lawyers and those whose members already enjoy special policy privileges. One could argue that these modifying factors are inherently economic in nature, and that for instance prior involvement simply reduces the organizational cost of intervention so much that subsequent entry becomes inexpensive, but this is less plausible than a simpler behavioral notion that organizations limit their attention to the consideration of activities similar to those previously undertaken.

The third qualification, most troublesome by far, is that an
economic explanation tells very little about the vast majority of associations that never appear in the policy arena despite clear economic interests. The 45 associations treated here comprise a minute fraction of all extant multi-firm groups, and even a smaller share of all potential groups of firms jointly affected by communications policies. It is on this point that we are led back to agreement with both Palamountain (p. 257) and Schattschneider (pp. 285-7) that noneconomic explanations are required to define that small minority of groups which seem to obey principles of maximization.

B. Implications for Policy Design

In informal discussion, a member of a state CATV commission stressed that his policy body operates virtually without staffing. Asked how, without manpower, the fledgling commission can monitor the many CATV systems' conformity with its regulations, the commissioner may have expressed the sentiments of all regulators everywhere by answering, "That, luckily, is no major problem. Enforcement takes care of itself. If somebody gets hurt, he squawks, and we know about his problem." A part of policy design, then, involves knowing who is likely to squawk. For the thoughtful policy-maker, a more absorbing question is whether there exist
collective interests without the voice to squawk, for these are the likely losers if adjustment and compromise ensue as part of the formal policy-making process.

What do our data tell us about wheels that, failing to squeak, go unoiled? Six different classes of unorganized users can be identified.

1) The general business user. For the most part, intervening user groups represent specific industrial sectors, each with its own specialized communications requirements. Often these groups are preoccupied with special requirements for private line services, wideband circuits, unique interconnection arrangements, and other special services. No active group transcends industry boundaries and directly represents the average business user, whose primary need is for cheap and effective POTS (plain old telephone service). Both NAM and the ad hoc committee of manufacturers (AHTC) comprise members in diverse industries, but are dominated by the very large national firms that can take advantage of Telpak, WATS, and manufacturers' mobile services. Mundane matters of monthly rates (particularly intrastate) and service quality have not been addressed consistently by collective action. The Telephone Users Association (TUA) presumably aspires to fill the need, but has not built a significant membership base. To date, the general business user has been best served, although indirectly, by the actions of the retail merchants (NRMA).
2) Special-user categories. For many specialized classes of communications usages, no direct collective representation has evolved; WATS users and facsimile transmitters, for instance, have no ongoing organization, but the most striking gap is for data users. The emission of plaintive cries from individual data communications managers concerning the quality of telco lines has been a fixed feature in the trade for many years, but the disgruntlement has never been transformed into effective public voice. This is somewhat curious, in that computer users groups do exist, and thereby provide possible mechanisms for joint policy-related action. However, as a class, equipment user groups have nervously avoided publicity as well as controversy (with the single exception of the Digitronic Users Association [DUA]), in part because they are typically created and controlled by various manufacturers primarily for purposes of customer education. What policy relief data users have received has been provided only indirectly by the industry-based associations of users, the computer manufacturers (CBEMA), the time-sharers (ADAPSO), and the modem makers (IDCMA).

3) Small firms and low-volume users. Associations whose members can make use of high-volume discounts on communications prices have been amply represented, and it might seem inevitable that any bulk offerings these larger groups achieve would lead to incrementally higher base rates for low-volume users, but the latter have gone virtually without representation.
Several competing national trade groups purporting to speak for small business firms exist, but they have evidently not found compelling reasons to intervene in communications matters. In two isolated instances, the Small Business Administration has poised to intervene, but has not even approached the status of surrogate direct representative of small firms. Also marginally involved in brief seasons of concern has been the Subcommittee on Regulatory Agencies of the House Small Business Committee. The subcommittee, chaired by Representative Dingell (D-Mich.) was for a period actively encouraging the expansion of Telpak-sharing to smaller firms, particularly the newspapers; in the same period it provided a forum for small manufacturers of antique and decorator telephone instruments who complained of unfair discrimination by AT&T. However, the Committee has hardly been a consistent source of pressure.

4) Users in low-density areas. The advent of specialized common carriers adumbrates the demise of the principle of nation-wide price averaging, which ultimately may result in proportionately higher rates for customers in less densely-populated areas where costs per customer are higher. Nothing has been heard directly from this class of users.

5) Residential users. As business customers attain special services and rates, some observers fear that higher costs will settle on residential customers. It is perhaps
a curious fact that the tide of consumerism has not penetrated the set of issues covered here to any meaningful extent, although policy officials have indicated privately that attempts have been made to encourage intervention by Ralph Nader and Common Cause. Apparently, the issues lack sufficient public appeal and are not deemed important or visible enough for consumerist groups. Less imposing organizations such as the American Telephone Consumers' Conference (ATCC) and the Telephone Users Association (TUA) may eventually rise to represent the non-business consumer, but the scant information now available suggests a rough road to representational legitimacy for the pair. The Americans for Democratic Action (ADA) filed in one issue (broadband communications), but has shown no signs of a sustained consumerist drive.

It should be noted that the organization of state-level public utilities commissioners (NARUC) makes very forceful claims to speak for the residential consumer, the low volume user, and the remote user. NARUC has vociferously opposed interconnection and specialized common carriers on the basis that the average rate-payer will ultimately be forced to pay for policy changes which benefit a minority of large users. Viewed as a potent political force with excellent Congressional ties, NARUC is a good ally for the unorganized interests. However, the dominant view among Washington in-
formants holds that NARUC's real motivation is the preservation of autonomous state-level jurisdiction in the face of what it views as FCC expansionism, and its concern for latent interests is incidental to this political objective. Some also express suspicion that NARUC primarily reflects the interests of the telephone companies, rather than customers, a by-product of the state commissions' captivation by the utilities they presume to regulate.

6) The future. Policy-makers can differ widely in political philosophy, but Liberal and Conservative alike are apt to agree that good policy is progressive policy; one must carefully allow for the future and avoid shortsightedness. It is in this endeavor that the policy-maker is most clearly on his own, as nobody intervenes on behalf of the future. The time horizon for economic interest groups seems to be about five years, a long time in terms of corporate planning, but brief from the perspective of social objectives.

The discovery of imperfections in group representation in telecommunications policy does not imply that the unorganized groups will be exploited by the organized. Such an inference rests on the acceptance of the Bentley hypothesis that public policy is wholly determined according to a parallelogram of exogenous interest group pressures, and this study joins a number of empirical treatments which
disconfirm the notion of policy-making as tug-of-war. The repeated regulatory defeats of the economically enormous common carriers, the David-and-Goliath stories of interconnection and the specialized carriers, and the frequency of FCC-initiated major policy initiatives demonstrate that policy-makers are more than passive influence-brokers. While there are no guarantees that the latitude will be used wisely and equitably, it seems true that policy-makers have enough freedom of action to themselves provide protection for the unorganized.
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