Patent monopoly

Bell patents telephone and gets his primary support by Boston bankers that George Bradley, W.G. Salastonn and G.Z. Salisby had organized. Western Union immediately replies by using their telegraph network only to be forced to give up its telephone infrastructure along with 87 patents in 1879. Bell acquires Western Electric and signs an exclusive contract that created uniformity and also proved very profitable for Western.

AT&T becomes Big Apple

Bell culminates a process of constant restructuring by moving the company to New York under ATT causing a shift from holding company to centralized management structure. This also allowed Bell to avoid menacing regulations from Massachusetts and put them in a great position to take advantage of the world's biggest financial institutions. During this time Bell Labs acquired numerous patents that put them in a good position going into the patent expiration period.

Competition –Turn of the century

Upon the expiration of the patent, independents sprouted up and immediately began the process of consolidation to counter the powerhouse of Bell. Price wars and problems of interconnection weakened non-Bell systems and many were absorbed into ATT. During this period trusts and bonds were the backbones of the industry and regulation was largely absent. Bell held 50% of the total market and grew at a rate of between 15-22% annually. *1899,1900, 1906 the annual rate of growth exceeded 22%
The most serious threat to Bell was the American Telephone, Telegraph and Cable Company (headed by rival banker, Rockefeller). When they attempted a major consolidation. JP Morgan used his influence in other markets to force investors away from the telephone industry. *The Financial History of American Telephone and Telegraph Company;* Stehlman, page 57

VAIL

It was a vigorous, but messy, competition. Competing systems did not interconnect. The subscribers of competitors were unable to talk to Bell subscribers. Vail reorganized the company and launched a campaign to establish a unified national telephone system under AT&T's control. ATT acquired Western Union from 1908-1913. Corporate self-interest was involved. Prices and profits had fallen dramatically in the early years of the 20th Century.
Vail argued that the public interest would be best served if there were a single national network, coordinated and controlled by a single entity, AT&T, with "wasteful duplication" eliminated. ("One Policy, One System, Universal Service.") There would be no need for a tangle of wires coming to a business or a home that needed to communicate with users of different phone systems. In return, the company would accept government regulation of its rates and services.

Important Acts
1907 States try and force interconnection and tax
1910 Mann-Elkin widens state efforts of regulation but proves ineffective
1913 Kingsbury commitment forces divestiture of WUnion, puts ATT under ICC and requires connection/access.

World War

President Woodrow Wilson issued a proclamation assuming control of telephone and telegraph systems in the United States, placing
them under the direction of the Post Office Department as of July 31, 1918. This proclamation is issued under authority of a joint resolution of Congress. Western Electric and ATT become vital source of technology and manufacturing during wartime. The Bell System announces plans for the introduction of machine switching (dial telephones) in its exchanges. Cost studies have been underway since 1884. In January, certain long line rates are increased by 20% by order of the Postmaster. On July 30, Postmaster General A.S. Burleson signs an order returning the telegraph and telephone systems to private ownership

Graham-Willis act solidifies the theory of the natural monopoly and precludes it from anti-trust suits
Cross-licensing agreement further expands monopoly status, creates stability in telecom

Cross Licensing Agreement
ATT goes into agreement with RCA and agrees to get out of broadcasting while each member company agrees to lines of competition and privilege.

The Communications Act of 1934 established the Federal Communication Commission ("FCC"), consolidating federal regulatory authorities previously exercised by the Interstate Commerce Commission and the Federal Radio Commission. This New Deal legislation did not fundamentally change federal policy toward telephones. The FCC was given authority over interstate telephone service; state commissions retained responsibility for intrastate activity. This basic framework remained intact until the Telecommunications Act of 1996.