Customer Stock Ownership as Monopoly Utility Political Strategy in the 1910s and 1920s

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In the beginning of the twentieth century, as Americans erupted in righteous indignation over the flagrant abuses of monopoly utilities, utility executives responded by developing several strategies to improve public opinion, rein in regulation, and thwart public ownership. One of the most widely used and successful of these strategies was selling gas, electricity, and telephone company stock directly to customers. To reach these local customers, utility managers required their employees to peddle stock directly to their friends, family, and customers. Using this method, utilities reached a large number of Americans who would not normally have set up a brokerage account or been solicited by a securities sales agent. By farming these interstitial regions of America's financial landscape, utility executives harvested millions of dollars in capital, but as executives explicitly made clear, the goal of customer stock ownership was not to raise capital but to raise political support. By the crash of 1929, utilities directly sold stock to 20 percent of the total number of stockholding Americans directly through customer stock ownership programs and not through traditional brokerage firms. This article situates the development of customer stock ownership in the political economic context from which it emerged as an organizational response, reveals the social and organizational processes by which utility monopolies sold stock, and appraises the effect of customer stock ownership on antimonopoly sentiment in America.

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In July 1914, A. F. Hockenbeamer, the treasurer of the Pacific Gas & Electric Company, had a very good idea, at least from his perspective. California progressives had been calling for public ownership of utilities, so Hockenbeamer introduced a slight variation in terms in order to bring about entirely different results in practice. In place of public ownership, Hockenbeamer offered "customer ownership" by selling stock directly to his northern California customers. Because these customers were also voters in California's new referendum process, the quarterly dividends they received were bound to pay dividends of their own: back to the company whenever measures regarding public utilities came up at the ballot box.

To inform customers about the new stock offer, the Pacific Gas & Electric Company (PG&E) "opened up with a veritable barrage of a quarter of a million circulars directed to the company's consumers," as the company's employee magazine later recounted.[1] Newspaper advertisements reiterated the message. In addition—and in what became a hallmark of customer ownership campaigns well into the 1920s—PG&E began selling stock directly to customers from the company's branch offices.[2] The company offered $100 shares at par value for $82.50, either in cash or on an installment plan, for as little as $5 down and with none of the minimum purchase requirements or commission fees that attended stock purchases made at brokerage firms.[3]

Past and current scholarship has focused on customer stock ownership at AT&T after World War I, yet this was not where corporate executives and *Wall Street Journal* editors located the strategy's origin.[4] They routinely credited the Pacific Gas & Electric Company with inventing customer ownership during the Progressive movement and praised the company for its organizational ingenuity in the face of the threat of municipal ownership. The *Wall Street Journal* called PG&E and another smaller company "pioneers," while the president of the Southern California Edison Company told executives at an industry conference that customer stock ownership began with PG&E.[5]

1. "Blazing the Trail for Popular Partnership in 'Pacific Service,'" *Pacific Service Magazine*, October 1929, 322.

2. Ibid., 323.

3. Remington, "Consumers Given Stock Privilege," *San Francisco Chronicle,* July 28, 1914; $82.50 in 1914 amounts to about $2,000 in 2014 dollars using the consumer price index to convert. "Purchasing Power Calculator," www.measuringworth.com/uscompare/relativevalue.php.

4. Danielian, *AT&T*, 184; Marchand, *Creating the Corporate Soul*, 74–82; Ott, *When Wall Street Met Main Street*, 151, 153.

5. "Capital Grows Through 'Customer-Ownership Plan,'" *Wall Street Journal*, October 6, 1921; Miller, president, Southern California Edison Co., "Customer Ownership on the Pacific Coast," *National Electric Light Association Industry Conference Proceedings* (hereafter, *NELA Proceedings*) *1924*, 207.

Identifying the origins of customer stock ownership with PG&E in 1914 is the first of three main arguments made in this article and the one that most complicates the historiography. The fact that customer ownership existed before World War I forces a reassessment of the influences that war bond sales, academic theorists, and AT&T executives had on customer ownership: influences that Roland Marchand and Julia Ott have stressed. At the same time, however, this article builds on the pioneering work of Marchand and Ott. Marchand focused on customer stock ownership at AT&T after World War I as part of his study on corporate public relations. Ott also emphasized customer ownership at AT&T after World War I while at the same time tracing the organizational and ideological connections between the Liberty Bond campaigns of the war and the customer ownership programs of the 1920s. The arc of Ott's narrative is that, first, federal officials sold Liberty Bonds to Americans to raise capital and political support for an initially unpopular war. Harvard political economy professor Thomas Nixon Carver then modified the idea by suggesting that executives sell corporate stock to Americans in an attempt to reconcile the interests of "Everyman" with those of executives. "Inspired" by Carver's ideas, Ott argues, AT&T and other corporations began selling stock to customers in the 1920s.[6]

This article modifies that narrative by relocating the origins of customer stock ownership to before World War I. Utility executives did not learn the strategy of customer stock ownership from the Liberty Bond campaigns or Carver. Rather, utility executives invented customer stock ownership themselves and did so in response to the political threat of municipal ownership facing their monopoly utilities. Even Carver himself acknowledged that electric utilities invented customer stock ownership in 1914, which was long before he began advocating the strategy.[7] Customer stock ownership emerged not from the bureaucratic offices of Washington or the ivy-covered halls of academia but from the oak-coffered boardrooms of corporations.

The second main argument this article makes is that millions of Americans became corporate shareholders in the 1920s not only because of customer demand but also because of corporate supply. Utility companies did not merely offer stock to Americans, utility employees actively pressured their customers, friends, and neighbors to buy stock by knocking on their doors, calling them on the phone, and pitching them stock at electricity and telephone offices and streetcar stations. Historians often recount how Americans clamored to

6. Ott, *When Wall Street Met Main Street*, 2, 4, 115, 126, 129, 134, 139, 149, 151, 163.

7. Carver, *Present Economic Revolution in the United States*, 139. Ott notes that as late as March 1919, Carver was still not advocating customer stock ownership. Ott, *When Wall Street Met Main Street*, 108.

buy stock on margin in the 1920s, yet an understanding of corporate supply must augment this conception of customer demand.[8] The supply-side social history presented here reveals how utility clerks personally sold stock to 20 percent of the total number of shareholding Americans by the crash of 1929.

Did customer stock ownership work? Did utility executives accomplish their goals of reducing antimonopoly sentiment and improving public opinion toward monopoly capitalism in the 1920s? The answer to these questions is yes, to an extent. In elaborating on this last main argument, a new explanation for the decline of antimonopoly sentiment and the survival of corporate monopolies in the 1920s is offered.

Customer Stock Ownership Before World War I

The Pacific Gas & Electric Company, based in Northern California, launched its customer stock ownership program in direct response to events taking place in Southern California. In 1907 Los Angeles voters approved bonds for an ambitious water project in the Owens Valley. Three years later, Los Angeles residents added a small municipally owned power plant to the project. Over the next several years, plans for the small power plant evolved into proposals for a much larger plant. In May 1914, Los Angeles residents voted to construct a large municipally owned power plant and buy-out the city's privately owned electricity distribution network, owned by the Southern California Edison Company. The vote delivered a crushing blow to the company, which lost nearly 75 percent of its business, and sent a wake-up call to the company's largest neighbor to the north, the Pacific Gas & Electric Company, headquartered in San Francisco.[9] San Francisco residents also had been toying with municipal ownership, and in 1910 they approved a water project in the Hetch Hetchy Valley to free themselves from the city's hated private water utility.[10] Like an earlier version of LA's Owens Valley plan, San Francisco's Hetch Hetchy project called for a small, municipally owned power plant. With LA's 1914 vote to expand the city's power plant, San Francisco's plans began to look like creeping socialism to executives at PG&E.

8. Cowing, *Populist, Plungers, and Progressives*, 155–157, 165–171, 177–178; Galbraith, *Great Crash*, 24, 37, 51–52, 174.

9. Myers, *Iron Men and Copper Wires*, 147–149; Southern California Edison Company, *Annual Report to the Stockholders of Southern California Edison Company for the Year 1914*, 7–8, Folder 3, Box 11, Southern California Edison Records (hereafter, SCE Records), Huntington Library, San Marino, CA.

10. Issel and Cherny, *San Francisco*, 175.

Not willing to sit back and watch while San Francisco residents followed in the footsteps of Los Angeles, PG&E executives quickly launched their customer stock ownership program. Just three months after residents voted for municipal ownership in Los Angeles, PG&E began selling stock to customers in San Francisco.[11]

If the threat of public ownership provided PG&E with the initial motivation to sell stock to customers, state utility regulations provided a convenient justification. In 1914, after several years of record growth, PG&E wanted to build a new power plant and petitioned the California Railroad Commission for permission to issue additional bonds to pay for the project.[12] The Railroad Commission, however, which oversaw utility financing in the state, rejected PG&E's financing plan.[13] The commission limited the total amount of bonded debt a utility could carry to a percentage of the firm's annual profits, and PG&E had reached that limit. The commission also would not allow PG&E to raise electricity rates on customers. The only financing plan the commission would accept was for PG&E to issue additional stock.[14] It was in this context of both securities regulation and rate regulation that PG&E began selling stock to customers.

While the Railroad Commission essentially forced PG&E to sell stock, the decision to sell this stock directly to customers, rather than to large investors, was the company's own choice, and an overwhelmingly political one. As the company's magazine declared in 1915, "one of the surest ways of solving the so-called corporation problem and enlisting the good-will and support of the public is to appeal to its self-interest by giving it the opportunity of becoming a partner in the corporation enterprise and sharing in its profits."[15] Less than a month after the company initiated its customer ownership plan, the *San Francisco Chronicle* observed that the program was "generally regarded as a master stroke of diplomacy."[16] Four months later the

11. *Annual Report to the Stockholders of Southern California Edison Company For the Year 1914*, 7–8, Folder 3, Box 11, SCE Records; Charles Remington, "Consumers Given Stock Privilege: Pacific Gas and Electric Company Invites Patrons to Purchase Shares," *San Francisco Chronicle*, July 28, 1914.

12. *Nineteenth Annual Report of the Pacific Gas and Electric Company for the Fiscal Year Ended December 31, 1924*, 12, The Bancroft Library, University of California, Berkeley.

13. "Blazing the Trail for Popular Partnership in 'Pacific Service,'" *Pacific Service Magazine*, October 1929, 322.

14. Remington, "Forty Thousand Shareholders Hit," *San Francisco Chronicle,* March 24, 1914; Remington, "Banker Predicts Pacific Gas Bonds Will Sell Much Higher," *San Francisco Chronicle,* June 9, 1914.

15. Editorial, *Pacific Service Magazine*, August 1915, 101.

16. Remington, "Consumers Taking Pacific Gas Stock," *San Francisco Chronicle,* August 9, 1914.

Chronicle declared: "The distribution of this stock is the worst blow ever delivered municipal ownership on this Coast."[17] It was still too early to tell, but PG&E certainly hoped it would be.

Despite the fact that PG&E only offered "preferred stock," which did not include corporate voting rights, customer appetite proved stronger than the company and outside observers expected.[18] Each month hundreds of customers handed over $82.50 for one share of PG&E stock, yielding a 6 percent dividend on its $100 par value, or an actual return on investment of 7.27 percent, much better than the average savings account.[19]

Although each individual customer did not typically subscribe to large quantities of the stock, the number of subscribers soon became large. By December 1916, PG&E had vaulted itself into the ranks of the top twenty corporations in terms of the number of shareholders, surpassing even the railroads.[20] Other electric companies began to take note. By the time of United States entry into World War I and the first Liberty Bond Campaign, thirteen additional electricity companies had launched customer ownership plans. During the war, fifteen more electric companies initiated customer stock ownership plans.[21]

Customer Stock Ownership After World War I

After the war, customer stock ownership spread like wildfire throughout the electricity, gas, streetcar, and telephone industries. In 1919 and 1920, a total of forty-six electricity companies started customer ownership plans. In 1921 an additional thirty-seven electric utilities in all parts of the country began customer ownership plans, a number only exceeded by the next year's totals.[22] Also in 1921, AT&T introduced its own customer stock ownership program.[23] In other words, AT&T adopted the strategy of customer stock ownership when the

17. Remington, "Hockenbeamer's Plan Unequaled," *San Francisco Chronicle,* December 10, 1914.

18. "Blazing the Trail for Popular Partnership in 'Pacific Service,'" *Pacific Service Magazine*, October 1929, 322.

19. A. F. Hockenbeamer, "The Financial Side of 'Pacific Service," *Pacific Service Magazine,* August 1915, 97.

20. "Utilities and the Small Investor," *Pacific Telephone Magazine*, December 1916, 10–11, AT&T Archives and History Center (hereafter, AT&T Archives), San Antonio, Texas.

21. *NELA Proceedings 1923*, 220.

22. "Customer Ownership Committee," Public Relations National Section, Tuesday, June 7, 1927, *NELA Proceedings 1927*, 215–237.

23. *Annual Report of the American Telephone and Telegraph Company 1921*, 15.

movement to initiate plans in the electricity industry was already nearing its peak. Far from being a post-World War I phenomenon inspired by war bond sales and Thomas Nixon Carver, customer stock ownership predated the war and emerged as an organizational response to Progressive agitation for public ownership.[24]

As customer stock ownership became common throughout the utilities industries, credit to PG&E for inventing the strategy began pouring in from utility executives, industry journals, and the financial press. Members of the National Electric Light Association (NELA), the major electricity industry group, routinely credited PG&E with inventing customer ownership.[25] An executive at the Oklahoma Gas & Electric Company declared at the 1922 NELA convention: "The industry as a whole owes a debt of gratitude to the Pacific Gas & Electric Company for having inaugurated this scheme which is now being pushed so generally."[26] A vice president of the Southern California Edison Company traced his company's use of customer ownership to PG&E, informing a group of utility executives in Boston that "from San Francisco the scheme came down to Los Angeles."[27] This was the same Southern California Edison Company that had lost nearly 75 percent of its business after Los Angeles residents voted for municipal ownership in 1914. After that experience, the company took no chances with public ownership in its remaining suburban markets and became a major practitioner of customer stock ownership.[28]

The idea of selling stock to utility users was not entirely new in 1914 when PG&E began offering shares to customers. In the past, however, these efforts had been employed by fledgling utility organizations that sought to provide service in rural areas where it would otherwise not be available. Often, these small telephone and electricity organizations were boosted by farmers, merchants, or doctors who constructed rudimentary networks and offered service to nearby residents in exchange for users paying for a share of the equipment. These organizations can best be thought of in the same way they thought of themselves: as cooperative associations, or "mutuals." In contrast,

24. Ott, *When Wall Street Met Main Street*, 4, 126, 131, 149, 151–152, 163.

25. *NELA Bulletin* 9, no. 1 (January 1922): 26; John B. Miller, president, Southern California Edison Co., "Customer Ownership on the Pacific Coast," *NELA Proceedings 1924*, 207; "Customer Ownership Committee," *NELA Proceedings 1927*, 218–223.

26. "Customer Ownership," *NELA Proceedings 1921*, 1:146, 148.

27. "Transforming Public Opinion: An Address by Mr. Samuel M. Kennedy, Vice-President Southern California Edison Co.," 39, Box 289, Folder 26, SCE Records, 39.

28. Myers, *Iron Men and Copper Wires*, 149–151.

the Pacific Gas & Electric Company, when it first introduced its customer stock ownership, was a multimillion-dollar corporation, with tens of thousands of customers, and shares of its stock traded on the San Francisco Board of Stocks and Bonds. In terms of institutional size, technological sophistication, and a clear division between customers and the corporation, PG&E was a different kind of organization offering a different kind of ownership program. The customer stock ownership program introduced by PG&E in 1914 can, therefore, rightfully be considered the first program of its type in American business history.[29]

After World War I, customer stock ownership spread rapidly because the strategy was now used to fight municipal ownership as well as another common enemy of utilities—low utility rates as set by regulatory commissions. In the inflationary period directly after the war, many Americans began scrutinizing their utility bills, as did utilities. Prices on labor and materials were going up, but state utility boards fixed the rates that utilities could charge. In order to secure rate increases, utilities needed approval from state regulatory commissions, but to receive that approval, utilities first needed to obtain public good will. That was because regulatory boards could not risk their own legitimacy by flagrantly violating public opinion. Their rulings ultimately had to be supported in the court of public opinion, executives believed. As Samuel Insull, the president of the Commonwealth Edison Company, declared before a group of utility executives in 1921: "Our income, our earning capacity, is dependent, primarily in my judgment, upon public good will."[30] AT&T Vice President E. K. Hall agreed, telling a group of employees in 1922: "I want to emphasize this point—whether we get adequate rates and so can be assured of a safe margin depends almost absolutely in the last analysis on public opinion."[31]

It was in this political-economic context that AT&T initiated its first customer stock ownership program in 1921 (Figure 1). The strategy provided the company with a solution to the difficult riddle of how to secure rate increases while at the same time improving public

29. For examples of utility cooperative associations see Tulare County Power Co., *How to Own Your Own Power* (Porterville, CA: Messenger Print, August, 1911), 15, California Public Utilities Commission Collection, California State Archives, Sacramento, CA.; Glaser, *Electrifying the Rural American West*, 38–39; Fischer, *America Calling*, 43; MacDougall, *People's Network*, 110, 136, 140, 143.

30. Samuel Insull, "The Gas Industry's Biggest Task," speech before the Annual Convention of the American Gas Association, Chicago, November 11, 1921, 4, Folder 20–28, Insull Papers, Loyola University Chicago Archives.

31. "A Memorable Speech on Public Relations," *Southern Telephone News*, January 1922, 3, AT&T Archives.

Figure 1 AT&T advertisement for stock ownership, 1922.

Source: AT&T, "Owned by Those It Serves," *Southern Telephone News*, October 1922, back cover, courtesy of AT&T Archives and History Center.

Note: AT&T hoped that any lingering antimonopoly sentiment would decline each time customers opened their dividend checks.

opinion. By selling stock to thousands of Americans and returning a portion of the company's profits back to customer-shareholders, AT&T could cast itself not as a greedy monopoly but as the responsible steward of the nation's small investors. To oppose AT&T rate increases would be to oppose the many small investors themselves.[32] AT&T executives also believed that stock ownership would make customers more willing to trade special privileges, such as a nationwide monopoly, for user benefits, such as quality service, if the deal came with the ultimate user benefit—a healthy $9 dividend.[33]

Before launching their own customer ownership program, Bell executives had been observing the strategy in the electricity industry; after adopting the idea, they received advice on its customer ownership program from electricity executives. In 1920, before AT&T initiated its customer ownership plan, a manager for the AT&T subsidiary Pacific Telephone and Telegraph Company (PT&T) observed: "A large public utility in the light and power field in our own territory advertises the issue of notes at a rate which will net the purchaser 7.70 per cent."[34]

32. Ott, *When Wall Street Met Main Street*, 163–164; Marchand, *Creating the Corporate Soul*, 74; A. Emory Wishon, "Now and Tomorrow with Customer Ownership," *Proceedings of the Academy of Political Science in the City of New York*, 408, 410; AT&T, *Comments Submitted to FCC, Exhibit 230*, 4–6.

33. AT&T, *Comments Submitted to the FCC, Exhibit 230*, 6; Marchand, *Creating the Corporate Soul*, 74; Ott, *When Wall Street Met Main Street*, 153. For a discussion of monopoly privileges in exchange for low rates, see John, *Network Nation*, 407.

34. "Scarcity of Capital," *Pacific Telephone Magazine*, June 1920, 3, AT&T Archives.

He may have been referring to the Pacific Gas & Electric Company or the Southern California Edison Company. When PT&T began offering stock directly to customers, none other than A. F. Hockenbeamer, the man who invented customer ownership at PG&E, wrote to the president of PT&T and advised him that if PT&T wanted to sell any of its new preferred stock, the company would need to declare immediate dividends. Hockenbeamer's letter eventually reached AT&T President Walter Gifford, the dividends were declared, and stock sales followed.[35] AT&T executives did not develop customer stock ownership on their own; they learned it from the electricity industry.

The Social History of Customer Stock Ownership

Employee Stock Selling

In order to sell as much stock as possible to customers, utility executives used advertising, but they were not content to wait for customer demand. Instead, executives compelled each employee to peddle stock to the employee's family, friends, and neighbors.[36] Since the Bell System alone employed more than 400,000 workers in 1929—the largest employer in America at the time—and the electricity and gas industries employed another 230,000 workers, the relationship network utility executives tapped into was immense.[37] Additionally, since utilities employed not only managers, accountants, and engineers but also clerks, streetcar conductors, and switchboard operators, utility employees were able to reach thousands of Americans who would not normally have been solicited by securities salesmen or gone into a brokerage firm.[38] By farming these interstitial regions of America's financial landscape, utility executives harvested millions of dollars of capital, but more importantly, they tied their customers' financial future to the utilities' political future.

Utility employees did not receive a great deal of training for their new job of stock selling. Typically, managers simply offered employees a few pointers on how to sell stock when the customer ownership program was announced at a large company meeting. When knocking on a customer's door, managers instructed employees to say: "I have

35. Pillsbury to Gifford, February 20, 1925, 1, "PT&T Co.–Stock Issue, 1925" [2 of 3], Box 49, Record Group 5, Collection 3, AT&T Archives.

36. "Blazing the Trail for Popular Partnership in 'Pacific Service,'" *Pacific Service Magazine*, October 1929, 322.

37. Federal Communications Commission, *Proposed Report*, 563; *Statistical Supplement to the 'Electric Light and Power Industry in the United States*, 3.

38. Devereux, "The Development of the Ownership of the Bell System," *Proceedings of the Academy of Political Science in the City of New York,* 420.

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come to see you at the company's request. They want me to tell you of an opportunity the Company is offering to its customers." People in a rush were not receptive to sales offers, managers told employees, but "after a rest and a supper a man is likely to be in a buying mood." Employees should therefore visit customers at night. Above all, employees should try to gain access to the customer's house rather than make the pitch from the doorstep.[39]

Also during introductory sales meetings, managers asked employees to subscribe to the company's stock themselves because, according to Samuel Insull, no employee could be a good salesman "unless he takes a dose of his own medicine." Managers sometimes planted an employee in the audience to be the first to volunteer to buy stock in order to get the other employees to do the same. Regarding these shills, executives cautioned managers to "tell them to say nothing about it."[40]

Managers also sought to develop a list of sales contacts at these introductory meetings. A manual written by executives experienced in customer ownership drives advised managers to require each employee:

> [To provide the names and addresses of ten acquaintances] on whom he agrees to call. THEN LOCK THE DOOR AND LET NOBODY OUT UNTIL THEY TURN IN THE TEN CARDS EACH. Don't be put off by those who say they will think it over and turn in a list later—experience has shown that it then becomes a tremendous task to get in the names.[41]

According to a 1925 American Electric Railway Association (AERA) report, this practice was "often found useful."[42]

Though employees received little sales training, they received even less financial education. As a Bell executive admitted at a personnel conference in 1929, "no effort was made to acquaint the rank and file with the details of the financial statement of the Company." If a potential investor asked a Bell employee whether the company's

39. Scheel, Grimsley, Whiting, "Sales Manual for Public Utility Employees: Prepared by Subcommittee for Use in Customer Ownership Campaigns," *NELA Proceedings 1922*, 1 no. 74: 78–79.

40. Scheel quoting Insull from the 1921 NELA convention, "Sales Manual for Public Utility Employees: Prepared by Subcommittee for Use in Customer Ownership Campaigns," *NELA Proceedings 1922*, 1: 74; Whiting, Grimsley, Scheel, "Appendix 2: Successful Methods and Practices for Customer Ownership Campaigns," *NELA Proceedings 1922*, 1: 88.

41. Whiting, Grimsley, Scheel, "Appendix 2," *NELA Proceedings 1922*, 1: 88.

42. "Report of the Customer Ownership Committee, Appendix A: Customer Ownership Methods," *American Electric Railway Association* (hereafter, AERA) *Proceedings 1925*, 205.

stock had any value, the employee was simply instructed to reply, "It had or the company would not be selling it."[43] Electricity employees were taught that if a potential shareholder were to ask the likelihood of the company failing, employees should answer: "None. Based upon the history of utility companies in the United States, there is much less chance of failure than in other sound enterprises."[44]

To motivate employees to sell stock, officers established quotas and set commissions.[45] Several companies divided departments into rival sales teams.[46] Managers at the Southern California Edison Company divided each office into a red team and a blue team, and set them against each other.[47] "Everything was done to arouse competition," the company's president told executives at an industry conference.[48] It was not surprising that employees at the company soon fell to bickering over who should get credit for stock sales when a customer had spoken with two employees before deciding to buy stock.[49]

For the winning teams of monthly sales competitions, companies offered trophies and company pennants, while particularly enthusiastic individual employees received flowers, a letter of commendation, or a write-up in the company's employee magazine (Figure 2).[50] Despite these inducements, most employees appear not to have been very enthusiastic about stock selling. One manager observed that employees at his office were overjoyed when news arrived that their company would not be assigning quotas that year.[51] Some managers, however,

43. Rolfe, O'Connor, Sheafor, and Koons, "Getting Information to Employees," in *Bell System Personnel Conference, Washington, DC, October 23–30, 1929*, 5, Box 88, Record Group 4, Collection 6, AT&T Archives.

44. Scheel, "Sales Manual for Public Utility Employees," *NELA Proceedings 1922*, 1:81.

45. Southern California Edison Company, Securities Department (1917), 4, Box 114, Folder 4, SCE Records; "Putting More E's in Stock Sales," *Pacific Telephone Magazine*, April 1926, 35, AT&T Archives; Whiting, "Appendix 2," *NELA Proceedings 1922*, 1:84; "Round Table on Customer Ownership Problems," *NELA Proceedings 1924*, 219.

46. *Answers to Customer Ownership Questionnaire*, 1930, 66, Box 116, Folder 4, SCE Records.

47. Southern California Edison Company, "Important Special Stock Sales Bulletin, January 1, 1926," 1, Box 115, Folder 4, SCE Records.

48. Miller, President, Southern California Edison Co., "Customer Ownership on the Pacific Coast," *NELA Proceedings 1924*, 208.

49. "Stock Salesmen Meeting Held in Assembly Room, Edison Building on November 5, 1921," 2, Box 114, Folder 8, SCE Records.

50. *Pacific Telephone Magazine*, November 1925, 22, AT&T Archives; "Ramona Office Wins Two Banners," *Pacific Telephone Magazine*, April 1926, 19, AT&T Archives; *Answers to Customer Ownership Questionnaire*, 1930, 69, Box 116, Folder 4, SCE Records; "How I Sold Fifty Shares of Stock," *Pacific Telephone Magazine*, October 1925, 33, AT&T Archives.

51. "No Stock Quotas," *Busy Buttons' Bulletin*, February 1928, Box 461, Folder 4, SCE Records.

Figure 2 Employees at the central information office of the Pacific Telephone & Telegraph display banner they received for selling the most stock in their region, November 1926.

Source: "Customer Ownership Helps," *Pacific Telephone Magazine*, November 1925, 22, courtesy of AT&T Archives and History Center.

reported that employee morale increased as workers delivered sales pitches to neighbors.[52] One Bell employee was recognized for selling more dollars' worth of stock than the value of the office building in which he worked.[53]

In addition to having employees sell stock to their friends and neighbors, utilities also sold stock directly to customers at local utility offices. As residential electricity and telephone use skyrocketed in the 1920s, utility branch offices received a steady stream of customers coming in to sign up for service, pay their monthly bill, or dispute a charge. This provided office clerks with numerous opportunities to sell stock. While most employees had to sell stock off the

52. "Round Table on Customer Ownership Problems," *NELA Proceedings 1924*, 219.

53. Rourke Jr., "How's This for a Sales Record? John H. Schrodt of Thibodaux Has Made 208 Sales of 704 Shares," *Southern Telephone News*, February 1927, 19, AT&T Archives.

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clock on their evenings and weekends, customer-service clerks were required to peddle stock to every customer who walked through the door.[54] To do this, one enterprising worker at the Southern California Edison Company stationed himself between the clerk who took the customers' bills and the clerk who took the customers' money in order to glance down at the names on the bills and then launch into a sales pitch before customers could complete their transactions. When that held up the line too much, clerks began intercepting customers as they walked from the front door to the counter in order to strike up a conversation with them about buying stock.[55] Streetcar station agents and platform attendants distributed pamphlets about stock to passengers while they sat in waiting rooms or stood on platforms, and conductors harangued them about buying stock as they traveled in the cars. In addition, streetcar companies plastered waiting rooms, platforms, and cars—inside and out—with posters and banners advertising stock.[56]

Streetcar, gas, electricity, and telephone employees also gave speeches about customer ownership at factories, county fairs, civic clubs, high schools, and colleges.[57] As Julia Ott has shown, many of these sales tactics had been used during World War I to sell government bonds, though utility employees had solicited customers to buy stock at local offices as early as PG&E's first customer ownership drive.[58]

Eventually, this constant pressure to buy stock got on customers' nerves. Managers reported that customers were demanding "peace" on the subject of stock ownership. "I don't want to talk Edison stock, I want to pay my bill," fumed one customer at a Southern California Edison office in 1921.[59]

54. "Round Table on Customer Ownership Problems," *NELA Proceedings of the Forty-seventh Convention of the National Electric Light Association 1924*, 219–220.

55. "Stock Salesmen Meeting, October, 8, 1921," 7–8, Box 114, Folder 8, SCE Records.

56. "Report of the Customer Ownership Committee," *AERA Proceedings 1925*, 200, 203–204.

57. Dawson, "12,000 See Our Demonstration at Big Copper Country Fair," *The Mouthpiece*, Detroit, MI, November 1924, 5, AT&T Archives; Southern California Edison Company, Securities Department (1917), 7, Box 114, Folder 4, SCE Records; Miller, "Customer Ownership on the Pacific Coast," *NELA Proceedings 1924*, 208–209.

58. Ott, *When Wall Street Met Main Street*, 73, 75–100; "Blazing the Trail for Popular Partnership in 'Pacific Service,'" *Pacific Service Magazine*, October 1929, 322–323.

59. "Stock Salesmen Meeting, October, 8, 1921," 1, Box 114, Folder 8, SCE Records.

For Politics or Capital?

The goal of all this stock selling was not to raise capital but to raise political support, as utility executives explicitly stated. The president of the Southern California Edison Company flatly told an audience of electricity executives in 1924: "Our activity has been wholly along the line of securing partners, not of raising money." David F. Houston, the president of the Bell Telephone Securities Company, made an almost identical statement in 1922, telling Bell managers at a personnel conference: "The central thought in this [customer ownership] plan is not that of raising large sums of money and of raising them quickly. It is rather that of establishing better public relations."[60]

These comments were not made for public consumption, but utility executives made no secret of their political designs. If a potential customer-owner asked, "Why do you not go to Wall Street for funds?," a NELA manual instructed electric company employees to answer: "The company is now offering the citizens of the communities it serves an opportunity to invest … first, to increase public friendship and good-will."[61] Customer ownership was clearly a political strategy. It was overwhelmingly about politics.

The Regional Aspect of Customer Stock Ownership

Like most of American politics, the politics of customer ownership had a regional dimension. This was especially true of AT&T's customer ownership program. One of the main goals of the company's stock ownership program was to reduce the concentration of AT&T stock in the Northeast and increase it in the South, West, and Midwest; a project AT&T officers called their "redistribution campaigns."[62] Regarding this redistributed stock, David F. Houston, the president of the Bell Telephone Securities Company, stated that it was not "necessary or desirable to have it leave the territory. … This would not be consistent with the underlying purpose."[63] Ironically, Gardiner Hubbard, the founder of the Bell Telephone Company, promoted decentralized ownership of

60. Miller, "Customer Ownership on the Pacific Coast," *NELA Proceedings 1924*, 208; Summary of Houston's speech, "Telephone Financing and Sale of Preferred Stock to Subscribers," *Conference of Personnel Group, Bell System, April 18–25, 1922*, 61, Box 88, Record Group No. 4, Collection No. 6, AT&T Corp., AT&T Archives; Danielian, *AT&T*, 191; Marchand, *Creating the Corporate Soul*, 79; Ott, *When Wall Street Met Main Street*, 151–153.

61. Scheel, "Sales Manual for Public Utility Employees," *NELA Proceedings 1922*, 1:81.

62. *Annual Report of the Bell Telephone Securities Company 1924*, 11.

63. Summary of D. F. Houston's speech, "Telephone Financing and Sale of Preferred Stock to Subscribers," *Conference of Personnel Group, Bell System, April 18–25, 1922*, 60, Box 88, Record Group No. 4, Collection No. 6, AT&T Archives.

the company because he hated Western Union's telegraph monopoly and wanted to prevent a similar monopoly in the telephone industry. By the early 1920s, however, the Bell System was again promoting decentralized ownership, but this time in defense of its monopoly.[64]

As AT&T and other utilities began selling stock to customers, shareholders began to appear in places far from the traditional centers of banking and finance. By 1927, gas and electric utilities had sold stock in every state (except Nevada, North Dakota, and Wyoming), including tens of thousands of shares in rural states such as Alabama, Kentucky, and West Virginia.[65] Between 1921 and 1928, AT&T increased the number of its shareholders by between 400 percent and 1,000 percent in California, Idaho, Iowa, Minnesota, Montana, Nevada, North Dakota, Wisconsin, and Wyoming (see Figures 3 and 4).[66] Considering that public ownership advocate Robert La Follette came in first or second in each of these states during the 1924 presidential election, AT&T's stock redistribution effort was not an unwise decision from the viewpoint of management.[67]

AT&T's impressive stock sales feats demonstrated its organizational capability to supply stock to individual customers in all parts of the counry. Whenever AT&T directors approved new stock issues—which

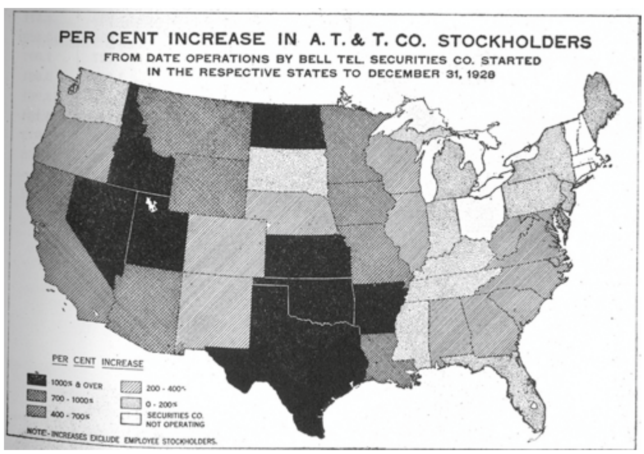

Figure 3 Increase in AT&T stockholders from 1921 to 1928. AT&T intentionally increased the percent of shareholders in the South and West.

Source: *Annual Report of the Bell Telephone Securities Company, 1928*, 7, courtesy of AT&T Archives and History Center.

64. MacDougall, *People's Network*, 68–69.
65. "Customer Ownership Committee," *NELA Proceedings 1927*, 225.
66. *Annual Report of the Bell Telephone Securities Company 1928*, 9.
67. Thelen, *Robert M. La Follette and the Insurgent Spirit*, 190.

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Figure 4 Map showing towns and cities where utilities operated customer stock ownership campaigns in 1925.

Source: "Customer Ownership Committee," *NELA Proceedings 1926*, 324.

occurred almost every other year in the 1920s—Bell employees fanned out across their territories, soliciting friends and neighbors to buy shares and taking subscriptions from customers at local commercial offices.[68] The entire program functioned as a giant public education campaign in corporate securities ownership. New stock issues gave existing shareholders warrant rights to purchase new stock, but many customers did not know what warrant rights were, let alone that they possessed them. Bell clerks, therefore, called existing customer-owners to make sure they understood that they could buy one share of new stock for every five to ten shares that they already owned or could sell their warrant rights for cash. Customers who could not be reached by telephone often received personal visits from Bell company managers. One manager doing home visits reported that sixteen of his previous customers had torn up their warrants because they did not understand that they were worth money.[69] Another manager visited an elderly couple who lacked the finances to subscribe to more stock and had lost their warrant rights. The manager found the rights under a pile of papers and wrote the couple a check for $46.70, the going value of four warrants.[70] Other customers knew

68. *Bell Telephone Quarterly*, October 1923, 261–266.

69. Blair-Smith, "The 1924 Stock Issue of the American Telephone and Telegraph Company," *Bell Telephone Quarterly*, October 1924, 264.

70. "1928 Stock Offer of the American Telephone and Telegraph Company," *Bell Telephone Quarterly*, October 1928, 256.

that they wanted stock but could not figure out how much it cost, so they mailed the Bell Securities Company a blank check and asked the company to fill it in, which required a personalized reply from the company.[71] Through these letters, calls, and visits, thousands of Americans learned to become shareholders in AT&T.

By turning every local office into a brokerage firm and every employee into a stockbroker, utilities supplied vast amounts of stock directly to Americans all over the country. At these offices, customers could buy stock for cash or on the installment plan and sell their shares, or warrant rights in the case of AT&T, for cash.[72] Considering that the Bell System maintained more than six thousand branch offices across the United States, even in small towns, it almost certainly became the largest U.S. brokerage during the 1920s in terms of geographic reach and possibly also in terms of volume (see Figure 5 and Figure 6).[73] Thousands of Americans bought AT&T stock in the 1920s, partly because of customer demand, but also because of a highly personalized campaign of corporate supply.

The Twenty Percent

The results of these personalized selling techniques in numerical terms proved dramatic. Counting only those stock sales specifically attributed to customer stock ownership campaigns, and not counting sales made to institutional investors or through traditional brokerage firms via stock exchanges, the total number of shareholders

71. Blair-Smith, "The 1924 Stock Issue of the American Telephone and Telegraph Company," *Bell Telephone Quarterly*, October 1924, 267; Blair-Smith, "1929 Convertible Bond Offer," *Bell Telephone Quarterly*, October 1929, 324.

72. *Annual Report of the Bell Telephone Securities Company 1925*, 9; *Annual Report of the Bell Telephone Securities Company 1926*, 9; *Annual Report of the Bell Telephone Securities Company 1927*, 8; *Annual Report of the Bell Telephone Securities Company 1928*, 8; *The Stock of the American Telephone and Telegraph Company* (New York: Bell Telephone Securities Co., September [1923]), 6, Box 4, Record Group No. 6, Collection No. 6, AT&T Archives; "Customer Ownership Committee," *NELA Proceedings 1923*, 2:20; "Report of the Customer Ownership Committee–1931," *NELA Proceedings 1931*, 1093; "Report of the Customer Ownership Committee, Appendix A: Customer Ownership Methods," *AERA Proceedings 1925*, 202–203; Whiting, Grimsley, Scheel, "Appendix 2: Successful Methods and Practices for Customer Ownership Campaigns Prepared by Subcommittee," *NELA Proceedings 1922*, 1:85; Blair-Smith, "1929 Convertible Bond Offer of the American Telephone and Telegraph Co.," *Bell Telephone Quarterly*, October 1929, 320.

73. In 1925 there were 6,017 "central offices" within the Bell System. Bell Telephone Securities Company, *Bell Telephone Securities Reference Tables and Descriptions*, 21.

Figure 5 Piles of stock at the Southern California Edison Company in 1922.

Source: SCE 02 10450, Southern California Edison Photographs and Negatives, The Huntington Library, San Marino, California.

Note: The photo's description reads, "Making out Stock Certificates in the Securities Department."

obtained through customer ownership plans in the gas, electricity, and telephone industries exceeded two million by the crash of 1929.[74] If the number of stockholders in the United States by that

74. Twenty percent is a conservative estimate. The number was obtained using the following methodology: For the years from 1923 through 1929, NELA member companies gave the total number of new shareholders obtained through customer stock ownership programs and the percentage of these shareholders who were customers, employees, and others. The numbers of shareholders gained in these three categories were, therefore, easily calculable. For the years prior to 1923, an average percentage for each category was obtained from the years 1923–1929 and applied to the years 1914–1922. The NELA data includes numbers for many, but not all, electricity and gas companies. At the end of 1929, AT&T counted approximately 289,000 of their 469,801 shareholders as coming directly from the company's customer stock ownership plans. Adding this number to the total number of customer and employee shareholders gained specifically through customer ownership campaigns, and taking a percentage of that number to ten million, gives 20.1 percent. If one excludes all utility employees who purchased stock through customer ownership programs, utility shareholders still comes to 18.39 percent of the total number of shareholders by the crash of 1929. Many streetcar companies are not included in these numbers. Refer to the Customer Stock Ownership Committee reports: *NELA Proceedings 1922*, 1:70; *NELA Proceedings 1924*, 199; *NELA Proceedings 1925*, 209; *NELA Proceedings 1926*, 323; *NELA Proceedings 1927*, 227; *NELA Proceedings 1928*, 254; *NELA Proceedings 1929*, 1509; *NELA Proceedings 1930*, 1253; Robnett, "Report of Committee on Customer Ownership," *American Gas Association Proceedings 1930*, 119; *Annual Report of the Bell Telephone Securities Company 1929*; *Annual Report of the American Telephone and Telegraph Company 1929*, 11.

Figure 6 Processing stock at the Bell Telephone Securities Company in 1930.

Source: Blair-Smith, "The 1930 Stock Offer of the American Telephone and Telegraph Company," *Bell Telephone Quarterly*, October 1930, photo opposite page 253, courtesy of AT&T Archives and History Center.

Note: A security guard stands watch in the back right corner as managers hover over each row of clerks.

date was ten million people—a commonly cited number—then utility employees sold stock through customer stock ownership programs to no less than 20 percent of the total number of stockholders in America by the late 1920s.[75]

Who were the 20 percent? Many of them were first-time shareholders of moderate incomes. Utility executives specifically used their clerks to reach people of modest incomes. The Bell Telephone Securities Company 1923 *Annual Report* stated that its shareholders were often people of "small means, many of whom apparently are relatively unacquainted with investments."[76] Customer-owners also came from a wide range of age groups, ethnic backgrounds, and occupations. According to company lists, shareholders included auto mechanics, bakers, barbers, beauticians, bell hops, boilermakers, bootblacks, brick layers, butchers, carpenters, chauffeurs, clerks, coal dealers, cobblers, contractors, cooks, coroners, druggists, farmers, fruit packers, housewives, janitors, movers, nurses, pawn brokers, porters, preachers, priests, sailors, salesladies, soda dispensers, teachers, telephone operators, stenographers, taxi drivers,

75. Friedman estimates τευ million shareholders in the United States by 1930 in *Fortune Tellers*, 8; Danielian in *AT&T* also estimates ten million shareholders by 1930 based on reasonable assumptions and published data, 185. Estimates vary, however. Perkins estimated five million corporate shareholders in *Wall Street to Main Street, 86*; Ott estimated eight million in *When Wall Street Met Main Street*, 2, 170, 56–57; Means estimated eighteen million stockholders in 1928 in "The Diffusion of Stock Ownership in the United States," 565.

76. *Annual Report of the Bell Telephone Securities Company 1923*, 5.

and waiters. By far, the largest categories of shareholders were housewives and clerks.[77]

After executives obtained customer-shareholders, they endeavored to mold their new investors' political sentiments. Utility executives mailed shareholders the latest issue of their company's magazine and stuffed dividend envelopes with political tracts about upcoming ballot measures.[78] The Byllesby Corporation, one of the largest utilities in the country, sent its shareholders a calendar featuring a specially commissioned painting depicting "Dividend Day," with this new four-times-a-year holiday highlighted for each quarter.[79] Another company changed its dividend payment schedule from quarterly to monthly so it could have "12 favorable impressions in a year, instead of four."[80] This repeated favorable contact between utilities and shareholders was one reason why executives preferred stocks to bonds. Bonds created partners only until the bonds matured, but stocks kept paying dividends year after year.[81]

Combining the Political Economic and Social Histories

Did It Work?

Did customer stock ownership work in its stated goals of thwarting public ownership, obtaining public good will, and securing rate increases?

77. Blair-Smith, "The 1926 Stock Issue of the American Telephone and Telegraph Company," *Bell Telephone Quarterly*, October 1926, 261; AT&T, *Comments Submitted to FCC, Exhibit 230*, 9; "Annual Meeting of the NELA Commonwealth Edison Company Section Held in Customers Hall, Edison Building, Chicago, October 30, 1919," Folder 20-6, Insull Papers; "Report of Customer Ownership Committee," *NELA Proceedings*, *1922*, 1:67; "A Welcome to a New Stockholder," *Pacific Telephone Magazine*, October 1925, 23–23, AT&T Archives; Ripley, *Main Street and Wall Street*, 345; Wishon, "Now and Tomorrow with Customer Ownership," 413; "Blazing the Trail for Popular Partnership in 'Pacific Service,'" *Pacific Service Magazine*, October 1929, 323; Rourke Jr., "How's This for a Sales Record? John H. Schrodt of Thibodaux Has Made 208 Sales of 704 Shares," *Southern Telephone News*, February 1927, 19, AT&T Archives. AT&T defined all married women, designated as "Mrs." on their stock forms, as a housewife, though this was certainly not the case. Refer to *General Information of Interest to Employees Relative to the Employees' Stock Plan of the American Telephone and Telegraph Company* (New York: AT&T, July 1, 1922), 2, Box 4, Record Group 6, Collection No. 6, AT&T Archives; AT&T, *Comments Submitted to FCC, Exhibit 230*, 6–9; "Customer Ownership Committee," *NELA Proceedings 1925*, 192–194.

78. *Letter from the Chairman of the Federal Trade Commission, No. 22*, 1200–1201; Federal Communications Commission, *Proposed Report Telephone*, 4:23a–23b.

79. *NELA Bulletin* 9, no. 1 (January 1922): 61.

80. "Round Table on Customer Ownership Problems," *NELA Proceedings 1924*, 220.

81. *Employees' Stock Plan: A Plan for Subscriptions for Stock of the American Telephone and Telegraph Company* (New York: AT&T, May 1, 1921), 1, Box 3, Record Group 6, Collection 6, AT&T Archives.

Executives, regulators, and outside observers—even critical ones—agreed that it did. Herbert Pell Jr., a former congressman from New York, considered utility executives to be "utterly irresponsible" but acknowledged in 1925 that "so long as dividends are paid no complaints will come." Also in 1925, Henry L. Stimson, the once and future secretary of war, stated at an academic conference on customer ownership that "some critics tend to belittle the new [customer ownership] movement. … I think that they underestimate the immense change which is being effected in public opinion and the power of that public opinion. … Upon that public opinion the new proprietorship is producing a most potent change."[82]

Many other observers confirmed Stimson's view of the momentous influence of customer ownership. A 1929 NELA report on customer ownership found that "the effect upon public relations has been profound and far reaching—in fact, it has entirely changed the character of electric light and power companies in the public mind."[83] In 1925 the vice president of the San Joaquin Light and Power Corporation observed that when a customer buys stock, "almost invariably, and usually unconsciously, he takes a new interest in the utility and its affairs. His dividend checks come as symbols of his ownership … he learns something of the doctrine of self-interest … 'you scratch my back and I'll scratch yours'."[84]

Only in the streetcar industry did executives find customer stock ownership less successful, though it was not for lack of trying. Streetcar companies had trouble convincing customers to invest in an industry facing the daunting challenge of jitneys and automobiles. Furthermore, streetcar companies served fewer people. For these reasons, streetcar utilities had difficulty selling stock to customers, and the strategy of customer stock ownership was not as widespread in the streetcar industry as it was in other monopoly utility industries.[85]

In the gas, electricity, and telephone industries, however, observers believed that local agitation for public ownership and resistance to rate increases diminished as a result of customer ownership. A staffer for the California Railroad Commission observed in 1926 that "the sale of stock to customers has had a most beneficial effect. … As a result of the practice the tears of despair that formerly were shed at

82. Stimson, "The Effects of Popular Ownership on Public Opinion," *Proceedings of the Academy of Political* Science *in the City of New York*, 490.

83. Quoted in "Blazing the Trail for Popular Partnership in 'Pacific Service,'" *Pacific Service Magazine*, October 1929, 323.

84. Wishon, "Now and Tomorrow with Customer Ownership," 412–413.

85. "Report of the Customer Ownership Committee," *AERA Proceedings 1925*, 199.

rate cases was changed into the radiant smile." In 1929 an executive at Byllesby Corporation told the *Wall Street Journal* that, thanks to customer ownership, the company had enjoyed "a remarkable history of rate increases, the majority of which were obtained without controversy by simply showing facts. We hear little or nothing of municipal ownership any more, at properties where we have home-shareholders."[86] A stronger endorsement could hardly be made.

Customer ownership even helped convert some former socialists to capitalism, including John Spargo, a founding member of the Socialist Party of America and biographer of Karl Marx. In 1924 Spargo penned a "confession" in *Outlook* magazine, in which he declared that "governmental ownership and operation of railroads, telegraphs, telephones, and similar public utilities now appears to me to be inherently inferior to the new type of enterprise we are so rapidly developing, characterized by popular ownership." To call these companies "monopolies" with a "sinister meaning," Spargo wrote, was "to misuse language."[87] Spargo's antimonopoly sentiment had disappeared, partly due to customer stock ownership. Newspapers also reported that some current socialists appeared on the shareholders rolls of corporate utilities.[88] Other socialists, however, had no such change of heart.[89]

Customer-owners also played a role in defeating specific public-ownership referendums. In Radford, Virginia, shareholders of a corporate utility campaigned against a bond measure to build a municipally owned hydroelectric plant, and the bill was defeated.[90] In California, electricity executives believed that customer owners directly contributed to the defeat of the California Water and Power Act, a 1920s referendum measure that advocated municipal ownership of utilities in the state. Customer-owners could only have played a minor role, however, since the number of utility shareholders to total votes cast was about 12 percent. Many utility executives,

86. "Capital Grows Through 'Customer-Ownership Plan,'" *Wall Street Journal*, October 6, 1921.

87. Spargo, "Letter of Confession and Challenge," *Outlook*, October 29, 1924, 328; Taylor, "The Spirit Which Permeates the Service of Our Utilities," *NELA Proceedings 1925*, 1722; Sloan, *Our Selves and the Public* (1925), 9–10, Box 449, Folder 6, SCE Records.

88. "Meeting of Engineering Department" [1923], 4, Box 114, Folder 11, SCE Records.

89. "Modern Financial Problems of Utilities," speech at luncheon of the Bond Men's Club of Chicago at Hotel La Salle, November 15, 1923, in *Public Utilities in Modern Life*, 390.

90. Examination of Herbert Markle, division manager, Appalachian Electric Power Co., in *Letter from the Chairman of the Federal Trade Commission, No. 22,* 403–404.

nonetheless, believed that customer owners were more influential than their numbers suggested.[91] Executives argued customer ownership changed the opinions of even those Americans who did not own utilities stock, because corporate utilities could no longer be viewed as representing vast concentrations of individual wealth.[92] Instead, utilities could only be seen as owned by millions of small investors.[93]

Because of the voting implications of customer ownership, managers kept careful track of how many customer-owners lived within their service territories.[94] A reliable study by NELA in 1928 found that 11.8 percent of electricity customers were shareholders.[95] Some executives even kept track of exactly where each of their shareholders lived. Insull's Commonwealth Edison Company maintained a giant map of the city of Chicago with the residence of each shareholder literally pinpointed on the map (Figure 7).

Crash and Depression

When the stock market crash of 1929 turned into the Depression of the 1930s, all the rhetoric about safe and secure utility stock made during sales pitches was put to the test. Shareholders in AT&T continued to receive their $9 dividends throughout the Depression, even though the company had to dip into its savings for the first time to pay them.[96] Customer-owners of PG&E, the Southern California Edison Company, and many other electric utilities also continued to receive their dividends.[97]

Things ended differently for customer-shareholders in some of Samuel Insull's companies. In the early 1930s, one of Insull's operating companies and two of his holding companies went bankrupt and

91. Wishon, "Now and Tomorrow with Customer Ownership," 414. The act was defeated by over 70 percent of voters. Jordan, *Statement of Vote at General Election*; *NELA Proceedings 1927*, 222.

92. "Report of Customer Ownership Committee," *NELA Proceedings 1922*, 1:66; Federal Communications Commission, *Proposed Report Telephone*, 4:23a–23b.

93. Ott, *When Wall Street Met Main Street*, 164; Marchand, *Creating the Corporate Soul*, 74; Wishon, "Now and Tomorrow with Customer Ownership," 408, 410; AT&T, *Comments Submitted to FCC, Exhibit 230*, 4–6.

94. Nye, *Electrifying America*, 261.

95. "Customer Ownership Committee," *NELA Proceedings 1928*, 225.

96. AT&T, *Comments Submitted to FCC, Exhibit 2114*, 4, 9.

97. "Dividend and Stock Split History," www.pgecorp.com/investors/shareholders/dividend_history.shtml, accessed June 20, 2014; Southern California Edison Company, *Annual Report to the Stockholders of Southern California Edison Company Ltd. For the Year 1949*, 7, Box 11, Folder 4, SCE Records.

Figure 7 Map showing stockholders, Commonwealth Edison Company.

Source: "Sales Manual for Public Utility Employees: Subcommittee for Use in Customer Ownership Campaigns," *NELA Proceedings 1922*, 1:71.

Note: The text at the bottom left reads, "Every Dot a Stockholder." This map of Chicago is orientated with north at the right and Lake Michigan at the bottom.

their shareholders lost everything.[98] After fleeing the country, being extradited back to the United States, standing trial, and being acquitted, Insull died in disgrace in 1938.[99]

Conclusion

There was a painting of Insull that used to hang in Insull's office; a space which doubled as the Commonwealth Edison Company's

98. "Cyrus Eaton and Insull Group Stock, Draft of Passage," Folder 18–13, 1–5, Insull Papers; Page "38A-1," July 23, 1934, Box 18, Folder 11, Insull Papers; Butler to Insull Jr., August 18 and December 19, 1930, Box 15, Folder 1, Insull Papers; Annie Brady, 7236 Champlain Ave., Chicago, IL, to Samuel Insull, May 9, 1936, Box 15, Folder 1, Insull Papers; Mary V. Cullen, 4256 North Lamon Ave., Chicago, IL, to Samuel Insull, December 20, 1932, Box 15, Folder 1, Insull Papers; Wasik, *Merchant of Power*, 189–190, 199–201, 208.

99. Page "38A–1," July 23, 1934, Box 18, Folder 11, Insull Papers; Wasik, *Merchant of Power*, 242.

board room. After the crash and Insull's humiliation, the painting was taken down and given to his family. In an unguarded moment while writing his memoirs, Insull mused on the incident: "How the mighty hath fallen," he wrote, then struck the line from the final draft.[100]

As for A. J. Hockenbeamer, the inventor of customer stock ownership in 1914, he was promoted to president of the Pacific Gas & Electric Company in 1927 and continued in that position until he died in 1935 "of a weakened heart and a condition of general exhaustion," according to the company.[101]

The history of customer stock ownership helps answer some important questions of American political economy. How did corporate monopoly utilities, which sat so uncomfortably on the line between government ownership and private enterprise during the Progressive period, carve out a more comfortable seat for themselves in the American political economy by the late 1920s? How did Americans in the 1920s relinquish their traditional antimonopoly sentiment and come to accept the peculiar institution of monopoly capitalism? How did Americans come to own stock in the 1920s? One answer to these questions is that utility executives and their employees offered stock to customers, and customers literally bought into it.

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100. Page "69A-1," Folder 18–11, Insull Papers.
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