"THIS IS MUTUAL": AN HISTORICAL STUDY OF THE MUTUAL BROADCASTING SYSTEM RADIO NETWORK DURING NETWORK TELEVISION'S FORMATIVE YEARS 1948 TO 1960

by

Joseph Martin Slife

A Thesis submitted to the faculty of The University of North Carolina in partial fulfillment of the requirements for the degree of Master of Arts in Communications in the Department of Radio, Television and Motion Pictures.

Chapel Hill

March 1985

Approved by:

L A Singleton

Adviser

Reader

Reader

JOSEPH MARTIN SLIFE. "This is Mutual": An Historical Study of the Mutual Broadcasting System Radio Network During Network Television's Formative Years (Under the direction of LOY A. SINGLETON.)

The Mutual Broadcasting System, formed in 1934, was unlike the other national radio networks in that it was a co-operative, not-for-profit organization. All personnel and programming needs were supplied by its various shareholding stations.

Although Mutual continued to have decentralized ownership during the 1940s, in other areas it became more like CBS, NBC, and ABC. MBS built up its sales, programming, and engineering staffs while increasing its coverage with the addition of many new affiliates. But because of its cooperative set-up, Mutual had no funds with which to build a television network.

Mutual's cooperative structure came to an end in the early 1950s when MBS shareholder the Yankee Network (owned by General Tire) took over two other shareholders in an effort to expand its interests in local television.

Because of the network's unprofitability, General Tire sold MBS in 1957. In the late 1950s, Mutual endured several more ownership changes, bankruptcy, and re-organization. The network finally regained some stability when it was purchased "as a public service" by the wealthy 3M Company in 1960.

TABLE OF CONTENTS

CHAPTER I

INTRODUCTION

The national radio networks in the United States appeared to be enjoying a heyday in 1948. Total revenues were at a high of $109 million[1] and radio listening per home exceeded five hours per day.[2] 1948's two highest rated programs each commanded an average audience equal to more than twenty percent of all radio homes in America.[3]

But within three years audience figures were down dramatically. A top rated show in 1951 did well to draw ten percent of the radio-equipped homes. Gross revenues for the radio networks had dropped to only about $104 million, but profits were off by almost 45 percent compared with just three years

---

[1] U.S., Federal Communications Commission, Broadcast Financial Data for Networks and AM, FM, and Television Stations: 1948, No. 42588 (1949).

[2] Nielsen Radio Index (A.C. Nielsen Co.) figure cited in Broadcasting/Telecasting Yearbook: 1948 (Washington, D.C.: Broadcasting Publications, 1948), p. 18.

[3] From Top 15 Evening Hooperatings (C.E. Hooper Inc.) for October 30, 1948 listed in Broadcasting/Telecasting Yearbook: 1948, p. 18.

earlier.[4]

By 1960, network radio revenues were only $63 million, not even enough to cover expenses.[5] Most of the once-popular network shows were gone. (Some of these drama, comedy, and variety shows had been on the air as long as twenty years before their sudden demise.) Average listening per home had dropped to less than two hours per day.[6]

Two factors were most responsible for these changes: 1) Television entered the mass media marketplace, and 2) independent (non-network) radio stations continued to grow in popularity as hundreds of new stations went on the air. Household after household began to turn to network television for much of what network radio had offered--"name" personalities, drama, comedy, and quiz programs. For these people radio became mainly a source for music and news and it was the independent stations, not the network stations, which provided that type of programming.

---

[4] U.S., Federal Communications Commission, Final AM-FM Financial Data--1952, No. 99911 (1953). Figures quoted reflect the combined revenues and combined incomes of the four national networks, three regional networks, and their twenty-five owned and operated stations.

[5] U.S., Federal Communications Commission, Final AM-FM Broadcast Financial Data--1960, No. 12337 (1961). Reflects the combined revenues and combined expenses of the four national radio networks and their nineteen owned and operated stations.

[6] Nielsen Radio Index (A.C. Nielsen Co.) figure cited in Broadcasting Yearbook: 1960 (Washington, D.C.: Broadcasting Publications, 1960), p. F-77.

The decade of the 1950s became a time of crisis for the national radio networks. NBC, CBS, and ABC all began losing money on their radio operations. But it was the Mutual Broadcasting System which had the toughest fight for survival. Mutual Radio had no television counterpart to support it as did the other networks. In the late 40s, Mutual president Edgar Kobak had all but pleaded with the seven shareholders who owned Mutual to develop and implement a plan for a Mutual television network. One MBS stockholder proposed a merger with Loew's Incorporated in an effort to form a new Metro-Goldwyn-Mayer Broadcasting System but the proposal was defeated by another stockholder. Several other plans for entering television were studied but never acted upon. Eventually, the General Tire and Rubber Company, one of the major shareholders of Mutual through its subsidiary the Yankee Network bought controlling interest in the network. But by that time a full-scale entry into television networking was no longer feasible. Mutual had already been losing money for several years so there was no successful financial base on which to build a television enterprise.

Later in the 1950s Mutual was sold to a group of speculators and for the next few years passed among several groups of investors. Between 1957 and 1960, the network was sold six times, once for only one dollar. After several years of financial turmoil, including Chapter XI bankruptcy, Mutual once again gained some measure of stability when in 1960 the 3M Corporation purchased the network "as a public service" in order to keep it from going out of business.

Review of Literature

Joe Turner Duncan's 1965 Ph.D. dissertation "A Study of the Impact of Television Upon the National Radio Networks: 1948-1960," has in some ways laid the groundwork for this study. Duncan has not only explored in detail the general effect of television on the network radio industry, he has also supplied a justifiable time frame. Duncan expands upon Helen Slotta's 1957 thesis entitled "A Study of the Ways in Which Network Radio has Met the Impact of Television: 1948-1956," which deals primarily with how the NBC radio network moved to meet the changing needs of both the audience and the advertiser. Frederic Stuart, in a Ph.D. dissertation later published by Arno Press, has given an economist's view of The Effects of Television on the Motion Picture and Radio Industries.

Purpose of the Study

This thesis explores and chronicles how a national radio network known as the Mutual Broadcasting System reacted to and was affected by the drastic changes which took place in the American radio industry between 1948 and 1960. Included are various explanations as to how the network was started plus an explanation of its "mutual" organizational set-up. The study shows the ways in which that set-up hampered the network, making it unable to compete effectively with the other networks. The research also explores why the internal structure of Mutual changed and how the network was affected by those changes.

Unlike other studies of this period in radio networking, this thesis will attempt, through records of board meetings and various personal correspondence, to give an insider's view of what was happening. By going "behind the scenes" it is hoped the reader will better understand Mutual's problems and its attempts to overcome them.

Justification for the Study

The years during which the television set was transformed from a curiosity to a household item "became the most critical period in the history of radio network broadcasting."[7] All the networks were fighting to stay alive. They had been hard hit by a drop in revenues brought about by advertiser defections to television and to "spot" radio. Because Mutual was set up differently than the other networks (it was never intended to make a profit, only to break even) it had no stored-up wealth which could see it through hard times. All Mutual had were its seven shareholders (representing five radio stations and two regional networks), most of whom were busy with their new local TV stations.

---

[7] Joe Turner Duncan, "A Study of the Impact of Television Upon the National Radio Networks: 1948-1960" (Ph.D. dissertation, University of Michigan, 1965; Ann Arbor, Michigan: University Microfilms, 6510948, n.d.), p. 7.

The Mutual Broadcasting System is unique in the history of American radio networking. That Mutual survived the 1950s is nothing short of amazing. This sutdy examines the chain of events which contributed to its survival.

As far as can be determined by a review of the literature, this is the first study to deal specifically with the ways in which the Mutual network survived the most troubled period in the history of network radio.

Limitations of the Study

This study covers only the years from 1948 to 1960, inclusive (although some earlier history is provided as background in Chapter III). The choice of any such time span is, of course, arbitrary. History never starts and ends neatly but is continuous and intertwined. A single incident may have many causes and effects ranging over many years.

1948, however, is generally considered to be a turning point for America's radio network industry. In that year network time sales were at an all-time peak--1949 began years of decline. It was also in 1948 that television became a mass medium. Soon, several of network radio's biggest clients were advertising on TV. And it was in 1948 that three of the four national radio networks began regular network television service.

By the time the 1960s began network radio had, for the most part, dropped its old programs and had adapted to radio's new role as the "constant companion."[8] And it was in 1960 that Mutual, which had just come within a hairs breadth of going out of business, was purchased by Minnesota Mining and Manufacturing (the 3M Corporation), giving the network some degree of financial stability after several years of uncertainty.

In addition to the time frame limitations mentioned above, this study limits itself primarily to the ownership and corporate decision-making at Mutual. Economics and programming are discussed only as they relate to various decisions (and non-decisions) made by the Mutual management.

Method of Study

As an historical study, this thesis follows the basics of the "historical method." Historian Louis Gottschalk describes this method as reducing itself to four bare essentials: 1) the collection of surviving materials; 2) the exclusion of those materials which are not authentic; 3) applying tests to determine the credibility of evidence; and 4) organizing reliable evidence into a narrative.[9]

---

[8]The CBS Radio Network continued to program several dramatic series in the evening until 1962. At that time CBS made major changes in its nighttime schedule, bringing it in line with the types of programming offered by the other networks. Drama returned to the CBS Radio evening schedule in 1974 with the CBS Radio Mystery Theatre. It lasted until 1982.

[9]Louis Gottschalk, Understanding History: A Primer of Historical Method (New York: Alfred A. Knopf, 1950), p. 28.

Thus, this study seeks to re-create the past insofar as is possible within the limits created by the incompleteness of records and recollection. Employing the essentials of the historical method, it attempts to chronicle and analyze the salient events at Mutual during the period from 1948 to 1960. Printed, written, and oral materials have been collected, sifted, and presented in a narrative which shows how the Mutual radio network met the changes brought on by the advent of network television.

Cahpters three, four, five, and six are organized in an essentially chronological fashion. The chapters are as follows: Chapter One--Introduction; Chapter Two--Review of Industry Trends; Chapter Three--Origin and Growth of the Mutual Broadcasting System; Chapter Four--The Shareholder Years (1948-1951); Chapter Five--The General Teleradio/RKO Years (1951-1957); Chapter Six--Troubled Times (1957-1960); Chapter Seven--Summary and Conclusions.

Definition of Terms

The term "radio network" refers to any one of the major broadcasting chains which disseminate both programs and advertising messages to radio stations throughout the United States either by telephone line or by some other means (but not including those organizations which distribute programs and advertising primarily by tape recordings and/or transcriptions).

Four national radio networks existed during the thirteen years are covered in this study.[10] Those four chains were: the Mutual Broadcasting System (also known as MBS, Mutual Radio, and the Mutual Network); the National Broadcasting Company (later the NBC Radio Network); the Columbia Broadcasting System (later the CBS Radio Network); and the American Broadcasting Company (later the ABC Radio Network and, for a time, the American Broadcasting Network or ABN). NBC, CBS, and ABC were all set up as profit-making organizations whereas Mutual, until 1951, was a cooperative, not-for-profit network.

A number of regional radio networks also existed. Like Mutual in its earlier years, the networks were generally cooperative organizations which were designed to enhance their affiliates' profits by collective selling of time to advertisers. Regional networks were often affiliated with a national network.

---

[10] The Liberty Broadcasting System and the Progressive Broadcasting System are not included in this study since neither could be considered a major network. Both of these networks had limited programming services and were in existence for relatively short periods of time (Liberty for four years, Progressive for only a few months). An excellent article on Liberty is Edwin L. Glick, "The Life and Death of the Liberty Broadcasting System," Journal of Broadcasting 23 (Spring 1979): 117-135. Also worth reading is David T. MacFarland, "The Liberty Broadcasting System" in American Broadcasting: A Source Book on the History of Radio and Television, ed. Lawrence W. Lichty and Malachi Topping, Studies in Public Communications Series (New York: Hastings House, 1975), pp. 188-190.

Sources of the Data

Information for this study has come primarily from documents, personal interviews, and contemporary news reports (in that order). RKO General, at one time Mutual's parent company, allowed access to its records management warehouse in New York City wherein were found minutes from many board, shareholder, and affiliate meetings, as well as much personal correpondence regarding Mutual. The Mutal Network itself allowed access to the few material still available at the network's headquarters in Arlington, Virginia. Documentary evidence was also discovered at the Federal Communications Commission Library and at the Broadcast Pioneers Library, both in Washington, D.C. Personal interviews were conducted with seven current and former Mutual executives and employees, including former Mutual president Thomas F. O'Neil. Contemporary news reports came from a variety of sources including Radio Daily, Broadcasting, and Variety. Significant information was also found in various books and unpublished works cited in the bibliography.

CHAPTER II

REVIEW OF INDUSTRY TRENDS: 1948-1960

Growth of Television

"1948--Television's Year," heralded a January 1948 advertisement in newspapers from coast to coast. The National Broadcasting Company (NBC) placed the ad in thirty-nine papers in nineteen cities to announce the beginning of "the greatest medium of mass communication in the world--Network Television."[1]

Such an announcement had long been inevitable. And it certainly would have come much earlier had not television development been all but halted during the Second World War. Following the war, more stations were added to the six which had been offering irregular service since about 1941. By late 1948, seventeen stations were fully operational and four networks (NBC, CBS, ABC, and Dumont) had begun offering regular network service in the eastern United States.[2]

---

[1] NBC Television Network advertisement, Radio Daily, 22 January 1948, pp. 4-5.

[2] In order to link stations, extensive wiring of coaxial cable and installation of micro-wave systems had to be completed. Gradually stations in the Mid-West were added to the connected network. The trans-continental link was completed in 1952.

About that same time, the Federal Communications Commission (FCC), realizing that its frequency allocation plan was resulting in interference between some stations, halted the granting of new station licenses until a revised plan could be developed. The commission had also become increasingly aware that its allocation plan was woefully inadequate and could never accommodate the ever-increasing demand for frequencies. Adding to the confusion was the issue of <u>color</u> television (as opposed to black-and-white transmission). The FCC had bypassed the color issue early in 1947 but by the fall of 1948 it was apparent that a decision had to be made due to the rapidly progressing color technology.

Under the FCC's "freeze" action those station already approved were allowed to proceed with construction and then go on the air. No other applications were to be acted on until the commission came up with its new allocation plan. As it turned out new applications were held up for almost four years. In June 1952 the FCC again began processing and accepting television station applications. In addition to the previously authorized twelve channels in the very-high-frequency (VHF) band, the commission opened up seventy new channels in the ultra-high-frequency (UHF) band. The FCC's new plan allowed for the eventual construction of more than 2000 stations in almost 1300 communities. The commission had also ruled on the color issue, approving the RCA system out of a field of three competing (and incompatible) systems.

The rapid growth of the TV industry from 1948 to 1960 is outlined in Table 2-1.

Table 2-1

THE GROWTH OF TELEVISION: 1948-1960[a]

Year	On the Air	Approximate number of TV sets in use	Percent of households w/TV
1948	17		
1949	50		
1950	97		12
1951	107	12,500,000	
1952	108	17,700,000	37
1953	125		
1954	349	30,500,000	58
1955	411	36,900,000	67
1956	442	42,000,000	76
1957	471	47,000,000	
1958	492		83
1959	509	52,600,000	86
1960	517	53,600,000	88

[a]Source: U.S. Bureau of the Census, Statistical Abstract of the United States: 1955-1962 (Washington, D.C., 1955-1962).

Radio Confronts the Television Age

The story of radio in the early television age is twofold: station income between 1948 and 1960 continued upward (albeit at a decreased rate) but network income declined by nearly 120 percent.[3] This sharp downward trend for the networks would have been even greater were it not for the fact that part of their losses were offset by revenues from the

[3]Federal Communications Commission, Financial Data: 1948 and Financial Data--1960.

networks' owned and operated local stations.

Because this study deals with a specific radio network (one which did not own any stations), the continued success of local stations will not be discussed in detail. Suffice it to say, the phenomenal increase in the number of stations (almost 1400 new stations between 1945 and 1953) contributed to the overall rise in local station income. In addition, the emergence of both the "music and news" format and it its step-child "Top 40" radio garnered large new groups of listeners.[4]

The networks, on the other hand were losing much of their audience as television increasinly became a substitute for network radio listening.[5] And since advertising outlays are directly related to audience size, advertising expenditures decreased as audience levels went down. In order to keep any advertisers at all, the networks were forced to reduce their rates since they no longer attracted the huge audiences which could command high rates.

---

[4]For a demonstration of the connection between the increase in television viewing and the corresponding decreases in radio listening, see Chapter Six of Frederic Stuart, The Effects of Television on the Motion Picture and Radio Industries, (Ph.D. dissertation, Columbia University, 1960), published in Dissertations on Film Series (New York: Arno Press, 1976).

[5]A thoughtful analysis of the impact of the "music-and-news" format (with emphasis on "Top 40" radio) can be found in Peter Fornatale and Joshua E. Mills, Radio in the Television Age (Woodstock, New York: Overlook Press, 1980).

Network radio was being supplanted by network television as listeners turned to TV for what they had long enjoyed on radio--"big-name" stars, comedy, drama, and sports events. In 1949 former NBC president Merlin H. Aylesworth wrote in Look magazine that the radio networks would be "wiped out" by 1952.[6] While Mr. Aylesworth was proven to be incorrect, his prediction was not without a logical basis. He, like everyone in the network business, knew that a handful of large advertisers supported the radio networks. It was likely that these advertisers would be among the first to take advantage of network television. Since advertising money is not unlimited, it was a logical assumption that there simply would not be enough money to go around. Indeed, the radio networks, while not mortally wounded, never again enjoyed the volume of business they had just after World War II.

Television's impact on network radio can be seen by comparing 1948 incomes for the radio and television networks with their respective incomes in 1960 (Table 2-2). The irony of the figures below is that it was income and "goodwill" from their radio operations which allowed NBC, CBS, and ABC build their television networks.

But as TV grew, radio's billing--and stature--decreased.

---

[6] Merlin H. Aylesworth, "Radio is Doomed...But Its Stars Will Be Tops In Television," Look, 26 April 1949, p. 66.

Table 2-2

BROADCAST INCOME BEFORE FEDERAL TAXES: 1948

AND 1960-RADIO NETWORKS AND TV NETWORKS
($ millions)

	1948	1960
Radio Networks[a]	18.1	-3.0
Television Networks[b]	- 6.4	95.2

Source: Federal Communications Commission, Broadcast Financial Data for Networks and AM, FM and Television Stations: 1948 (Washington, D.C., 1949) and Final AM-FM Broadcast Financial Data--1960 (Washington, D.C., 1961). Based on annual reports (FCC Form 324) submitted by networks and stations.

[a]1948 radio figure includes four national networks (NBC, CBS, ABC, and MBS), three regional networks (Yankee, Texas, and Don Lee), plus their 27 owned and operated stations. 1960 figure includes the four national networks and their 19 owned and operated stations.

[b]1948 television figure includes four networks (NBC, CBS, ABC, and Dumont) plus their ten owned and operated stations. 1960 figure includes three networks (NBC, CBS, and ABC) plus their 15 owned and operated stations.

In addition to loss of business, the radio networks were plagued by a loss of creative, technical, and executive talent. Entire series jumped from radio to television, often taking not only stars but also writers, technicians, directors, and producers. These "defections" put the radio networks in a position of having to find undiscovered talent with which to build new shows, a difficult proposition in a culture that was "TV-happy." Some of these new radio shows were surprisingly innovative, but even with quality shows and reduced rates the networks had little success in luring back advertisers who had left for television. In addition, many advertisers who chose to stay in radio had opted for the system of "national spot," whereby national commercials are placed directly with stations, thus bypassing the networks.

Adding to the networks' headaches were increasingly unsettled relations with their affiliated stations. As network rates went down, the affiliates received less and less revenue from the networks. With the profit potential from a network affiliation decreasing, many stations simply decided to disaffiliate and follow the lead of the popular independent stations by programming local disc-jockey shows which could be sold to local advertisers.

But in spite of these mounting adverse conditions, the radio networks were not "wiped out." Through trial-and-error, the networks began to adapt to radio's new role as a "companion" medium. Eventually the networks realized that the secret to survival was to supplement, not dominate, the programming of the local stations.[7]

---

[7]The two most noteworthy network programming successes during this period were the "magazine" format (exemplified by NBC's "Monitor") and the five-minute on-the-hour newscast (pioneered by Mutual). For a detailed examination of the "Monitor" concept see Dennis Rae Hart, "The Rise and Fall of NBC Radio's 'Monitor': A Study of Its Program Trends" (M.A. thesis, California State University, Fresno, 1977). Further information on "Monitor" can be found in Helen Slotta, "A Study of the Ways in Which Network Radio has Met the Impact of Television from 1948 to 1956" (M.A. thesis, Pennsylvania State University, 1957).

But the economic damage was irreversible. Viewed from the corporate level network radio was probably seen as unprofitable excess baggage. But knowing that the FCC would frown on dissolution of their radio enterprises while still maintaining their highly profitable television networks, NBC, CBS, and ABC continued to support their ailing radio nets almost as a goodwill measure. But Mutual, with no TV network, had nowhere to turn.

CHAPTER III

ORIGIN AND GROWTH OF THE MUTUAL BROADCASTING SYSTEM

The name "Mutual Broadcasting System" was adopted in October 1934 by four radio stations which had banded together for the "purpose of securing contracts with advertisers for network broadcasting of commercial programs over their stations."[1] These four stations (WOR-Newark, WGN-Chicago, WLW-Cincinnati, and WXYZ-Detroit) had formally joined together on September 29, 1934 as the Quality Group before renaming the new network the Mutual Broadcasting System a few days later on October 4th.[2]

Although this formal beginning of Mutual is a matter of record, its informal start is a bit more difficult to determine. Lawrence Lichty, in his history of WLW, cites evidence indicating WOR and WLW were engaged in a program exchange as

[1]U.S., Federal Communications Commission, Report on Chain Broadcasting, Commission Order No. 37, Docket No. 5060 (Washington, D.C.: Government Printing Office, 1941), p. 26.

[2]Mutual Broadcasting System Press Information Department, "Mutual to Mark Twentieth Anniversary with Week-Long Celebration Oct. 3-9," 20 September 1954, p. 4.

early as mid-1929.[3] Over the next few years several other stations participated in an informal series of programming exchanges. This ad-hoc "network" included not only WOR and WLW but also WMAQ and WLS in Chicago, WTIC-Hartford, WCAU and WIP in Philadelphia, WGAR-Cleveland, and WXYZ-Detroit.[4]

By March 1934, a chain of stations called Group Broadcasters Incorporated was advertising itself as

> a new major medium, covering America's major markets, combining the prestige of radio, the pulling power of "producer" stations, and the flexibility of individual market selection--all at a cost that makes it "The Best Buy in Broadcasting."[5]

Group Broadcasters eventually included, among others, WOR, WLW, WGN, and the regional Michigan Network (originating at WXYZ).[6]

It seems likely, then, that the Mutual Network was a direct outgrowth of several program exchanges and cooperative arrangements dating back to the late 20s. Mutual, however, became the only major network to emerge from these various

---

[3]Lawrence Wilson Lichty, "The Nation's Station: A History of Radio Station WLW" (Ph.D. dissertation, Ohio State University, 1964), p. 300.

[4]Ibid.

[5]Group Broadcasters, Inc. advertisement, Broadcasting, 1 March 1934, p. 38.

[6]Lichty, "WLW", p. 300.

chain broadcasting experiments.[7] On September 29, 1934 WGN and WOR agreed to organize the new network but it was not actually incorporated as the Mutual Broadcasting System, Inc. until one month later.[8] The capital stock of Mutual consisted of only ten shares, split evenly between WGN Inc., owned by the Chicago Tribune, and WOR's owner, the Bamberger Broadcasting Service Inc., which was ultimately owned by R.H. Macy and Co. WLW and WXYZ did not own any stock in the new corporation.

Unlike predecessors CBS and NBC,[9] Mutual was <u>not</u> designed to show a profit. The new network took its name from the fact that it was operated on a strictly "mutual basis." The four "member" stations contributed programs and split any profit made from sales to advertisers. The network itself took only that portion of the gross revenue necessary to cover the wire-line charges and advertising agency commissions, plus a small percentage needed to cover other costs.[10] Production and selling of programs was handled entirely by the member stations. Mutual, therefore, had none of the expensive overhead associated with CBS and NBC. MBS had no central

---

[7]Ibid., p. 303.

[8]Federal Communications Commission, Report on Chain Broadcasting, p. 26.

[9]It should be noted that until 1943 NBC owned and operated two networks--the NBC Red Network and the NBC Blue Network. The Blue Network was sold in 1943 and later became ABC.

[10]Federal Communications Commission, Report on Chain Broadcasting, pp. 26-27.

production or sales agency, no engineering department, and no artists' bureau.[11]

Mutual's original four-station set-up remained unchanged until September 1935 when Detroit's WXYZ left join the NBC Blue Network. WXYZ was replaced by CKLW, a Canadian station serving the Detroit area from just across the Detroit River in Windsor, Ontario. WLW eventually affiliated with CBS, and later with NBC, but continued to carry Mutual programs occasionally.

In 1936, Mutual expanded its roster of stations by adding affiliates in Baltimore, Pittsburgh, Philadelphia, St. Louis, Nashville, and Kansas City.[12] In addition, Mutual gained many more stations through the affiliation of several regional networks, including the Colonial Network in New England, the Don Lee Broadcasting System in California, and the Iowa and Central States networks in the Mid-West.

Throughout the late 30s, the number of Mutual outlets increased at a tremendous rate. It should be noted, however, that a significant number of these new stations were also associated with either NBC or CBS.[13] Then too, most of the

---

[11]Ibid., p. 26.

[12]Mutual Broadcasting System Press Information Department, "Milestones in History of the Mutual Broadcasting System," 2 July 1957, pp. 1-2.

[13]According to the FCC's Report on Chain Broadcasting (p. 27), Mutual had 107 affiliates as of January 17, 1939. 25 of those 107 stations were also associated with NBC and another five were also associated with CBS.

affiliates Mutual gained were low-power stations with limited coverage. MBS often needed several affiliates to approximate the coverage offered by a single high-power affiliate of one of the other networks. Between them, CBS and NBC either owned or had affiliation agreements with almost all the high-power stations. Table 3-1 compares the three networks with respect to station power at the end of 1940.

Table 3-1

NETWORK AFFILIATES IN THE U.S. AND ITS TERRITORIES AND POSSESSIONS ACCORDING TO NIGHTTIME POWER[a]

1940[b]

Nighttime Power in watts	MBS	CBS	NBC[c]
50,000	2	16	22
25,000	0	0	1
10,000	1	1	5
7,500	0	0	1
5,000	10	22	31
2,500	0	0	1
1,000	37	45	62
500	14	8	16
250	88	23	64
100	14	6	15
50	1	0	0
Totals	167	121	218

Source: Broadcasting Yearbook, 1941.

[a]Also includes Mutual's CKLW in Windsor, Ontario (Detroit).

[b]Through December 31, 1940.

[c]Includes both the NBC Red and the NBC Blue networks.

NBC and CBS' virtual stranglehold on high-power stations became one of the prime issues which eventually led to a Federal investigation of the radio networking business.[14] Ultimately, the older networks were made to relax many of the conditions in their contracts with stations and NBC was forced to sell one of its two networks.

Though MBS welcomed the FCC's new regulations on chain broadcasting, they hardly made the network picture more equitable, at least from Mutual's point of view. Its affiliate list had swelled to 245 by the end of World War II, but seventy-two percent of those stations operated with low power and on local (limited coverage) frequencies.[15]

As Mutual continued to grow, its internal structure became more complex. By 1940, issued stock had risen from the original ten shares to one-hundred shares. Shareholders had risen from two to seven.[16]

Aside from the decentralized ownership, however, Mutual was becoming more and more like the other networks. In 1943, advertising executive Miller McClintock became the network's

---

[14]See Thomas Porter Robinson, Radio Networks and the Federal Government (New York: Columbia University Press, 1943).

[15]Ronald Eugene Black, "Growth of Radio Networks in the United States" (M.S. thesis, Illinois State University, 1976), p. 105.

[16]Federal Communications Commission, Report on Chain Broadcasting, p. 28.

first paid president. He subsequently unveiled a six-point operational program which not only called for the largest budget in the network's history but also for increased programming services and enlargement of the MBS research department.[17]

In 1945, McClintock was replaced by Edgar Kobak, who as executive vice-president of the Blue Network had helped to reorganize that network after its forced separation from NBC.[18] Under Kobak, Mutual's sales picture improved markedly. Gross billings for 1946 reached almost $26 million,[19] compared with just over $14 million in 1943.[20] Some of this increase can be attributed to the post-war boom, of course, but even so Kobak was instrumental in landing some big new accounts for Mutual.[21]

During Kobak's tenure, Mutual inaugurated a new coverage measurement called "Listenability." Unlike the ratings

---

[17] Mutual Press Information Department, "Milestones," p. 4.

[18] Current Biography: Who's News and Why, 1947, ed. Anna Rothe s.v. "Kobak, Edgar" (New York: The H.W. Wilson Co., 1948), p. 364.

[19] Ibid.

[20] Mutual Press Information Department, "Milestones," p. 4.

[21] Current Biography: 1947, p. 364.

services which scientifically measure audience size, "Listenability" was designed to measure Mutual's coverage, or audience potential. As such, it was not a ratings measurement but an engineering measurement. Using "Listenability" figures, many Mutual stations successfully petitioned an apparently sympathetic FCC for power increases and/or frequency changes.

Kobak also initiated Mutual's much-heralded drive to become the "world's largest network." Indeed, by the end of 1947, MBS had more than 500 affiliates. But even with the aforementioned power increases and changes in frequency, Mutual continued to be a network of primarily low-power, local frequency radio stations.

The shareholders' picture at the end of 1947 was much the same as it had been since 1940. Some of the names had changed but there remained seven shareholders. More stock had been issued, however. There were now 129½ shares, up from 100 in 1940. Original stockholders WGN Inc. and the Bamberger Broadcasting Service Inc. (WOR) held 25 shares apiece. Also holding 25 shares each were two regional networks--the Los Angeles-based Don Lee Broadcasting System, owned by Thomas S. Lee Enterprises, and the Boston-based Yankee Network, owned by the General Tire and Rubber Company. The Pennsylvania Broadcasting Company (WIP-Philadelphia) and the Western Ontario Broadcasting Company (CKLW-Windsor) each held eight shares. The remaining 13½ shares were owned by the United Broadcasting Broadcasting Company, licensee of WHK in Cleveland, Ohio.

Edgar Kobak's plan to make Mutual a true competitor in the network race lead to a sharp increase in operating expenses. Originally, Mutual had virtually no overhead expenses since everything the network needed (from management to engineering) was provided by the various shareholder stations. Kobak's plans, however, called for the network to fund such items as program testing and ad campaigns. Kobak also expanded Mutual's management, sales, and engineering staffs.

Expenses grew to the point that in order to keep the network afloat the shareholders were contributing to Mutual about 45 percent of their net income on network business (as opposed to contributing about five percent when the network began). Although Mutual was designed to break even, the shareholders were committed to sharing any deficit the network might accrue. The deficits started in 1948 when Mutual went 136,000 in the red. By the end of 1949, the deficit had grown to more than one million dollars. For the shareholders the potential for profit had all but disappeared and infighting among the shareholders increased. It was the beginning of the end for Mutual's cooperative structure.

CHAPTER IV

THE SHAREHOLDER YEARS

A New Direction for Mutual

Edgar Kobak had three great interests: "Engineering, publishing, and people." Broadcasting, he said, "combined all three."[1]

As a young man Ed Kobak worked as an engineer and wrote articles for technical journals. On the side, he began selling subscriptions to Electrical World magazine, a McGraw-Hill publication. At age 21, he became assistant engineering editor of the magazine. By age 29, he was a vice-president and sales manager at McGraw-Hill.[2]

Ten years later he became vice-president in charge of sales for NBC. In 1936 he left NBC in favor of the Lord and Thomas advertising agency but then returned to NBC four years later to work for the Blue Network. When the government ordered NBC to divest itself of one of its two networks, Kobak was picked to head the new, independent Blue Network

---

[1] Current Biography: Who's News and Why, 1947, ed. Anna Rothe, s.v. "Kobak, Edgar" (New York: The H.W. Wilson Co., 1948), p. 364.

[2] Ibid.

Company.[3]

Ed Kobak performed well at the Blue Network. He was a good salesman, a consummate showman, and had a knack for bringing new spark to an organization. The board of directors at the Mutual Broadcasting System liked all these things about Kobak and they were particularly cognizant of the fact that he had many "connections" with various businesses and advertising agencies. In late 1944, the shareholders of Mutual were looking for a man to move their ten-year-old network in a new direction. Ed Kobak was the man they picked to do it.

Since its inception in 1934 as a clearinghouse for trading programs among various stations, Mutual had remained a rather loosely-linked chain which, except for some popular live sports coverage, rarely posed a threat to the firmly-established CBS and NBC networks. As mentioned in Chapter Three, Mutual was even a "not-for-profit" company. In fact, until 1943 MBS was managed by various officials of its shareholding stations who simply took care of network business on the side. But as Mutual grew from only four stations in 1934 to more than two hundred by 1943, part-time management became impractical. The shareholders decided to hire a chief executive who could oversee the day-to-day operation of the network while at the same time working toward making

[3]Ibid.

Mutual more competitive with CBS and NBC. Advertising executive Miller McClintock became Mutual's first paid president early in 1943.

It remains unclear exactly why McClintock left the network. Perhaps the shareholders were looking for a more gregarious person to be the "front man" for Mutual. At any rate, in late 1944 they approached Edgar Kobak, the president of the Blue Network, and offered him the opportunity to transform Mutual into something more than on "also-ran" in the network race. Kobak accepted their offer and was elected Mutual's president in November 1944.

Kobak came to Mutual with some definite changes in mind. To help institute those changes he brought with him several Blue Network executives, including Robert Swezey, who became MBS' vice-president and general manager, and Phillips Carlin, who was named to head Mutual's programming department. Both Swezey and Carlin were long-time radio professionals who were well-known and respected in broadcasting circles.

Phil Carlin took Kobak's message of change directly to Mutual's affiliates in a strongly worded closed-circuit talk on January 16, 1945:

> An original conception of the Mutual Network whereby it was thought that the radio audience could be intrigued by hearing programs from affiliated station in various parts of the country must now be considered unsound in some cases.

> Our radio listeners are attracted in only one way, namely through good shows, irrespective of origination.[4]

Carlin, with support from Kobak, wanted to put Mutual's programming on a more professional level, mostly by buying shows from so-called program "packagers," production houses which were in the business of developing and producing radio shows. A packager supplied everything needed to produce a show except the studio. That was the responsibility of the network.

In the days before a program was sponsored by multiple advertisers (that is, before 1953), advertising agencies often functioned as program packagers, producing shows on behalf of particular advertisers. But in building a new program line-up at Mutual, Phil Carlin was forced to buy programs from independent packagers and then air each show unsponsored until it could generate enough of an audience to attract an advertiser. Affiliates often balked at airing these unsponsored programs, however, because the stations received no direct revenue from them. Even the Mutual stockholder stations often refused to broadcast the "trial" line-up, instead airing sponsored local programs on which they could make a healthy profit.

While Carlin attempted to put the affiliates in line,

---

[4]Phillips Carlin, text of closed-circuit address to the affiliates of the Mutual Broadcasting System (Mutual Broadcasting System Station Relations Department, n.d.) 16 January 1945, p. 2.

Ed Kobak set out to improve Mutual's standing with not only advertisers but other broadcasters as well. As he had done both at NBC and the Blue Network, Kobak began buying advertising space in various trade magazines for a series of "public relations" articles. Every few weeks Kobak would publish an "ad/article" which extolled the virtues of some aspect of the Mutual organization.

Kobak also inaugurated a drive to substantially increase Mutual's coverage by making MBS "the world's largest network." His efforts in that direction were aided substantially by the end of World War Two. As electronic equipment again became readily available for use in private industry, the Federal Communications Commission began licensing hundreds of new radio stations. Most of these new stations were low-power outlets in rural and suburban areas, areas which had never had a local station. It was these newly-licensed stations to which Mutual offered network service.

Ed Kobak believed that a station which was the only local outlet in its listening-area would dominate that area. In other words, while listeners without a local station had to listen to high-power stations from another city or town, Kobak thought listeners who had access to a local station would opt for local rather than long-distance listening. Because so many of the long-range, high-power stations were affiliated with the other networks, Kobak hoped to carve out a "home-town listening" niche for Mutual by adding service to as many one or two-station markets as possible. Although

Mutual continued to be weak in many metropolitan areas, Kobak's plan made MBS the number one network in small-town America. By early 1948, 275 Mutual affiliates (more than half of the MBS roster) were the only stations in their respective market areas. Granted, the bulk of purchasing power in the United States is in the larger cities, but by concentrating on small towns Mutual could reach with local stations about 20 percent of the total U.S. radio homes which the other networks could not reach locally.[5]

In order to fully exploit Mutual's expansion, Kobak and MBS general manager Robert Swezey had the network's engineering department develop the new coverage measurement mentioned in Chapter Three, "Listenability." "Listenability" was touted by Kobak as a measure of coverage "from the listener's and not the broadcaster's viewpoint."[6] That is, instead of relying on traditional signal strength measurements, which often exaggerated the size of a particular listening area, "Listenability" was designed to determine where a particular station's signal was actually "strong and clear enough to encourage regular listening."[7] And, indeed, the new Mutual

---

[5]Figures based on one of Kobak's "ad/articles" called "What's Up Our Sleeve Is Up the Advertiser's Alley," Radio Daily, 2 April 1948, p. 3.

[6]Edgar Kobak, "Don't Look Now, But Listenability Has Its Critics!" in Stop, Look, Listenability! (Mutual Broadcasting System, n.d.), p. 3.

[7]Edgar Kobak, "Listenability: You're Going to Hear A Lot About It" in Stop, Look, Listenability! (Mutual Broadcasting System, n.d.), p. 2.

measurement did help the network gauge where it had strong coverage, weak coverage, and no coverage. But because it measured how clearly a Mutual station could be heard as compared with stations affiliated with the other networks, measurements which were taken in Mutual's nearly 300 single-station markets tended to produce figures which were in MBS favor.

Consider the following hypothetical example: In 1947, listeners in Hometown, USA had a choice between two stations--WHTS, Mutual's 250-watt station in Hometown, and WBC, a 50,000-watt NBC affiliate 65 miles away in Big City, USA. Even if on average more Hometown listeners actually listened to WBC, "Listenability" would show higher figures for WHTS because, being local, it had a clearer signal in Hometown than did WBC.

Adding up all its "Listenability" figures, Mutual could go to an advertiser and sell him on the idea that MBS had great audience <u>potential</u>. With the proper program and promotion, Mutual would say, the advertiser could realize that potential. It was a clever marketing technique designed to capitalize on Mutual's unique position of being able to get a clear signal into many places which the other networks did not reach too well.

More often than not, however, MBS fell far short of reaching its audience potential, especially during radio's "prime-time" evening hours when, because of a nightly change in atmospheric conditions, distant stations had better penetration into Mutual's one and two-station markets. Although its daytime programming was often comparable in quality with that of the other networks, Mutual's evening programming had little of the big-budget flashiness and star-appeal that characterized the nighttime line-up of NBC and CBS (and to a lesser extent ABC). According to long-time MBS program executive Hal Wagner, the high cost of production and the difficulty in finding talent prevented Mutual from producing

> ... many entertainment programs, as such. We never bothered too much with entertainment because we couldn't--probably couldn't--compete with the comedy shows of NBC and the big variety shows of CBS.... Instead, we did a lot of drama, which means a four, five, six-man cast as opposed to a 30-piece band, and comedians, singers, and everything else.[8]

Money Problems

Even if it was not possible to recruit big stars and hire huge orchestras, Ed Kobak still wanted both to improve the quality of Mutual's programming and to support that programming with better promotional activities. Tom O'Neil, who was then vice-president of the regional Yankee Network in New England, an MBS shareholder, said later that Kobak

---

[8]Harold M. "Hal" Wagner, interviewed at his home in Oakton, Virginia, 26 January 1984.

began to encounter money problems at Mutual because "he wanted to run it like it was a real network," when in fact it was simply a co-operative organization.[9] Kobak committed ever-increasing funds to such items as audience research, program testing, and press relations. Early in his tenure as Mutual's president he convinced the shareholders to loan the network a total of $633,000 to help revitalize MBS.[10] But even with that influx of capital, Mutual ended 1945 with a slight deficit. The post-war boom of 1946 helped Mutual achieve its highest billings ever up to that point and the network was able to break even (as per design). 1947, however, was a year of rough sailing. In September of that year, Kobak told the Mutual board of directors (representing the seven shareholders) that MBS faced a 1947 deficit of more than $240,000.[11] But a year-end sales upturn combined with reduced payments to the shareholders put the network at the break-even point for the year.

Kobak's training in broadcast management had been at NBC, where, as one former NBC employee put it, "If you needed

---

[9]Thomas F. O'Neil, interviewed at his office at RKO General in New York City, 2 July 1984.

[10]Figure from John B. Poor and Arthur H. Nelson, "The Mutual Broadcasting System, Inc.: The Opportunities for Prospective Purchasers," April 1950, Table II.

[11]Edgar Kobak, "Report to the Board of Directors: January 1948," p. 1.

something, you just bought and then sent in a voucher."[12] Kobak had difficulty overcoming that orientation when he came to Mutual. Because he always seemed to be spending more money than was available, some MBS shareholders feared Kobak was leading the network to financial disaster. As expenses rose, the co-operative set-up of Mutual became less appealing to the shareholders and there was growing contention among them. Generally, shareholders WOR-New York and the West Coast Don Lee network squared off against New England's Yankee Network, with the other shareholders either backing Yankee or staying out of the fray.

Relations between Don Lee and Yankee became heated in early in 1948 when Yankee vice-president Tom O'Neil discovered that Yankee was receiving a lower percentage compensation payment for Mutual than any of the other shareholders. The percentage difference was not that great (53.8 percent of Yankee's hourly rate as compared with a 54.4 percent rate of payment for Don Lee and a 55 percent rate for the other two major shareholders, WOR and WGN), but when the percentage difference was applied to revenues for an entire year of air time it constituted enough of a discrepancy that O'Neil felt the situation was not equitable.

---

[12] Edythe Meserand, interviewed at the Broadcast Pioneers Library in Washington, D.C., 5 August 1984.

In March 1948, O'Neil wrote to Ed Kobak stating his feeling about the matter. Kobak forwarded the letter to Mutual's chairman of the board Lewis Allen Weiss, who also happened to be chairman of the Don Lee chain. There followed a series of pointed, albeit ostensibly cordial, exchanges between Weiss and O'Neil. Weiss insisted that Yankee, even though it received a slightly lower percentage from Mutual, still had a position more advantageous than any of the other shareholders. Weiss argued, and rightly so, that in actual dollars Yankee made much more money from Mutual than did Don Lee. Because the Lee chain had more stations and covered more territory than Yankee, Weiss said Lee was forced to bear

> ... seven times as much in the way of unrecovered line costs as Yankee does; and in addition to that Don Lee [headquartered in Los Angles], WOR [in New York], and WGN [in Chicago] carry tremendous orchestra expenses because we happen to operate in the key cities of the network which Yankee [in Boston] completely escapes.[13]

Weiss also pointed out that Don Lee, without compensation from Mutual, maintained offices and personnel which duplicated every service offered by MBS in New York.[14]

---

[13]Lewis Allen Weiss to Thomas F. O'Neil, 1 April 1948, p. 2.

[14]Ibid.

But the difference among the shareholders (and between Yankee and Don Lee in particular) went far beyond simple financial percentages. Yankee's Tom O'Neil, who did not become involved with Mutual until 1946, pushed hard for MBS to be run as an "efficient business organization at all levels." He believed the network's organizational set-up offered little more than a "social-fraternity type approach to policy and administrative decisions."[15]

Television

Behind Yankee's drive to make Mutual a more business-like organization was O'Neil's desire for Mutual to become involved in network television. O'Neil believed that if Yankee's TV station in Boston was to be successful, it would have to be affiliated with a strong network. Mutual, he reasoned, could never mount such a TV network as long as it retained its decentralized organization. And, indeed, as time went by it became increasingly apparent that the MBS shareholders would never achieve a meeting of the minds with regard to building a television network. Only centralized management with strong economic backing could successfully develop and implement a plan for entering network TV.

Mutual president Ed Kobak, fearing that MBS was being left behind in the television race, repeatedly pressed the

---

[15]Thomas F. O'Neil to Mutual president Frank White, 28 October 1949, p. 1.

board of directors to make a decision regarding how to proceed in TV. For nearly two years, Mutual's "head of television," E.P.H. "Jimmy" James, prepared for the board various reports, charts, graphs, and maps dealing with the television situation. But the decision to go ahead with the Mutual Television Network never came.

However, the MBS shareholders did go ahead with their own plans for their respective local stations. The Don Lee Broadcasting System had been in television for more than 15 years, operating its experimental station W6XAO (later KTSL-TV) since 1931. WGN-TV began regular programming early in 1948 and WNAC (Yankee), WOR, WIP, and WHK all had TV stations in the works.[16]

A television network, however, was an altogether different matter. There was even no way to simply exchange live programs as Mutual radio had done in its early years. Trans-continental coaxial cable for connecting stations across the country was still some years away. A show could, of course, be filmed at one station and then simply mailed to another, but filming programs was quite expensive.

In fact, television's programming and engineering costs far exceeded those of radio. Even the heads of the other, much wealthier networks were privately worried about the

---

[16]"Mutual Tele Planning to the Revealed Wed.," Radio Daily, 17 May 1948, p. 8.

start-up costs for network television. In June 1948, Ed Kobak lunched with Niles Trammel, Frank Stanton, and Mark Woods, the presidents of NBC, CBS, and ABC, respectively. Kobak reported to the Mutual board that the other network chiefs expressed a fear "that much of their [radio] profits would be absorbed by television losses before they could get television in the black."[17]

Since Mutual had nowhere near the financial resources and production capabilities of the other networks, it was apparent to the shareholders that if MBS was to go into network television it would need a partner to provide financial backing and production expertise. For its part, Mutual could bring to a merger or partnership an already established network organization complete with a full administrative staff plus a number of Mutual radio affiliates who were ready to become Mutual television affiliates as soon as their TV stations went on the air.

Lew Weiss, who was chairman of both Mutual and Don Lee, began partnership talks with veteran film producer Hal Roach in the late summer of 1948. In September, Weiss arranged for Roach to meet with the entire Mutual board in New York. Roach submitted a plan whereby the Hal Roach Television Corporation would sell Mutual a certain number of hours of

---

[17]Edgar Kobak to the Mutual board of directors, 18 June 1948.

filmed programming per week. But there was nothing in the Roach plan which offered financial assistance to MBS. In fact, Roach wanted the Mutual shareholders to buy three million dollars of stock in his company so that he would have enough working capital with which to begin producing shows.[18]

Mutual vice-presidents Robert Swezey and E.P.H. James analyzed the Roach proposal and, in an October letter to the board of directors, recommended it not be accepted. Swezey and James explained that in most markets network television affiliation arrangements were still in a "fluid stage," with each network still trying to sign a full-time affiliate. The networking and syndication businesses were, therefore, extremely price competitive. The FCC freeze on applications added to the competitive situation because only a relative handful of stations had been licensed and fewer than 50 stations were actually on the air. Mutual, then, would be forced to enter a price war with four other TV networks (ABC, NBC, CBS, and DuMont) in an effort to attract affiliates from among what was a severely limited number of stations. In order just to cover the cost of buying programming from the Roach Corporation, Mutual would have to sign a certain minimum of affiliates so that it could then realize a certain

[18]Robert Swezey and E.P.H. James to the Mutual board of directors, 1 October 1948, p. 2.

amount of revenue from TV advertising. Swezey and James thought it would be difficult, if not impossible, to garner the outlets needed (and thus the revenue) in light of the strongly competitive situation. They concluded that the Roach Television Corporation and the Mutual Network "are a considerable distance apart at the present time."[19] Negotiations with Roach continued for several weeks but without any agreement.

Management Changes

About the time the Roach deal fell through, it became apparent that despite high gross billings Mutual was going to end 1948 with a deficit. Beleiving that Kobak was could not be financially responsible on his own, the board decided to place one of its own members in Mutual's top management so that he could draw the line on expenses. After discussions with Kobak, it was tentatively agreed that Yankee Network general manager Linus Travers would become an MBS vice-president "with special concentration on programs and sales."[20] The move raised the ire of Mutual general manager Robert Swezey, who felt his position was being encroached upon. Swezey threatened to resign if Travers was brought to Mutual. Travers then opted to stay with Yankee but Swezey quit anyway because he felt he did not have the support of

---

[19] Ibid., p. 3.

[20] "Travers Joining MBS As Web Vice-Prexy," Radio Daily, 1 October 1948, p. 3.

Kobak and the board of directors.

Ed Kobak was facing some serious problems. Not only was he with out a number two executive, but also the network's expenses were getting even further out of control, balooning to nearly one million dollars ahead of expenditures for 1947. This large increase was primarily due to much higher administrative, programming, and research costs. In other words, the policies of Kobak and those of program chief Phil Carlin were directly responsible for the increased expenses.

At the December board meeting in Chicago, the directors demanded from Kobak a proposed 1949 budget "reflecting an excess of receipts over expenses to at least one-half of the [eventual 1948] deficit."[22] When the books were closed at year's end, that deficit stood at $136,000,[23] an amount much less than it would have been had it not been another boom year for the network radio industry.

Some board members began pushing for Kobak's ouster, demanding that both he and Phil Carlin be replaced with executives who had more respect for the value of a dollar.

---

[21] Poor and Nelson, "Opportunities," Table II.

[22] Mutual Broadcasting System, minutes of a special meeting of the board of directors, 13 December 1948, p. 2.

[23] Ibid.

While in Washington, D.C. for a formal meeting in February 1949, a few board members held an informal discussion about replacing Kobak. Although it remains unclear just what was decided, Mutual chairman Lew Weiss apparently came away from the discussion believing he had been authorized to ask for Kobak's resignation.

On February 8, 1949, as Kobak waited at Washington's Union Station for his return to New York, Weiss spoke with him briefly and asked him to resign as Mutual's chief executive. Kobak was stunned. He believed he was doing successfully what he had been asked to do when he came to MBS, namely to make Mutual into a competitive network. To be asked to resign was, he felt, a "stab in the back." The fact that the request came not in a business setting but in a train station was merely an added insult.

The train station incident touched off a battle between the supporters of Lew Weiss and those of the Yankee Network's Tom O'Neil. It seems that although all the board members agreed that Kobak should be replaced, several directors said they had not actually authorized Weiss to ask for Kobak's resignation because they wanted to select a new president for Mutual before Kobak was ousted. In a letter to WGN's Elbert Antrim, Weiss stated that not telling Kobak of the board's intent would have been unprincipled:

> The whole question breaks itself down to a question of ethics, as to whether or not we should negotiate with a replacement

> for Kobak behind his back or let him know that such an action is being taken by a group representing the majority of the stockholders of Mutual and therefore a majority of the Board.[24]

Antrim, along with Tom O'Neil and a few others on the board, had wanted to negotiate with a new president before ousting Kobak because they feared that if Kobak was forced out before a replacement had been found, Lew Weiss, as Mutual's Chairman would install himself as Mutual's acting president with WOR's Ted Steibert becoming Mutual's acting general manager. Tom O'Neil said later that he believed Weiss "eventually wanted to be the boss man himself.... If we were going to get into a network of the type which Kobak was trying to create, then Lew wanted to run it."[25]

On February 28, 1949, the board met in formal session in Chicago. Lew Weiss made an opening statement saying that in asking for Kobak's resignation he had told Kobak that he (Weiss) was acting in accordance with the expressed wishes of the board even though the matter had not been acted on in a formal board meeting. Linus Travers and Tom O'Neil, both of the Yankee Network, then stated it had never been their intention to authorize Weiss to take such action.

---

[24]Lewis Allen Weiss to Elbert M. Antrim, 14 February 1949, p. 1.

[25]Thomas F. O'Neil, interview.

H.K. Carpenter of minority shareholder WHK-Cleveland was not present at the board meeting but by letter he stated that he also had not authorized Weiss to ask Kobak to resign.[26]

Ted Streibert of WOR then moved that the board officially ask Kobak to resign and the motion was seconded by Willet Brown of Don Lee. The vote on the motion was a show of strength for Tom O'Neil. While four board members--two each from WOR and Don Lee--voted in favor of the motion, five members--one each from CKLW, WGN, and WIP plus two from Yankee--voted against the measure. (Kobak, who as president had a seat on the board, did not vote.)[27]

In spite of the vote, which gave him a reprieve, Kobak told the board he would resign anyway because he felt he could not run the network effectively without the support of WOR and Don Lee. But apparently in an effort to thwart Weiss, Kobak told the board that, if they wanted him to, he would stay on as president until a successor could be found.[28]

Kobak's offer was accepted and a search committee was formed to locate a new president for Mutual. The four-member committee represented the opposing factions on the Mutual

---

[26]Mutual Broadcasting System, minutes of a special meeting of the board of directors, 28 February and 1 March 1949, pp. 1-2.

[27]Ibid.

[28]Ibid., p. 3.

board equally, with Don Lee's Lew Weiss and WOR's Ted Streibert on the one hand and Yankee's Tom O'Neil and WIP's Ben Gimbel on the other.[29]

It was hoped the impending network shake-up could be kept secret from the trade press until a new chief executive had actually been selected but rumor-filled stories which put Mutual in a bad light soon began appearing in various trade publications. Lew Weiss believed Kobak himself was the source of what he termed this "poisonous propaganda."[30] Weiss and Streibert also believed that Kobak was trying to "embarass Mutual with its advertisers" in an effort to seek revenge for being asked to resign.[31] Kobak, however, protested his innocence and in a letter to the board even implied that Weiss himself was the source of any news leaks.[32]

The search committee worked quickly and within a few weeks had settled on offering the job to Frank White, who

---

[29]Ibid., p. 4.

[30]Lewis Allen Weiss to Benedict Gimbel, Jr., 24 March 1949.

[31]Lewis Allen Weiss to Theodore C. Streibert, 24 March 1949.

[32]Edgar Kobak to the Mutual board of directors, 8 March 1949.

was then president of Columbia Records, the record division of CBS. He had begun his career as an accountant, later serving both as treasurer and as a vice-president at CBS. Because of his strong "dollars-and-cents" background, the search committee hoped White would be able to put Mutual back on firm financial ground.

White met with the committee and a few other directors on April 7, 1949, just five weeks after the stormy board meeting over Kobak's future at the network. The next day, White was elected as Mutual's new president.

The "official" story given to the trade press was that Kobak was retiring from the presidency of Mutual but that he would be retained as an MBS consultant for an extended period. Since Kobak's contract as president ran through the end of 1951, it seems likely that the "exclusive consultant" arrangement was little more than window-dressing for nearly three years worth of severance pay. But because of its exclusive nature, the consultancy did prevent Kobak from offering his services to another network until at least 1952.

On the same date White was elected to office, the shareholders--by a vote of the board--concluded that the financial position of Mutual was grave enough to warrant a lowering of the amount of compensation they received from the network for their air time. They voted unanimously to receive only "fifty percent ..., instead of fifty-five percent ... of the corporation's actual receipts from advertisers [for] commercial programs broadcast through the respective stations or regional networks of the shareholders."[33] The shareholders hoped the change would be needed only temporarily so they voted to adopt the new procedure for only a five-month period.[34]

After several weeks of observing and investigating the situation at Mutual, Frank White began to make some changes. First he hired William H. "Bill" Fineshriber as vice-president in charge of programs (filling the slot vacated by Phillips Carlin). Like White, Fineshriber had been a "career man" at CBS, having served in a variety of posts including general manager of the program department and director of short-wave programs (during World War Two).[35] White believed that "with little or no publicity [Fineshriber had] been responsible for a very large part of the successful CBS program operation." Although White warned the shareholders not to expect a spectacular operation from

---

[33] Mutual Broadcasting System, minutes of a special meeting of the board of directors in lieu of the annual meeting, 8 April 1949.

[34] Ibid.

[35] Mutual Broadcasting System, press release announcing the appointment of William H. Fineshriber as Vice-President in Charge of Programs, 14 June 1949.

Fineshriber, he said he was "confident that [Fineshriber] can do a good job of giving us what we need within the necessary dollar limitations."[36]

At the Mutual board meeting in June of 1949, White received shareholder approval for some administrative reorganization designed to improve efficiency and cut costs. Since Mutual's financial difficulties precluded a costly entry into network television, White was given authority to abolish the MBS "television department" headed by E.P.H. James.[37] Other cost-cutting moves included a reduction of the Mutual workforce by nearly 7 percent plus some reductions in non-payroll items. White estimated the changes would cut expenses by close to $150,000.[38]

Mounting Debts

In spite of these moves, the Mutual deficit continued to mount as the radio network industry began to fall victim to advertiser defections to television and national spot radio. Mutual suffered sizable cancellations or reductions by several sponsors. White predicted privately that by the

---

[36]Frank White to Thomas F. O'Neil, 10 June 1949.

[37]Mutual Broadcasting System, minutes of a meeting of the board of directors, 24 June 1948, p. 3.

[38]Frank White, confidential memorandum to the Mutual Board attached to an August 1, 1949 letter to the Mutual board of directors, n.d.

end of 1949, the Mutual debt--(including the $136,000 carried over from 1948) would top one million dollars.[39]

Noting the financial outlook was "grim," White suggested "that the Board may accordingly wish to modify drastically our present plan of operation." White presented the shareholders with two options, neither of which was particularly desirable. The first possibility was to undertake deficit financing, a move White insisted would be necessary to maintain any sort of competitive stance with regard to the other networks. Even though he realized Mutual could not compete on the same level with CBS and NBC, White insisted that even to try to compete with third-place ABC would result in a sizable deficit because Mutual would have to maintain expensive program and advertiser services comparable to those offered by ABC. The only other option, according to White, was "to decide that the stakes are too high [and return to the] pattern of operation similar to that was followed by Mutual in the pre-Kobak days." Since such a move would make Mutual a non-competitive operation and would result in a further loss of sponsors, White noted that even that course could not "completely insure against the possibility of at least some deficit financing."[40]

Mutual had finally run into a situation made inevitable

---

[39] Ibid.

[40] Frank White to Thomas F. O'Neil, 1 August 1949, p. 1.

by its very set-up. Because Mutual was a cooperative, "non-profit" network run by a few stations and not a "real" network at all, it could not compete effectively in the radio advertising marketplace. During periods of peak demand for radio advertising time Mutual could do well because the demand for time exceeded the supply of time available from the profit-making networks. But when the demand slackened, as it began to do in 1949, the single-purposed networks (who also had more powerful outlets in the centers of population) could meet the demand.

At the Mutual board meeting in September 1949, White submitted a budget for the remainder of the year which predicted a 1949 deficit of 1.3 million dollars. Because deficit financing all but removed any profit potential for the shareholders, Yankee Network vice-president Tom O'Neil told the board Yankee could "no longer continue as a stockholder under such circumstances." O'Neil told Frank White that instead of making money from Mutual, the shareholders would be paying for the "privilege of giving away their network commercial time."[41] O'Neil told White Yankee would have to withdraw as a MBS shareholder.

Surprisingly, all the other shareholders decided to stay with Mutual and even agreed to have their compensation payments reduced to just 2 percent of what Mutual made from

---

[41]Thomas F. O'Neil to Frank White, 28 October 1949, p. 2.

selling time on their respective stations or regional networks. This change did indeed nearly put the shareholders in the position of giving away their time. It should be noted, however, that acceptance of the two percent formula was supposed to be only temporary. When the network was again healthy the shareholders were to receive in full all the money they had been willing to forego temporarily.

Believing that Mutual would never again be healthy under its present set-up, the Yankee Network, at the October 1949 board meeting, proposed a course designed to attract new ownership while at the same time proposing a basis for Yankee's withdrawal as a stockholder. Although Yankee's terms for withdrawal were not immediately accepted by the board, Tom O'Neil was authorized to "unofficially explore the possibilities of complete new ownership" for Mutual.[42]

Merger Talks with MGM

Within a few days, O'Neil entered into talks with Loew's Inc., owner of the Metro-Goldwyn-Mayer movie studio. In addition to producing films, MGM operated a radio syndication business called MGM Radio Attractions which produced and distributed radio programs featuring MGM movie stars. Metro-Goldwyn-Mayer also owned and operated WMGM Radio in New York City.

---

[42] Ibid., pp. 2-3.

O'Neil hoped to strike a merger with Loew's whereby MGM would become the new owner of Mutual. O'Neil proposed that MGM's syndicated program be shifted to Mutual, thus giving the MBS affiliates access to programming which featured big-name stars. For its part Mutual would furnish its network of more than five-hundred stations which could be used to promote MGM films. But according to Tom O'Neil, what he was most interested in was "somehow getting [Mutual] involved in the TV business."[43] MGM, of course, had the film production resources with which to produce television programming while MBS had radio affiliates with TV "sister stations" but no Mutual television network to service them.

Tom O'Neil and others on the Yankee staff worked diligently to put the MGM/MBS deal together. By December, O'Neil had ready a proposal for consideration by the Mutual board of directors. The plan called for an 18-month "courtship" before the final "marriage" of the two companies. In essence, MGM would run Mutual for a year-and-a-half and if the arrangement worked satisfactorily then MGM and MBS would officially merge. O'Neil admitted to the board that some aspects of the plan "might seem to be unworkable," but he urged the directors to "approach the plan with open

---

[43]Thomas F. O'Neil, interview.

minds and constructive contributions."[44]

Outlined below are some of the principles of the plan: Mutual was to become the Metro-Goldwyn-Mayer Broadcasting System on January 1, 1950 with Frank White and the entire Mutual organization moving intact into the "new" network; MGM was to have "complete charge of selling, programming, and policies of administration" under a budget approved by the seven Mutual stockholders; within the first nine months of operation, MGM planned to "inaugurate a different concept of network operation" whereby the affiliates would pay a specified subscription fee in return for certain programs which the stations could sell locally; MGM was to contribute no cash to the deal and, at first, was to buy no Mutual stock; during the first 18 months of operation MGM would have the option of buying all of the outstanding Mutual stock for only one dollar as long as it also assumed a total of $1.6 million in obligations to the seven MBS shareholders; if MGM did not exercise its option to buy, the network would revert to the shareholders control and the two companies would go their separate ways. Essentially, the entire proposal amounted to "a management contract with option to buy."[45]

Tom O'Neil believed the MGM deal would be a good one

---

[44]Thomas F. O'Neil to the Mutual board of directors, 5 December 1949.

[45]Thomas F. O'Neil, outline of a MBS/MGM merger proposal, 5 December 1949, pp. 2-4.

for Mutual. Even if MGM did not exercise its option to buy, he argued, MBS would still come out ahead because its administrative and programming costs would be much less during the 18-month period in which MGM ran the network. In addition, while O'Neil predicted revenues would rise under MGM, he believed that at the worst billings would remain about the same under MGM as under MBS.[46] Either way, Mutual's net earnings would rise because expenses would be reduced.

In an attempt to quell any objections to what might appear to be a lack of commitment on MGM's part, O'Neil told the Mutual board it was his opinion that MGM fully intended to buy 100 percent of the network's stock during the 18-month "courtship" period: "The management contract is by way of allowing them to get their feet wet before they jump into an operation that they feel is in dire financial condition."[47]

In spite of O'Neil's heavy lobbying (or perhaps because of it in some cases), the other major shareholders would not accept the proposal. At the December board meeting in Chicago, WGN, Don Lee, and WOR all voiced objections to the plan. WGN wanted the transaction to be simply an unconditional purchase by MGM without the trial period. As Tom

---

[46] Ibid., p. 4.

[47] Ibid., p. 5.

O'Neil described the board meeting in a letter,

> ... Don Lee took a similar position but added an objection against MGM not contributing cash to the enterprise to, at least, the amount of the [Shareholders'] Claims ($1,600,000) although Don Lee admitted that a guarantee of the notes by MGM would remove a large part of this latter objection so long as the working capital was not affected.[48]

Because WMGM, MGM's owned-and-operated station in New York City, would become the key station of the new network, WOR-New York was put in a unique position. Although WOR's representatives expressed the belief "that the plan would help neither the network nor WOR, [they said] that if a plan that was acceptable to all the other stockholders could be adopted, they would sell [WOR's] stock in Mutual for cash."[49]

O'Neil began reworking the merger proposal in order to overcome the objections presented at the board meeting. Although he thought he could get MGM to accept the immediate unconditional purchase idea advanced by WGN, O'Neil doubted MGM would consent to guaranteeing payment of the $1.6 million in shareholders' claim. "Our insistence that MGM guarantee payment," he wrote, would indicate "our lack of confidence in the network ever being able to pay off such claims. Why should they agree to make a substantial con-

---

[48]Thomas F. O'Neil, rough draft of a letter to [Elbert Antrim], n.d.

[49]Ibid.

tribution in property and cash to an organization whose present stockholders do not believe that it would ever be able to pay off such a debt?" O'Neil believed to go even further, as Don Lee's Lew Weiss suggested, and require that MGM immediately put up the $1.6 million "might very well doom the transaction."[50]

O'Neil hoped that if WGN's objection was met then Lee would not press for complete satisfaction of its objections. His revised plan called for MGM to become the absolute owner of all Mutual stock on the date of sale. The new proposal also required that the $1.6 million in shareholders' claims be reduced to a specific obligation of the new network with all profits being applied to that account until all the claims were fully paid.[51]

As with the earlier proposal, Tom O'Neil took the new plan to MGM first, hoping to get approval so that it would then be easier to "sell it" to the MBS shareholders. But MGM, which had found the first proposal to its liking, found the new proposal to be unacceptable. The MGM representatives also said, rather forcefully, that any future proposal would have to be fully accepted by the Mutual

---

[50]Ibid. If Tom O'Neil was correct in hypthesizing that Lew Weiss eventually wanted to run Mutual himself, then Weiss may have been intentionally trying to "doom the transaction."

[51]Thomas F. O'Neil, rough draft of a progress report on the MGM negotiations, n.d.

shareholders before it would even be considered by MGM. The MGM people were afraid the negotiations appeared to the industry to be an MGM initiative to buy Mutual rather than an initiative by the MBS shareholders to sell the network to MGM.

O'Neil went back to the shareholders and tried to get them to agree on a merger proposal. The result, passed in February 1950, was quite unlike the earlier plans. The new proposal dropped the demand for the $1.6 million in claims and instead called for MGM to buy Mutual outright for $1.2 million in cash or promissory notes.[52] Afraid that this new demand would imply to MGM that the shareholders did not believe the new venture would ever be successful enough to pay the stockholders' claims from profits, Tom O'Neil submitted a personal statement along with the proposal. In the statement, O'Neil tried to put the outright purchase idea in the best possible light by employing a clever reversal of logic. He told the board members of Loew's Inc., MGM's parent company, that the Mutual shareholders were

> ... content to take a lower purchase price [$1.2 million] in actual money or notes rather than a higher purchase price [$1.6 million] to be paid out of profits because they feel that such commitment on the part of MGM in advance would show not only the stockholders but also the other people in

---

[52] Mutual Broadcasting System, minutes of a special meeting of the shareholders (copy), 3 February 1950.

> the broadcasting business that MGM has a firm conviction that the Mutual Network could be operated on a profitable basis.[53]

Actually, the shareholders believed they could make $400,000 on the sale of Mutual's net quick assets. That money plus the $1.2 million from MGM would equal the $1.6 million in shareholders' claims, thus giving the shareholders all that was their due.

Looking at the proposal objectively, it is easy to see that, in essence, the shareholders were asking MGM to pay $1.2 million for a small list of advertising clients and a few hundred affiliation contracts. One MGM official characterized the new plan as being so dissimilar to the first, more acceptable proposal that they represented "two entirely different transactions."[54]

As mentioned earlier, MGM had planned to inaugurate a new way of operating a network whereby the affiliates bought certain programming from the network and then sold commercial time within that programming to local advertisers. The standard system of business had always been for the network to pay the stations for airing programs which had a na-

---

[53]Thomas F. O'Neil, "Statement of Thomas F. O'Neil on the New Proposal of the Stockholders of the Mutual Broadcasting System to sell Mutual to Loews, [sic] Inc. (MGM)," March 1950, p. 5.

[54]Bertram Lebhar, Jr. to Thomas F. O'Neil, 18 March 1950.

tional sponsor. The new proposal from the shareholders rejected the new "subscription fee" idea out of hand, demanding that MGM continue with the standard way of doing business. Although he personally liked the subscription idea (as shall be seen later), Tom O'Neil tried to downplay the shareholders rejection of it by saying telling Loew's that

> ... the idea was so revolutionary that all of the advantages of it were not and are not fully understood by all of Mutual's stockholders.... Although I appreciate the fact that the heart of MGM's entire plan for success in the operation of Mutual is based on [this] new way of operating a network, it must be remembered that ... [our] new proposal embodies the terms satisfactory to those stockholders most reluctant to sell.[55]

The new provisions discussed above, plus several others unacceptable to Loew's, effectively killed the MBS/MGM merger. The official response from Loew's was a terse rejection which said simply: "The [proposal] is not acceptable to us. Thank you for presenting it."[56] However, Bertram Lebhar, an MGM official who had participated in the negotiations with Tom O'Neil, sent O'Neil a lengthy private letter detailing the reasons for Loew's rejection of the

---

[55] O'Neil, "Statement," pp. 8-9.

[56] Leopold Friedman (vice-president and secretary of Loew's Inc. to the Mutual Broadcasting System, 17 March 1950.

plan. In order to assure that MGM was to make a profit in network radio, Lebhar said Loew's required

> reasonable guarantee of time clearance for a sustaining show-case [for MGM stars] as well as [for] commercial programs, reasonable agreement on the establishment of a desirable rate structure, reasonable agreement on the terms and conditions of new affiliations contracts, and reasonable assurance of the matching of enthusiasm in an arduous project entered into in a time of economic decline.[57]

The new Mutual proposal, Lebhar insisted, contained none of these assurances, agreements, and guarantees. Although Lebhar told O'Neil that "there can be no profitable further discussions of the [new] proposal," it was his opinion that Loew's would "at any time in the near future ... restate its interest in the proposal previously discussed."[58]

Since the earlier proposal had not been acceptable to most of the Mutual stockholders, O'Neil had no choice but to drop the MGM deal and begin looking for another buyer. Although he had spent six months trying to effect an MBS/MGM merger, O'Neil said later he was not too disappointed when the deal fell through: "I was trying anything I could find ... And [the] whole situation with MGM was based probably on the television future of the thing. [Although not specifically mentioned,] I think that was [actually] the

---

[57]Bertram Lebhar, Jr. to Thomas F. O'Neil, 18 March 1950.

[58]Ibid.

whole proposition."[59]

While O'Neil continued to search for another buyer with television possibilities, he also continued to move forward with his plans both to settle Yankee's claims against Mutual and to withdraw Yankee as a Mutual stockholder. By the end of March 1950, Mutual owed the Yankee Network $440,000 for various time sales payments on which MBS had defaulted. Adding to the debt was a $103,000 loan which Yankee had made to Mutual when Ed Kobak first became president of MBS.[60] On May 1, 1950 Mutual and Yankee signed a settlement agreement whereby Yankee consented to accept reduced payments for the ever-mounting time sales obligations. In turn, Yankee was given the option of selling its Mutual stock back to MBS at any time before the end of 1950. Upon the sale of the stock Yankee could call in its $103,000 loan.[61]

Apparently, Tom O'Neil was "hedging his bet," not wanting to sell Yankee's Mutual stock until he was certain a buyer could not be found. If a sale of Mutual had not

---

[59]Thomas F. O'Neil, interview.

[60]Figures from a Yankee Network accounting memo, n.d.

[61]Settlement Agreement between the Mutual Broadcasting System and the Yankee Network, Including Exhibits I and II [affiliation contracts], 1 May 1950.

been effected by the end of 1950, Yankee would simply take the best settlement it could get from Mutual, withdraw as a shareholder, and then concentrate on local television development.

Economic Upheaval for Network Radio

Finding a buyer for any radio network in 1950 would not have been an easy task. The network radio industry was experiencing a severe economic downturn, largely the result of the increasing popularity of television. Finding a buyer for Mutual was doubly difficult because MBS had no owned-and-operated local stations which could help support the network operation.

At all the networks, so-called under-the-table (i.e. lower than rate card) sales were becoming the order of the day as competition for a shrinking advertising dollar became increasing keen. Feeling pressure from many advertisers who were demanding official rate decreases, both CBS and NBC carried out rate and station adjustments in 1950. Both of those networks also began accepting advertising for certain personal products which previously they would not accept, considering such advertising to be in bad taste. These moves by CBS and NBC made Mutual's situation all the more desperate because as one MBS board member put it, Mutual all but "existed on clients for whom NBC and CBS either could not find suitable time segments or would not accept because of their product or reputation."[62]

In an effort to stay cost-competitive, the Mutual board in June 1950 formally approved both the granting of "additional discounts to, and ... contributions to the program expenditures of, certain advertisers." MBS president Frank White told the board the changes were made necessary by "present competitive conditions ... and particularly the impact of television on AM broadcasting."[63]

Although television was affecting Mutual, it was having less of an effect on MBS than on NBC, CBS, and ABC. Essentially, what had long been one of Mutual's weaknesses was becoming one of its strengths, namely its high number of affiliates in small and medium-sized towns and cities. These smaller markets would continue to remain untouched by television for several more years. Mutual, therefore, faced little or no television competition in most of its market areas. Granted, the purchasing power in these areas was still not great, but it was substantial enough to attract to Mutual a fair number of advertisers who wished to supplement their TV coverage with network radio.

In spite of good news in some areas, however, the financial picture continued to worsen for Mutual. Unless a

---

[62]Linus Travers to Thomas F. O'Neil, 5 December 1949.

[63]Mutual Broadcasting System, minutes of a special meeting of the board of directors, 12 June 1950, p. 2.

buyer could be found or some sort of merger effected, Mutual would be forced out of business. The situation began to look even gloomier when the Don Lee network was forced to go on the auction block as part of an estate settlement. Among the potential bidders was Gordon McLendon's Libery Broadcasting System, which had begun as a regional sports network but was now preparing to branch out into other areas of programming. McLendon hoped to make Liberty a "major" network by acquiring Don Lee. Such a move would surely cripple an already ailing Mutual because it would mean that MBS would lose all its west coast affiliates. If Lee were sold to Liberty, the end of Mutual would certainly not be far behind. In a strange turn of events, the Yankee Network, which was preparing to withdraw from MBS, instead became Mutual's only hope for being saved from dissolution.

CHAPTER V

THE GENERAL TELERADIO/RKO YEARS

The General Tire/CBS Deal

In 1946 the Yankee Network, which was a subsidiary of the General Tire and Rubber Company of Akron, Ohio, applied for and received a license to build and operate a local TV station in Boston, Massachusetts. Yankee Network vice-president Tom O'Neil believed early on that television was the future of the broadcasting business. With the help of his father William, who was both the titular president of Yankee and the quite active head of General Tire, the younger O'Neil convinced the General Tire board of directors to support Yankee's investment in local TV.

By 1950, Tom O'Neil had been proven right--television was indeed the future of the broadcasting business. By then many local TV stations were becoming profitable and although local radio was still holding its own, network radio was on the wane. The "nay-sayers" on General Tire's board of directors, who in 1946 had seen television as a passing fad, now wanted to get out of radio in favor of TV. They could not have been more displeased when they received a memo from Tom O'Neil in the late summer of 1950 recommending General Tire bid for the purchase of the Don Lee regional radio network in California.

The idea of buying Don Lee first came to O'Neil when Mutual president Frank White urged the MBS shareholders to act to prevent the Lee chain, also a Mutual shareholder, from being purchased at auction by the rival Liberty Broadcasting System. The bidding situation was complicated by the fact that Liberty was set to enter a bidding partnership with CBS.

At that time, CBS was the majority owner of only one TV station--WCBS, Channel 2 in New York City. Although it had a minority interest in a Los Angeles television station, CBS wanted to sell that interest and become the full owner of Channel 2 in L.A. (KTSL-TV) which was owned-and-operated by Thomas S. Lee Enterprises, the Don Lee network's parent company. The settlement of the Lee estate, necessitated by the death of Thomas S. Lee, required the Lee properties to be sold as a group. In order to get Channel 2, CBS would have to bid for the Don Lee network as well. By bidding together, CBS and Liberty could strengthen their bid. If they won CBS would take KTSL-TV, while Liberty would take the radio network and Don Lee's owned-and-operated radio stations. Because of CBS' determination to acquire Channel 2, it was almost certain that CBS/Liberty would outbid any competing bidder, thus spelling doom for Mutual.

After Frank White warned the Mutual stockholders of Liberty's intentions, Tom O'Neil decided the Yankee Network (through the backing of General Tire) would try to outbid Liberty with CBS.[1] In other words, if Yankee could offer CBS more bidding capital than Liberty, Liberty could be effectively shut out of the bidding process. If CBS/General then went on to win the bid for Lee Enterprises, Mutual would remain secure on the west coast. As an added bonus to the takeover of the Lee radio properties, Yankee (General Tire) would own a total of 40 percent of Mutual, thus making it much easier for Tom O'Neil to effect certain changes he wanted at MBS.

But beyond those reasons, O'Neil had decided that even though radio was experiencing an economic decline, the Lee radio division--including several successful owned-and-operated stations--could serve as a springboard for General Tire to enter local television in California. As O'Neil explained it to the General Tire board of directors,

> The emasculation of AM cannot be an immediate process, and if properly utilized it [i.e. AM radio] can furnish the foundation for financiang the formative stages of television.
>
> Yankee Network is a good example of how we have been able to finance ourselves into the television business. The market value of Yankee AM is such that we could liquidate our AM holdings realizing a return ... that would be greater than our original investment. We would have a Boston television station gratis, which television station is a profitable

---

[1]Thomas F. O'Neil to the Mutual stockholders regarding the "status of the Don Lee matter," n.d.

> one as of now with great prospects for the future. It is our feeling that we can launch ourselves into the television business on the West Coast in the same manner.[2]

With approval from General Tire, O'Neil approached CBS with an offer to contribute more to the upcoming Lee bid than Liberty was able to offer. CBS accepted and Liberty was locked out of the bidding.

The next step was for CBS/Yankee to outbid its only opponent, the Hoffman Radio Corporation. With money borrowed largely from the First National Bank of Akron, Ohio (the loan was backed by General Tire), CBS/Yankee confidently prepared to enter a bid of $10 million for Lee Enterprises. However, on October 6, 1950, just hours before the sealed bids were to be entered, O'Neil learned Mutual stockholder WOR had secretly struck a deal with the Hoffman group and was supplying enough capital to allow Hoffman to substantially raise its bid.

It seems reasonable to conclude that Don Lee's Lew Weiss persuaded WOR's Ted Streibert to provide the extra money for the Hoffman bid. Weiss and Streibert had always been in opposition to Tom O'Neil on the Mutual board so it seems likely they would have tried to thwart the CBS/Yankee bid to prevent O'Neil from taking over Don Lee.

When the sealed bids for Lee Enterprises were made

---

[2]Thomas F. O'Neil, memo to the General Tire and Rubber Co. board of directors, n.d.

public, it was revealed that Hoffman/WOR had won, bidding $11.2 million to CBS/Yankee's $10 million. Under the terms of the bidding, however, each bidder then had ten days during which it could raise its bid. Under the rules, if a bid was raised it had to be raised by at least 10 percent over the highest original bid.[3]

Determined to acquire the Lee properties, CBS and Yankee secretly agreed to raise their bid to $12,320,000, 10 percent higher than the Hoffman/WOR bid. Publicly, however, they gave the impression they would not raise their bid, otherwise Hoffman/WOR might increase its bid also.

The night before the new bidding deadline, Tom O'Neil and representatives of CBS and the First National Bank of Akron arrived at a hotel in Southern California where they registered under assumed names. The next morning they proceeded to the Public Administrator's office and entered their bid of $12,320,000 for Thomas S. Lee Enterprises. Since Hoffman/WOR was caught off-guard and had made no attempt to raise its bid, the new price offered by CBS/ Yankee was accepted as the winning bid.[4]

When the deal was consummated in January 1951, CBS acquired Channel 2 in Los Angeles and Yankee added to its

---

[3]Thomas F. O'Neil, interview; and "O'Neil Interests Top Don Lee Bid," Radio Daily, 23 October 1950, pp. 1, 5.

[4]Ibid.

holdings five California radio stations plus a regional network which would help General Tire lay the financial groundwork for further expansion into television. On May 7, 1951, the Yankee Network was officially merged into Thomas S. Lee Enterprises,[5] giving Lee--now a wholly owned subsidiary of General Tire and Rubber Company--40 percent ownership of the Mutual Broadcasting System.

The General Tire/Macy's Talks

About five weeks after Yankee successfully bid for Don Lee, General Tire entered into negotiations with Macy's Department Store, owner of WOR. Together, General and Macy's now owned a majority of Mutual. Initially General had no intention of buying WOR, but simply wanted to resolve the long-standing conflicts between Macy's and General relative to how Mutual should be operated. General Tire wanted Mutual to be reorganized along the pattern establish-

---

[5]Patrick J. Winkler (comptroller General Teleradio, Inc.), memo to Julia Sullivan, 8 February 1955. It should be pointed out that under Article II, Section 8 of the Mutual By-Laws, not more than 30 percent of MBS stock was to be "owned, held, or voted, directly or indirectly, by any one shareholder." Apparently, Tom O'Neil was not aware of this clause when General Tire purchased Lee Enterprises. When this prohibition was brought to his attention, O'Neil agreed that Lee Enterprises (which now included both the Don Lee and Yankee networks) would vote only 33.75 shares out of its total of 50 shares of stock, meaning that Lee would vote just under 30 percent of the total MBS shares. Although Lee Enterprises was still violating the ownership provision of the By-Laws, none of the other shareholders pressed an objection. Article II, Section 8 of the By-Laws was not deleted until more than a year later when Lee Enterprises gained majority control of Mutual.

ed by the other networks, with control of the network being vested in a majority owner who would also own and operate several stations. General's ultimate objective in proposing a reorganization of Mutual was again that of getting into network television. Among the proposals made to Macy's by General was one calling for both companies to reduce their Mutual holdings to a small minority, with the majority of MBS stock being transferred to a yet to be determined outside group. A new Mutual Network Corporation would be created which would acquire WOR Radio from Macy's and some of the Don Lee properties from General, including KHJ Radio in Los Angeles.[6]

Such an arrangement would have helped Mutual's financial situation rremendously because it would mean that MBS would own its two main originating stations, thus obviating the need for the network to pay sizable origination fees to WOR and KHJ. The plan would also allow Mutual to share in the local and "national spot" revenue of the two stations.

The General Tire proposal also called for Macy's to give Mutual an option to buy WOR-TV while the new Mutual Corporation also attempted to purchase a Los Angeles television station. If acquired, the two stations would then form the nucleus of a Mutual television network.[7]

---

[6]W. Theodore Pierson (attorney), outline of General Tire's position with respect to Mutal and Macy's including proposals for reorganization of MBS, n.d.

[7]Ibid.

It should be pointed out that General Tire was not so much interested in having control of a television network as it was in simply having a strong network which could provide programming to General's planned chain of local TV stations. At that time, independent television stations (i.e. those not affiliated with a network) were largely unprofitable because of the tremendous expense involved in producing live, local programming. Unlike today, relatively few syndicated programs and even fewer theatrical films were available to independent stations. Because many TV stations already had network alliances stemming from the affiliations of their co-owned radio stations, General feared its TV stations might be left without network service unless Mutual entered television.

Negotionations with Macy's continued into 1951, still with the idea of forming some sort of new Mutual Network Corporation which would engage in both radio and television broadcasting. Failing to find a buyer to assume majority control, Yankee Network vice-president Tom O'Neil had his attorneys draw up a plan under which General Tire would have a bare majority of stock in the proposed Mutual Corporation with the other stock being divided among Macy's, the Chicago Tribune (owner of WGN), and any Los Angeles television station which could be sold on the idea.[8]

---

[8]"Tentative Mutual Reorganization Plan No. 1, 14 March 1951.

Apparently finding "no takers" among Los Angeles TV outlets, General decided to acquire its own television station in L.A. In mid-1951, with the FCC freeze on TV applications still in effect, the only way to acquire a station was to buy one which had been licensed before the freeze. General Tire did just that, paying $2.5 million for KFI-TV (Channel 9), owned by Earle C. Anthony, Inc. General already owned KHJ Radio in Los Angeles so the call letters of Channel 9 were eventually changed to KHJ-TV.

General Tire now had both L.A.'s KHJ-TV and Boston's WNAC-TV which it was willing to contribute to the proposed new Mutual Corporation. Tom O'Neil hoped to persuade Macy's to contribute WOR-TV and WOR-AM in return for stock in the new corporation plus some cash and corporate bonds. His new plan also called for all the current Mutual shareholders to exchange their Mutual stock for a number of shares in the new corporation. The amount of stock each would receive would be based on a formula involving the total amount of stock and property each shareholder had contributed to the new organization. General Tire would emerge from the deal holding almost 80 percent of the stock in the new corporation.[9]

---

[9]John B. Poor (Lawyer) to Thomas F. O'Neil, 7 August 1951.

Merger Talks With Dumont

While negotiations with Macy's continued, Tom O'Neil also investigated the possibility of effecting a merger between the broadcast properties of General Tire (including Mutual stock) and those of the DuMont Television Network. Relative to the other networks, DuMont was a small, struggling enterprise. It was owned by television scientist and developer Dr. Allen B. DuMont, who also owned television stations in New York, Pittsburgh, and Washington, D.C. The plan explored by Tom O'Neil's attorneys called for General to contribute all of its radio and television stations to the merger while DuMont contributed his three TV stations and the DuMont Network. The merger would have given General one-half of the stock in the new corporation plus managing control of the TV network. Dr. DuMont would have received the other half of the stock plus veto power on the borrowing of money and the right to "object" if the venture became too costly.[10]

The prospects for making an immediate profit on the DuMont deal were not good. Even with profits from its three owned-and-operated stations, the DuMont company had lost close to $1.9 million in 1950 alone. And although General Tire was making about $1.2 million yearly with its subsidiary Lee Enterprises (including the Yankee and Don Lee Net-

---

[10]Ibid.

works and WNAC-TV), its newly acquired Channel 9 in Los Angeles was losing about $30,000 per month.[11] If those patterns continued, the proposed DuMont/General Tire corporation would stand to lose close to one million dollars in its first year, thus making it difficult to expand DuMont's limited network service. The DuMont/General deal was soon dropped, probably because Tom O'Neil believed the potential for losing money far outweighed the potential for profit.

As these various negotiations were proceeding, O'Neil's long-time friend and lawyer John B. Poor (who later became Mutual's president) began advising O'Neil to re-think his new goal of getting General involved in network television even if it meant General had to assume majority control. Poor pointed out that in radio NBC, CBS, and ABC made their profits form their owned-and-operated local stations, not from the network operation itself. In a letter to O'Neil in the late summer of 1951, Poor suggested that General might be wise to put its efforts toward affiliating its planned chain of stations with one or more of the existing networks:

> Would not the risk of loss be greatly diminished and the profits remain approximately the same if we obtain five television stations which might be affiliated with one network or with each station affiliated with different networks [sic] and some possibly local [i.e. independent]? ... My

[11] Ibid.

> main difficulty with the development of a television network is that I don't know how much money we should expect to lose before it turns profitable.... If we try to go half way on a television network I am afraid we will find ourselves with all of the liabilities entailed in a network operation without the benefits of a full network operation, or [even] the benefits of having television stations affiliated with other networks.[12]

Although O'Neil saw the wisdom in Poor's analysis, it was some time before he actually gave up the idea of forming a Mutual Network Corporation which would be involved with both radio and television networking.

Mutual Becomes a "For-Profit" Company

Throughout the fall of 1951, General Tire continued its negotiations with Macy's in an attempt to form such a new corporation but made little headway. Most of the directors on Macy's board did not want to get further involved in broadcasting. They were nervous because WOR-TV, an independent station, was losing a sizeable amount of money due to the high cost of program production. WOR executive and long-time Mutual board member Ted Streibert said later in an interview that most of the board believed that WOR-TV would continue to lose money for years before it ever became profitable:

> I did not and could not counter their feeling that although television might be a good thing [in] the end, it was

---

[12]John B. Poor to Thomas F. O'Neil, 8 August 1951.

> going to require a further investment.... How long or how much no one could tell. So instead of investing in television they all felt very strongly that they should invest those dollars [in the] business they were supposed to be in and [which] they were good at, namely retail merchandise.[13]

Far from wanting to get involved in a new Mutual Network Corporation, then, most of the directors of Macy's wanted to get out of broadcasting altogether. The investment bankers who had been acting as a go-between in the negotiations between Macy's and General Tire, suggested to Tom O'Neil that General seize the opportunity to buy Macy's General Teleradio division, which included WOR-TV and WOR-AM. Even though WOR-TV was not profitable, O'Neil saw many advantages in the proposal. Early in 1952, he made a formal offer to buy General Teleradio. Macy's president Jack Strauss wanted the department store to stay in broadcasting, so as something of a compromise with his board of directors, Macy's agreed to sell General Teleradio but then took a 10 percent share in General Tire's Lee Enterprises division.[14]

Through its acquisition of General Teleradio, Lee Enterprises (which soon changed its name to General Teleradio) became the majority stockholder of the Mutual Broadcasting

---

[13]Theodore C. Streibert, interviewed at his home on Long Island, New York, WOR Oral History Project, August 1983.

[14]Jack Strauss, interview, WOR Oral History Project, June 1983, and Thomas F. O'Neil, interview.

System, holding 75 of the network's 129½ shares. To Tom O'Neil, gaining control of Mutual was an important aspect of the WOR deal. He wanted to find out if he could reverse Mutual's declining fortunes by changing MBS from a co-operative venture to a corporately-owned profit-making vehicle:

> It is a lot different being a 20 percent stockholder in something than being a 60 percent stockholder.... Before we had no control over what [WOR] and Don Lee were doing. It may well have been that by getting control of Mutual we could find out whether the decline was because of some problem that they may had. And remember this ... there's a great difference [when a network operates some of its] own stations.[15]

The Lee Enterprises "takeover" of Mutual immediately put the network in much better financial shape. Before the takeover, the Yankee Network, WOR, and Don Lee held outstanding demand notes against Mutual totaling about $350,000. In addition, MBS owed those three shareholders a little more than one million dollars in deferred compensation for air time. Those debts were consolidated into a $1.4 million "loan" which Lee Enterprises advanced to Mutual. As long as Lee/General Tire continued to own the network there was no need for Mutual to pay that note since, in effect, General Tire would be repaying itself. However, the loan did provide a way of recouping that money if and when the network

---

[15] Thomas F. O'Neil, interview.

was sold.

Meeting with the other shareholders on February 28, 1952, Tom O'Neil moved both to clear Mutual's other debts and to re-organize the network's long-standing shareholder system. The other stockholders (the Chicago Tribune-WGN, United Broadcasting Company-WHK, Pennsylvania Broadcasting Company-WIP, and Western Ontario Broadcasting Company-CKLW) held demand notes against Mutual totaling almost $145,000. Upon recommendation from O'Neil, the Mutual board--representing the shareholders--voted the network pay off the notes, thus clearing Mutual of the indebtedness which dated back to 1945 when the shareholders loaned funds to the network as part of Ed Kobak's revitalization plan.[16]

Next, Tom O'Neil officially purchased, on Mutual's behalf, the 54½ shares of common stock held by the four minority stockholders. That stock was then cancelled and replaced by 54½ shares of newly created preferred stock which was given over to the minority shareholders. Lee Enterprises continued to hold 75 shared of the original common stock.[17]

Although they could not out-vote Lee Enterprises, the minority shareholders continued to have voting rights. By virtue of their preferred stock they also received dividend privileges, first payment in the event of dissolution of

---

[16]Mutual Broadcasting System, minutes of a special meeting of the board of directors, 28 February 1952.

[17]Ibid.

Mutual, and first call on any further issue of stock. The network, however, reserved the right to call for the redemption of the preferred shares at any time, giving Lee Enterprises the option of buying out the other shareholders whenever it so desired.[18]

Tom O'Neil, who was already the president of Lee Enterprises and chairman of the board of Mutual, further seized the reins of the network in April of 1952 when he was elected to replace Frank White as president of MBS. For some time O'Neil had been unhappy with White's performance as Mutual's chief executive, finding him too indecisive. Although he later said in an interview that he did not force White out of office, O'Neil did admit to "giving him a little more trouble."[19] When White was offered a vice-presidency at NBC near the end of his three-year contract with Mutual, he decided to take it.

New Marketing Ideas

Even with the new "single-purposed" ownership of the new General Teleradio division of General Tire Mutual was still fighting an uphill battle, simply because the network radio industry as a whole was experiencing a tremendous economic decline. As noted in Chapter Two, network profits

---

[18] Ibid.

[19] Thomas F. O'Neil, interview.

were all but disappearing, dropping by more than 115 percent between 1948 and 1960. As television and national spot radio continued to erode the network radio's share of the advertising dollar, the networks were forced to develop new approaches to network radio advertising.

Perhaps the biggest change in this area was the move to "participating" or multiple-sponsorship, a change pioneered by NBC but soon adopted by the other networks as well. Until the early 1950s, each network commercial program had only one sponsor, who underwrote the cost of an entire show. By 1953, however, it had become apparent to the networks that as the radio audience declined fewer and fewer advertisers were willing to pay the cost of underwriting an entire program. As a result, programs were divided into segments, with each segment being sponsored by a different advertiser. Many programs were also shortened, giving rise to the five-minute news broadcast (which shall be discussed later) and other short features. Today, of course, these short network programs are the staple of network radio programming in the United States.

Because it had often been unable to compete effectively with the other networks for the national advertising dollar, Mutual had since its earliest days tapped the spending power of the local advertiser through the use of "co-op" system. Under this system, certain programs provided by the network were available for each affiliate to sell to a local advertiser. Stations which sold a show locally then sent a portion of their revenue to the network to help cover the cost of producing the program. Although it provided the network with revenue from local sources, the co-op system had a serious drawback. Because many stations left these shows unsold, affiliates which were successful in selling the programs locally were forced to pay to the network a higher percentage of their profits in order for the network to make a profit on co-op programs. Mutual president Tom O'Neil likened the situation to the cost of a hospital stay: "The patient who is financially responsible doesn't only pay for his own illness, but pays for the illnesses of the people who can't pay."[20]

In an effort to broaden Mutual's local revenue base, O'Neil resurrected the idea of a subscription fee to be paid by all local stations. The idea had been proposed by MGM during merger talks in 1950 but it was rejected by most of the shareholders. The subscription fee system was simply a variation of co-op whereby affiliates paid the network for certain programs "up front." The stations could then sell those programs locally and keep all the revenue from such sales. In essence, the subscription fee system made Mutual not only a supplier of network commercial programs but also a syndicator, selling programs outright for commercial sale by local stations.

---

[20] Thomas F. O'Neil, rough draft of a proposal on subscription co-op idea, n.d., p. 4.

Mutual also instituted what was known as "the swap system." Under the traditional network/affiliate arrangement, stations were paid cash for airing network commercial programs. The swap system, however, allowed for Mutual affiliates to receive a certain number of unsponsored programs without charge in exchange for airing a certain number of network commercial programs. Each affiliate could then sell the unsponsored shows locally without having to share its revenues with the network. Mutual, on the other hand, because it had already "paid" the stations with shows available for local sale, did not have to share with its affiliates revenue from national sales.

While the network radio industry continued to struggle, General Teleradio branched out into another area of the entertainment industry. On July 18, 1955, General Teleradio purchased Howard Hughes' RKO Radio Pictures Corporation for $25 million.[21] The primary purpose of the deal was for General to acquire a firm library which it could use to program its independent television stations. Since Hughes would not sell the film library by itself, General also acquired RKO's movie studios and other film-producing facilities in California plus RKO's foreign motion pictures ex-

---

[21]Current Biography Yearbook, 1955, ed. Majorie Dent Garde, s.v. "O'Neil, Thomas F(rancis)" (New York: The H.W. Wilson Co., 1956), p. 466.

changes.[22] The acquisition resulted in another name change for Mutual's parent company, which became known as RKO Teleradio. (Some years later, the name was changed again, to RKO General.)

Less than a yaer after the RKO purchase, O'Neil resigned as president of Mutual in order to devote himself to the increasingly broader range of RKO Teleradio's activities. His hand-picked successor was his long-time friend John B. "Jack" Poor. Poor had been O'Neil's lawyer in Boston for several years before joining General Teleradio in New York, where he served in various executive capacities.

A New Role for Mutual

Like O'Neil, Poor continued to look for ways to streamline Mutual's programming and organization. In 1956 Mutual's news director Robert F. Hurleigh presented Poor and O'Neil with an idea which, as it turned out, established the pattern of American network radio service for years to come. Hurleigh suggested Mutual discontinue all its "entertainment" programming and concentrate on producing only news, sports, and special events programs. The main feature of the format would be a five-minute hourly newscast, which Hurleigh believed would be a welcome programming service for the ever-increasing number of "music-and-news" stations. Poor

---

[22]Ibid., p. 467, and Thomas F. O'Neil, interview.

and O'Neil liked the idea and they decided to go with it. The added bonus, of course, was that by dropping its traditional line-up of shows, Mutual could reduce its programming costs substantially.

After working out the details and discussing the change with affiliates, Mutual inaugurated its "music-and-news" format on June 2, 1957.[23] Although MBS retianed a handful of "traditional programs, the new format was essentially a news service rather than a program service, thus marking an entirely new role for a radio network. It was a role which the other networks adopted one by one over the next few years.

RKO Sells Mutual

At the same time these changes were taking place at Mutual, Tom O'Neil was negotiating to sell the network because it simply was not profitable.[24] The sale involved the network only and did not include any of the RKO owned-

---

[23]Mutual Broadcasting System, liner notes for the record album "The Frantic Fifties," a retrospective of the 1950s originally broadcast on Mutual's "The World Today" program, n.d.

[24]At least one report shows Mutual with a deficit of $680,000 for the first seven months of 1957. "Red to Black," Broadcasting, 3 February 1958, p. 56. (For a time, Broadcasting magazine was actually titled Broadcasting-Telecasting. To avoid confusiton and for ease of citation, Broadcasting is used throughout.

and-operated stations. Although the consensus of the industry was (and is) that a network without owned-and-operated stations is economically unsound, O'Neil had little trouble finding a buyer. Millionaire oil magnate Dr. Armand Hammer and several other investors paid between $550,000 and $700,000 for Mutual in August 1957.[25]

The 58-year-old Hammer, who had no experience in broadcasting, had retired from actively running his various enterprises in 1956. Growing restless after a few months of relative inactivity, Hammer was open to accepting a new challenge.[26] He was to find such a challenge in trying to run the Mutual Broadcasting System.

---

[25] Current Biography Yearbook, 1973, ed. Charles Moritz, s.v. "Hammer, Armand" (New York: The H.W. Wilson Co., 1974), p. 170. Although various figures were reported in the trade press the actual purchase price and terms of the deal were known only to those involved in the sale. Though not reported by the press, the deal obviously included an agreement whereby the Hammer syndicate would over time pay the $1.4 million which General Tire "loaned" to Mutual when it consolidated the debts MBS owed to Yankee, Don Lee, and WOR.

[26] Ibid.

CHAPTER VI

TROUBLED TIMES

The Hammer Syndicate

Armand Hammer did not buy MBS alone. In fact, he was a last-minute entry into a syndicate which had already struck a tentative deal to buy Mutual from RKO. Mutual was losing money and it was no great secret that RKO was open to offers for the network. Somewhat on a whim, Paul Roberts, station manager of KRKD-FM in Los Angeles, and James Ownby, the owner of various stations, decided they would place an offer to buy MBS. With the help of former Mutual vice-president Bert Hauser, but without any firm financial backing, they entered into negotiations with RKO president Tom O'Neil and Mutual president John Poor.

Roberts convinced O'Neil he represented a wealthy syndicate which was ready and willing to buy the network. O'Neil asked for $550,000 for Mutual including $20,000 of earnest money up front. After paying the initial $20,000, Roberts and Hauser set to work to raise the remaining $530,000. One by one, others began to join the syndicate: former MBS news director A.A. Schecter (who had served as chief of General Douglas MacArthur's press corps in World War II); New York attorney Harold Seligson; and former FCC commissioner Frieda Hennock.[1] Hennock was a friend of Dr. Hammer and it was she who persuaded him to put money into the Mutual venture. Hammer not only agreed to contribute to the syndicate but also brought in three other investors: Roy Roberts (no relation to Paul Roberts), a California realtor and oil operator; Louis M. Halper, head of a Los Angeles construction firm; and Arthur Brown, who ran an ice cream business in New York.

It remains unclear how much money each investor contributed but apparently it was Hammer who, through his Occidental Petroleum Company, put up enough money to close the deal. Although he received only 10 percent of Mutual's stock, he was named the new MBS chairman and given a voting trust over the 50 percent of the network's shares which remained in escrow under option to five other members of the syndicate. So even though he did not hold a majority of the Mutual stock, Hammer had managing control of the network.

Upon completion of the sale, Paul Roberts became the new president of MBS while Hauser became executive vice-president. Most of the other members of the syndicate did not take active roles in running the network.

---

[1]"Mutual Sale Brings $550,00," Broadcasting, 29 July 1957, p. 42; "Station Authorization, Applications," Broadcasting, 30 December 1957, p. 75; and "Closed Circuit," Broadcasting, 15 September 1958, p. 5.

As Mutual's new president, Roberts moved both to enlarge the network's sales department and to expand its programming service. His aggressive management style, combined with a healthy period for network radio in general, helped to put Mutual at about the break-even point for the fourth quarter of 1957.[3]

Roberts also set an unusual goal for the network: he wanted Mutual to become the owner of seven FM stations, the maximum allowed by the FCC.[4] The goal is considered unusual because in the late 1950s commercial FM broadcasting, though a decade old, was largely unprofitable. Roberts, however, was a visionary who believed FM would soon come into its own.

Roberts also wanted Mutual to garner as many FM affiliates as possible. His idea was to use the FM stations as distribution points, sending Mutual's programming to other affiliates over the air, thus improving the network's audio quality while at the same time obviating the need for many of the hundreds of "Class C" telephone circuits which were used to feed the network to most small market stations. Roberts also hoped to generate additional income for Mutual by using FM sub-carrier signals to distribute "background music" to various businesses.[5]

---

[3]"Red to Black," Broadcasting, 3 February 1958, p. 56.

[4]"MBS Applies for First Station," Broadcasting, 30 December 1957, p. 44.

[5]Ibid.

These plans never reached fruition. In late February 1958, Armand Hammer, voting 60 percent of the MBS stock, ousted both Roberts and Bert Hauser. Both Hammer and Roberts said only that some fundamental "policy differences" were involved. It seems likely that these differences revolved around Roberts' decision to move Mutual into FM ownership as well as his desire to expand Mutual's programming. Roberts wanted MBS to return to a more varied program line-up while Hammer believed the network should stay with the "non-TV competing" music, news, and special events programming formula which had been developed under RKO.

Although Hammer went on closed-circuit to assure the affiliates all was well at Mutual, the abrupt top-level change was just the first sign of unrest at the network. Late in the spring of 1958, former Mutual and NBC vice-president Phillips Carlin wrote Hammer to offer him advice on running a network. In straightforward fashion, Carlin said since Hammer had taken over active management of the network the story of Mutual in the trade press had "been one of firings, money losses, program cancellations, operating deficiencies, and internal dissension. Better far to stay out of the news until you have something important and positive to talk about."[6]

According to reporter Bob Considine, who wrote Dr.

---

[6]Phillips Carlin to Dr. Armand Hammer, 10 June 1958.

Hammer's biography, "the doctor soon sensed that running a network ... was one ball he never learned to juggle. He wasn't cut out to be a peer of [NBC chief] General David Sarnoff and [CBS chairman] William S. Paley."[7]

Faced with seemingly insurmountable financial and organizational problems at Mutual, Hammer decided to get out of the network business. He had no intention, however, of getting out without a profit. By paying a token price to each of the five people who had options on the 50 percent of MBS stock in escrow, Hammer took an option on their options.[8] With the approval of the other shareholders, Hammer put the network up for sale in the spring of 1958, just about eight months after the syndicate had purchased Mutual from RKO Teleradio. In September 1958, Hammer sold the network to Hal Roach Studios, a film production company, and Roach's parent firm the Scranton Corporation, a manufacturer of lace. Together, Roach and Scranton acquired 100 percent of Mutual's stock in exchange for cash, stock, and notes. Specifically, Hammer and his associates received $250,000 cash, 20,000 shares of one dollar per value Scranton stock, plus $400,000 in promissory notes. In addition, the new

---

[7]Bob Considine, The Remarkable Life of Dr. Armand Hammer (New York: Harper & Row, 1975), p. 125.

[8]"Closed Circuit," p. 5.

owners agreed to take on nearly $1.4 million in loans still owed to RKO.[9]

Alexander Guterma

The parent company of the Scranton Corporation was the F. L. Jacobs Company, a manufacturer of automobile parts. The Jacobs Company was in turn controlled by its chairman, Alexander L. Guterma. When Scranton and Roach acquired Mutual, Guterma became the new president of the network while Hal Roach, Jr., head of the Roach Studios, became the new MBS chairman.[10]

The purchase of Mutual was part of an expansion program initiated by Guterma which was supposed to result in a new radio, TV, and film empire. When the Scranton Corporation acquired Hal Roach Studios a few weeks before buying MBS, Hal Roach, Jr. told reporters his company, with its new backing would begin producing various new television series and feature films. Upon the acquisition of Mutual, new MBS president Alexander Guterma told a news conference the net-

[9]"A Tangled Trail Leads to Mutual," Broadcasting, 16 February 1959, pp. 30, 32. Because the financial fortunes of Scranton and Hal Roach Studios soon went into a steep decline, it is highly probable Dr. Hammer never received the balance of the purchase price represented by the promissory notes. According to the terms of the purchase, if the new owners defaulted on the notes, Hammer was to receive the equivalent of the remaining balance in Scranton stock.

[10]"New Giant Growing in Radio-TV?," Broadcasting, 15 September 1958, p. 27. It was Hal Roach, Sr., father of Hal Roach, Jr., who had tried to strike a TV deal with Mutual in 1948.

work would begin acquiring the full limit of seven AM radio stations as well as seven television stations.[11]

Guterma's entertainment empire was stillborn, however. Within six months after taking over Mutual, he was arrested on charges of stock fraud. He resigned from Mutual, leaving the network heavily in debt and on the brink of going out of business. The Guterma story is an unusual one. He professed to be a native of Irkutsk, Siberia with his only formal education having been at a missionary school in China. Guterma claimed to have begun his business empire in the Phillippines where he is said to have dealt in the sugar and jute trade as well as in shipping and gold mining. Guterma said he came to the United States in 1950, moving to Florida to raise kenaf, a jute substitute.[12] From there he diversified, eventually taking over several companies including F.L. Jacobs, Scranton Corporation, Hal Roach Studios, and Mutual.

In light of the fact that Guterma was later convicted of stock fraud and shown to be involved in various corporate scams, his "official" biography may be questionable. In fact, it was later rumored, though not proven, that his

---

[11] "New Giant Growing in Radio-TV?," p. 27.

[12] "New MBS Owner Geterma: Optimist Moving Into a 'Depression-Proof' Trade," Broadcasting, 22 September 1958, p. 46.

real name was Gutterman and that he had been born in the U.S.

The Guterma/Trujillo Deal

Several months after buying Mutual, Guterma, who by this time was in desperate financial trouble, involved the network in what proved to be an illegal money-making scheme which had as its victim the totalitarian government of the Dominican Republic. In May 1957, the Dominican government and its leader Generalissimo Rafael Trujillo had received rather unflattering treatment in a CBS documentary about the disappearance of a Columbia University professor who was a Dominican refugee. Trujillo demanded time on CBS to respond to the program and, failing that, he even offered to pay the other networks for time to respond. His offer was refused.[13]

Two years later, Trujillo was still willing to pay in order to get favorable coverage in the United States. It remains uncertain, however, exactly who came up with the idea of using Mutual as a propaganda outlet for the Dominican government in exchange for cash. The deal may have been initiated by Guterma or by the Dominican government. What is known is that in early 1959, Guterma sent his lawyer, Saul Nevins, to the Dominican Republic, ostensibly to

---

[13] "Trujillo Radio 'Debut' Was Galindez Mystery," Broadcasting, 7 September 1959, pp. 76-77.

conduct a news interview with Cuban exile Juan Batista. Apparently, however, Nevins actual task was to establish contact with an official close to Generalissimo Trujillo. After Nevins paved the way, Guterma and MBS chairman Hal Roach, Jr. visited the island nation to enter into negotiations with Trujillo aide Otto Vega. Guterma showed Vega a proposed contract calling for Mutual to broadcast a certain minimum of Dominican-generated "news" per month in return for cash payments. Vega gave his approval of the proposed contract.[14]

Returning to New York, Guterma showed the contract to Saul Nevins and asked for his legal opinion. Nevins, who later turned government witness, advised Guterma that any parties to such an agreement would be in violation of the Foreign Agents Registration Act unless registered with the U.S. Justice Department as foreign agents of the Dominican government. Guterma, wanting to keep the propaganda plan secret, instructed Nevins to devise some way of bypassing the Registration Act. After examining the law, Nevins suggested that under certain conditions a bona fide news service corporation engaged in journalistic activities would be free from the provisions of the Act. Guterma then instruct-

---

[14] In the Matter of: Mutual Broadcasting System, Inc., Debtor, ruling on the Dominican Republic's claim against Mutual (U.S. District Court, Southern Dis. of N.Y. Nov. 1959); and Pamela Johnson Sybert, "Mutual Admiration: MBS and the Dominican Republic," Journal of Broadcasting 24 (Spring 1980): 191-192.

ed Nevins to see that such a corporation was formed.[15]

Nevins contacted Alan R. Freedman, a lawyer he knew in Albany, New York, and asked him to file a certificate of incorporation for the Radio News Service Corporation (RNSC), the organization which would pose as a bona fide news agency. Freedman organized the new corporation with himself and two dummies acting as incorporators.[16]

Guterma then returned to the Dominican Republic to meet again with Vega. Guterma presented him with a revised contract in which the newly-formed Radio News Service Corporation, described as a wholly-owned subsidiary of Mutual, was the contracting party. The pact called for the Dominican government to regularly furnish news to the RNSC which the corporation would in turn make available to Mutual. Guterma told Vega there was already an agreement between Mutual and RNSC which obligated Mutual to broadcast whatever news items the corporation submitted. Guterma promised that Radio News Service Corporation would make available to Mutual approximately 425 minutes of Dominican-originated news per month. In return, the Dominican Republic agreed to

---

[15]Ibid. Although the Foreign Agents Registration requires individuals and organizations engaged in activities on behalf of a foreign government to register with the U.S. Justice Department, bona fide news agencies are exempt. (See Foreign Agents Registration Act of 1938 As Amended, U.S. Code, Title 22 Secs. 611-621, 1942).

[16]In the Matter of: Mutual Broadcasting System, Inc., Debtor, ruling on the Dominican Republic's claim against Mutual (U.S. District Court, Southern Dis. of N.Y. Nov. 1959).

hand over to Guterma $750,000, constituting full payment for one year of service plus partial payment for a second year. As an assurance that Radio News Service Corporation would fulfill its part of the deal, Guterma gave the Dominican government a lien on the Mutual network in the form of a stock certificate supposedly representing all of the network's outstanding shares. A secrecy clause in the Dominican/RNSC pact provided that the contract not be disclosed to anyone at Mutual nor to unauthorized persons in the Dominican government. The contract was signed on February 5, 1959.[17]

Mutual Teeters on the Brink

Just eight days later, Guterma resigned from the Mutual presidency, but not because of the questionable deal with the Dominican government. That arrangement did not come to light until several months later. Guterma stepped down because of an impending indictment for stock fraud. One day after he resigned, Guterma was arrested by Federal agents as he was allegedly trying to leave the country on a flight to Ankara, Turkey. Guterma was eventually indicted on 17 counts of stock manipulation and corporate fraud stemming from a U.S. Securities and Exchange Commission investigation

---

[17] Ibid.; "Dominicans File MBS Suit," Broadcasting, 14 September 1959, p. 48; and "Guterma Bares Mutual Pact," Broadcasting, 5 October 1959, p. 29.

of several companies he controlled or had once controlled.[18]

As Guterma's financial empire began to waver, MBS chairman Hal Roach, Jr. took over 100,000 shares of Guterma's F.L. Jacobs stock. According to Roach, Guterma gave him the stock as payment for a debt. Although the SEC said the transaction was questionable because Guterma had already pledged much of his stock as collateral for loans, Roach gained control of F.L. Jacobs, Scranton Corporation, and Mutual.[19] By this time Mutual, already in debt at the time of the Hammer/Guterma sale and still operating with substantial monthly losses, was in dire financial shape. It is impossible at this late date to determine the exact state of Mutual's indebtedness, but an attorney for Roach reportedly told a U.S. District Court the network was losing approximately $100,000 per month.[20]

A Succession of Owners

In an effort to save the network from dissolution, Mutual news director Robert Hurleigh began searching for a

---

[18]"Guterma's Tangles Thicken," Broadcasting, 23 February 1959, p. 56; and "Guterma Guilty," Broadcasting, 1 February 1960, p. 78.

[19]"Guterma's Tangles Thicken," p. 56; and "SOS From Mutual as Courts and Creditors Close In," Broadcasting, 9 March 1959, p. 36.

[20]"SOS From Mutual," p. 36.

buyer for MBS. Hurleigh later said in a letter that he "bought the network for $1.00 from the Guterma-Roach combine to prevent it from going down with the combine's other properties."[21] While it is possible that this may have happened, news reports show only that Hurleigh took an option to buy Mutual, an option which he in turn sold to Malcolm Smith. It may be that when Hurleigh used the term "bought" in the letter he actually meant he paid only $1.00 for the option to buy MBS. However, the fact that he transferred the option to Smith just two weeks later for a reported $50,000 makes this seem unlikely. Hurleigh was probably confusing this transaction with another one a few months later, when he did in fact acquire the network for what was reported to be a "modest sum."

In any event, it was necessary for Hurleigh to move quickly in finding a new owner for the network because of a strong possibility that a court-appointed receiver would take over the F.L. Jacobs Company and thus prevent a Mutual sale. If the network could be sold before Jacobs went into receivership, then MBS would no longer be a part of the Guterma/Roach chain of companies and therefore not subject to any action the court might take with respect to Jacobs.

In late March 1959, just about five weeks after the Guterma resignation, Hurleigh transferred his option to buy

---

[21]Robert F. Hurleigh, letter to Ted Joseph, n.d.

Mutual to a syndicate headed by the aforementioned Malcolm Smith. Smith, who had made his fortune in the mail-order and recording businesses, acquired Mutual simply by agreeing to take on the network's obligations.[22]

MBS was not only losing money, it was losing affiliates as well. The regional Intermountain Network (covering the Rocky Mountain states) switched from Mutual to ABC, resulting in the loss of 42 stations for MBS. A few weeks later, former Mutual owner RKO Teleradio dissolved the Mutual-affiliated Don Lee Broadcasting System on the west coast. Many of Lee's 34 stations became dual affiliates, taking programming from both Mutual and ABC.[23]

The Smith syndicate's involvement with MBS was quite brief. About 14 weeks after agreeing to take on Mutual's debts, Smith arranged to sell the network to MBS news chief Robert Hurleigh for the "modest sum" mentioned earlier. Hurleigh became the "owner" of the network as part of a deal worked out with two financiers who had agreed to assume financial responsibility for Mutual under the condition that Hurleigh take the network through bankruptcy proceedings. Smith and Hurleigh both agreed to the plan so Smith's syndi-

---

[22] "Rescue Squad Takes Over at MBS," Broadcasting, 30 March 1959, p. 27.

[23] "Mutual Loses Outlets But Gains New Backers," Printer's Ink, 13 March 1959, p. 13; and "ABC, MBS, Don Lee," Broadcasting, 6 April 1959, p. 69.

cate exited as Florida real estate developers Albert G. McCarthy and Chester H. Ferguson became the new backers of MBS.[24]

McCarthy and Robert Hurleigh were both active on the Washington social scene and had met on many occasions. According to McCarthy, it was Hurleigh who talked him into becoming involved with Mutual, convincing him the network needed only "time, good management and capital ... to put it in the black."[25]

Bankruptcy

On July 1, 1959 the Mutual Broadcasting System voluntarily filed a petition of bankruptcy under Chapter 11 of the U.S. Bankruptcy Act. The petition showed the network had liabilities of approximately \$3.2 million against assets of only \$369,608.[26] Mutual's largest creditor, owed \$1.4 million, was listed simply as H.B. Tuskin, reported to be one of Albert McCarthy's business associates.[27] Apparently McCarthy funneled \$1.4 million through Tuskin in order to re-finance the \$1.4 million which General Tire had "loaned"

---

[24]"New Captain on a Listing Bridge," Broadcasting, 6 July 1959, p. 30.

[25]"Mutual's Angel is a Heavyweight," Broadcasting, 27 July 1959, p. 49.

[26]Mutual Broadcasting System, bankruptcy petition, 1 July 1959.

[27]"New Captain on a Listing Bridge," p. 30.

to Mutual in 1952 when it postponed the network's debts to General-owned MBS shareholders WOR, Yankee Network, and Don Lee. (Guterma had agreed to pay this loan as part of his purchase agreement with Armond Hammer.) Because of the Tuskin note arrangement, Mutual owed the $1.4 million (albeit indirectly) to current rather than past financial backers. According to a later statement from Robert Hurleigh, "The Tuskin note was the legal means McCarthy used to total his advances to Mutual while we were going through the bankruptcy court.... It 'surfaced' as a means of recouping the monies [when he later sold the network]."[28] It would seem, then, McCarthy did what then Mutual chairman Tom O'Neil had done--that is, put the $1.4 million in the position of a debt which could either be forgiven (if Mutual was not sold again) or made payable as part of a sale arrangement (in the event Mutual was to be sold).

The Dominican Deal Becomes Public

While the network was going through bankruptcy proceedings, the story finally broke regarding Alexander Guterma's alliance with the government of the Dominican Republic. Robert Hurleigh learned of the deal when he went to the Dominican Republic on a press junket in May 1959 (while Malcolm Smith was still the owner of Mutual). Hurleigh

---

[28] Robert F. Hurleigh, letter to Ted Joseph, n.d.

was invited to the island by Otto Vega, the Trujillo aide who had negotiated the propaganda deal with Guterma. When Hurleigh arrived, Vega asked why Mutual had not been fulfilling the agreement to broadcast reports furnished by the Dominican government. When Hurleigh said he had no knowledge of any such agreement, Vega related the details of the $750,000 deal made with Guterma and the Radio News Service Corporation.[29]

Returning to the U.S., Hurleigh reported what he had learned to Mutual's attorneys and to Malcolm Smith (this further "complication" of Mutual's problems may have influenced Smith's decision to drop out of MBS). The Justice Department was subsequently informed of the Guterma/ Dominican deal as was the Securities and Exchange Commission.[30]

Alexander Guterma, Hal Roach, Jr., and Guterma associate (and one-time Mutual vice-president) Garland Culpepper were indicted on September 1, 1959 on charges of failing to register as foreign agents of the Dominican government. All three defendants pleaded not guilty.[31]

---

[29]Sybert, pp. 192-193; and "Grand Jury Indicts Guterma Trio," Broadcasting, 7 September 1959, p. 75.

[30]Ibid.; and Robert F. Hurleigh, letter to Ted Joseph, n.d.

[31]Sybert, pp. 193-194.

Although not named as a defendant, the Mutual network was named in the indictment as a co-conspirator because Guterma had offered the use of the network's facilities as part of the contract between Radio News Service Corporation and the Dominican government.[32]

In January 1960, Guterma was found guilty on 16 counts of the earlier 17-count indictment for stock fraud. He was convicted of willfully failing to file financial reports with the Securities and Exchange Commission, reports which would have revealed various incidents of stock manipulation and corporate fraud. Guterma was sentenced to four years and 11 months in prison and was ordered to pay a $160,000 fine.[33]

About four months later, Guterma changed his not guilty plea in the Dominican case to nolo contendre (no contest). He was eventually sentenced to eight months to two years in prison and fined $10,000 for willfully failing to register as a foreign agent of the Dominican government. Hal Roach, Jr. also changed his plea to nolo contendre. The judge, after determining that Roach was essentially a pawn of Guterma, fined him only $500. The case against Garland

---

[32]"Grand Jury Indicts Guterma Trio," pp. 68-69, 76.

[33]"Guterma, Eveleigh Draw Sentences, Fines," Broadcasting, 22 February 1960, p. 50. A few months later, a Court of Appeals reversed Guterma's convictions on two of the 16 counts. (United States Securities and Exchange Commission, Litigation Release No. 1730, 18 July 1960.)

Culpepper was dropped.[34]

While Guterma's cases were just getting underway in various courts, new MBS president Robert Hurleigh was guiding Mutual through the bankruptcy court. Although the network filed its bankruptcy petition on July 1, 1959, reorganization was not formally approved until late December. Final action was first delayed by a last minute tax claim from New York City. Just as that matter was being settled, the Dominican government, in what to the American mind seems an amazing display of audacity, filed a civil suit to recover the $750,000 it had paid Guterma in return for the use of Mutual as a "news" disseminator.

An American attorney retained by the Dominican government insisted the purpose of the agreement was simply to provide an outlet in the U.S. for legitimate news regarding the Dominican Republic. He argued that since Radio News Service Corporation, a wholly-owned subsidiary of Mutual, had not fulfilled the agreement, the Dominican government was entitled to the return of its money. In what came as another shock to the broadcasting industry, the Dominican government revealed it held a lien on Mutual in the form of the stock certificate which Guterma had given Otto Vega as a performance guarantee.[35]

---

[34]Sybert, p. 194.

[35]"Asks Money Back," Broadcasting, 7 September 1959, p. 70; and "Dominicans File MBS Suit," p. 48.

Since Mutual, still in bankruptcy, was named a defendant in the Dominican suit, bankruptcy referee Asa Herzog ordered MBS be separated from Guterma, Roach, and the other defendants in the case. The attorney for the Dominican government was then directed to argue the $750,000 claim in Herzog's bankruptcy court.[36]

After about two weeks of testimony, Judge Herzog ruled that Mutual was not liable to the Dominican Republic because the network "was not a party to the contract" and "did not benefit by the contract." Although Guterma and Roach had yet to be tried on the foreign agent charges, Herzog concluded in his ruling that the Dominican government had "combined and conspired" with Guterman and Roach in plain violation of the Foreign Agents Registration Act. The contract between Radio News Service Corporation and the Dominican Republic was, therefore, "unenforceable and void" since it had its genesis in violation of the law. Judge Herzog also ruled the Dominican government had "failed to establish that Mutual ever received any part of the $750,000."[37] (Exactly what did happen to the money has never been made clear, but the Mutual stock certificate given to Vega as a

---

[36]"Guterma Bares Mutual Pact," p. 30.

[37]In the Matter of: Mutual Broadcasting System, Inc., Debtor, ruling on the Dominican Republic's claim against Mutual (U.S. District Court, Southern Dis. of N.Y. Nov. 1959).

surety was proven to be bogus.)

Mutual's Reorganization

After the Dominican claim against Mutual was rejected, the way was clear for final approval of the network's reorganization under terms Robert Hurleigh had arranged with Mutual's creditors. Most unsecured creditors were paid 10 percent of their claims, thus reducing a $1.3 million debt to only $130,000. Unsecured claims from reporters and talent performers, totaling about $60,000, were paid at the rate of 50 cents on the dollar for the first $600 and at 10 cents on the dollar thereafter. The previously mentioned $1.4 million note owed to H.B. Tuskin was to be paid in full with 4 percent interest. (Under the reorganization plan, the note was not payable until ten years after official confirmation of the reorganization.) Back taxes and secured claims were to be paid in full on a schedule worked out with each creditor.[38]

Even before the reorganization was concluded, MBS president Robert Hurleigh reported that, although the network was still losing money, its financial status was improving due to an upswing in business. By the spring of 1960, losses had been reduced to about $25,000 per month, down from loss-

---

[38]In the Matter of: Mutual Broadcasting System, Inc., Debtor, In Proceedings for Arrangement No. 94245, Plan of Arrangement (U.S. District Court, Southern Dis. of N.Y. 14 July 1959).

es of approximately $100,000 per month in mid-1959.[39]

Unfortunately for Mutual, however, many advertisers and agencies, seeing MBS still in financial turmoil, continued to be hesitant about buying advertising time on America's fourth network. Without the additional revenue represented by these advertisers, Mutual lacked the financial push it needed to make a profit or even to break even.[40]

Negotiations with 3M

Hurleigh, along with Albert McCarthy and Chester Ferguson (by then the "official" owners of Mutual), devised a plan to reassure these uneasy advertisers. The idea was to sell 25 percent of Mutual's stock to a corporation which advertisers would know to be financially sound. The corporate target for this plan was soon selected: the Minnesota Mining and Manufacturing Company (3M), headquartered in St. Paul, Minnesota.

It is difficult to determine by what process 3M was chosen or exactly how negotiations began, but is has been suggested that Hurleigh's friendship with then Senator

---

[39] Mutual Broadcasting System, profit and loss statement, August 1959; "MBS Reorganization Plans Finally Okayed," Broadcasting, 21 December 1959, p. 59; and "Why Did 3M Buy Ailing Mutual?," Broadcasting, 25 April 1960, p. 81.

[40] "Why Did 3M Buy Ailing Mutual?," p. 81.

[41] Together, McCarthy and Ferguson owned only 75 percent of MBS. The remaining 25 percent of Mutual shares was held in treasury stock. It was this 25 percent which they hoped to sell to 3M.

Hubert Humphrey (D-Minn.) was instrumental in getting the two companies together.[42] Hurleigh had begun his radio career in Washington and then later returned to the nation's capital to serve as Mutual's director of Washington operations.[43] Hurleigh is reported to "have known everybody in Washington."[44] It is quite probable that Albert McCarthy, as a Washington insider and a Democrat, also had a strong friendship with Senator Humphrey.[45] It does not seem unlikely, then, that Hubert Humphrey may have arranged the first meeting between McCarthy and 3M president Herbert Buetow.

From an economic point of view, 3M was an excellent choice to become a 25 percent owner of Mutual. A successful manufacturer of Scotch-brand tapes, electronic equipment, and other products, 3M held the status of a financial giant. Its net profit in 1959 was nearly $64 million on sales of more than $500 million.[46] This was just the kind

---

[42] Dick Rosse (Mutual's senior news correspondent), interviewed at his office at the Mutual Broadcasting System in Arlington, VA, 21 May 1982.

[43] New York Times Biographical Service, S.V. "R.F. Hurleigh, Broadcaster" (August 1980), p. 1121.

[44] Dick Rosse, interview.

[45] It should be pointed out that although Robert Hurleigh was a strong conservative, he had many friends--such as Sen. Humphrey and Albert McCarthy--on the other end of the political spectrum.

[46] "Why Did 3M Buy Ailing Mutual?," p. 81.

of financial muscle Mutual needed to allay the fears of advertisers. 3M's record of business integrity was also no small asset in the post-Guterma period.

Why 3M was interested in buying 25 percent of Mutual is much more difficult to surmise. MBS would add little to their portfolio of business enterprises either as a profit-making vehicle or as a tax write-off. Apparently, though, Hurleigh and McCarthy were able to sell the 3M board of directors on the "public service" aspect of acquiring part of Mutual, convincing the board members that MBS needed a backer of strong standing in order to survive.

Although the original proposition was for 3M to take on only 25 percent of Mutual, negotiations soon shifted to a new proposal under which 3M would acquire 100 percent of the network. On April 16, 1960 the deal was closed and MBS became a wholly-owned subsidiary of the Minnesota Mining and Manufacturing Company.[47]

The terms of the sale were not made public but "educated guesses" put the purchase price in the neighborhood of $1.3 million.[48] These guesses fall close enough to the $1.4 million represented by the Tuskin note to suggest 3M may have simply agreed to pay off this note in return for all the stock in the network while McCarthy and Ferguson

---

[47]Minnesota Mining and Manufacturing Company, memo to employees of the Mutual Broadcasting Systems, 9 May 1966.

[48]"Why Did 3M Buy Ailing Mutual?," p. 81.

took a sizable loss. It seems more likely, however, that McCarthy and Ferguson sold the network for about what they had put into it, perhaps taking a slight loss (which could be put to tax advantage). If this was the case, then the $1.4 million Tuskin note, as an outstanding debt of the network, became the responsibility of 3M. This latter course is suggested by the fact that McCarthy was a man of great business acumen who would not have sold Mutual to 3M had it not been to his advantage. The fact that McCarthy loaned the $1.4 million to Mutual through a third party in apparent anticipation of just this sort of situation supports this second suggested course of sale. It must be admitted, however, that without financial documentation of the McCarthy-to-3M sale, it is difficult to arrive at a firm conclusion.

Under the full ownership of 3M, Mutual finally regained the stability it had enjoyed under the ownership of General Tire.[49] Advertisers responded, driving Mutual's gross sales up 30 percent in the first year of 3M's ownership.[50]

---

[49]Interestingly, under 3M, as under General Tire, Mutual received little or no money from the parent company. In both cases, MBS was expected to "pay its own way." (Thomas F. O'Neil, interviewed at his office at RKO General in New York City, 2 July 1984; and "Mutual and 3M: 12 Months Later," Sponsor, 12 April 1961, p. 38.)

[50]"Mutual and 3M: 12 Months Later," p. 38.

A Brighter Future

With 3M behind Mutual, stations became more confident, too. By the mid-1960s, the network's affiliate roster passed the 500-station mark for the first time since the early 1950s. Although stations in small towns continued to comprise most of the affiliate list, under 3M Mutual was able to acquire an affiliate in each of the nation's top 30 marekts and in 97 of the top 100 markets.[51]

Mutual's situation, though improved, was not rosey. Financially, the network continued to hover around the break even point. As a news organization, MBS often was not competitive with the other networks. Mutual's senior news correspondent Dick Rosse illustrated this point in an interview:

> Probably the most depressed I've ever been was in '64 when I was in New Hampshire for ... the presidential primary. There were only two of us [covering the primary] for the network. And CBS brought up its vans--of course, that was combination radio and TV--but I think they had [several] hundred people.... They moved in an entire broadcast operation.... But yet, there was kind of a good feeling about it, too, because we got the same material they did--and a lot faster and certainly a lot cheaper.... [But] we were not competitive--obviously not with television and, if truth be told, not with the other radio networks.[52]

---

[51] Minnesota Mining and Manufacturing Company, memo to employees of the Mutual Broadcasting System, 9 May 1966.

[52] Dick Rosse, interview.

Although 3M's ownership of Mutual held the network together, there developed a degree of tension between the two companies because the 3M people were not broadcasters and, therefore, did not understand the broadcasting business. According to long-time Mutual executive Hal Wagner, 3M wanted to recast Mutual in its own image:

> They wanted to put into practice at Mutual all their business habits [from their headquarters in] St. Paul ... where nothing happened without a guide and a format.... They tried their level best to put quite a number of their patterns into operation at Mutual [but] they never could.... They were geared for everything measured and the result had to be just so. But with this free-spirited group of [broadcasting] people [things] were very flexible. It was hard for them to understand....[53]

It was probably these basic differences in business style more than anything else which in 1966 prompted 3M to sell MBS. In a memo to Mutual's employees, 3M's top management said the sale was inevitable because "broadcasting has always been your art and business rather than ours."[54]

---

[53]Hal Wagner, interview.

[54]Minnesota Mining and Manufacturing Company, memo to employees of the Mutual Broadcasting System, 9 May 1966.

CHAPTER VII

SUMMARY AND CONCLUSIONS

The Mutual Broadcasting System was formed in 1934 as a program-sharing and joint time sales venture among four radio stations. Each station contributed programs to the "network" and the four stations divided any profits from advertising sales. The network corporation itself was not to make a profit. It received only enough revenue to cover expenses.

In 1936, Mutual began to expand. Finding it all but impossible to attract affiliates away from the already established networks, MBS was forced to populate its affiliate line-up primarily with stations whose coverage was inferior to the outlets used by the other networks. For this reason, Mutual needed more affiliates than the other networks in order to have the potential of reaching approximately the same number of listeners reached by the high-power stations of NBC and CBS.

As Mutual's affiliate list grew, its organizational structure became increasingly complex. By the early 1940s, seven stations had become Mutual stockholders and were sharing in the net revenue of the network. "Affiliated" stations were paid for their air time (and many even contributed programs to the network) but they were not part of the stockholders' "profit-sharing" arrangement. As economist Peter O. Steiner summed it up, "From the point of view of the affiliated stations, Mutual [was] perhaps not greatly different from the other networks; for the owner stations the difference [was] substantial."[1]

During times of peak advertising demand, the owner stations could make a healthy profit from Mutual as long as expenses were kept low. From the network's inception, however, there existed the danger of losses should there be a significant decline in revenues or an increase in expenses.

When Edgar Kobak became the president of Mutual in late 1944, he began to refashion MBS in the style of the other networks. Kobak instituted expensive new programming policies and backed them with stepped-up promotion and increased audience research. From 1944 to 1948, as Kobak transformed Mutual from a loosely-linked chain of stations into a "real" network, expenses rose nearly 245 percent.[2] (Revenues also rose under Kobak but not at a rate which could keep pace with costs.)

---

[1]Peter O. Steiner, Workable Competition in the Radio Broadcasting Industry, (Ph.D. Thesis, Harvard University, 1949), published in Dissertations in Broadcasting Series (New York: Arno Press, 1979), p. 31.

[2]Based on 1944 total expenses of $2,882,095 and 1948 expenses of $7,054,000.

Under Kobak, Mutual's shareholder set-up became all but unworkable. Because MBS had seven owners, there was no solidified backing for Kobak's actions. Infighting among the shareholders increased as each owner station put its own interests above those of the network.

The television question complicated the situation. Most of the board members wanted to start a Mutual television network but there was no consensus regarding how to proceed with such a momentous project. With the network already facing a deficit, there was also no money to pay for Mutual's entry into TV.

As the network radio industry began to feel the economic effects of both television and the rise of the "music-and-news" radio format, the Mutual shareholders were forced to all but forego any profit from MBS. In order to avoid deficits, the owner stations began to cut back on the amount of money they received from the network for their air time. Eventually, their discount to the network rose to 98 percent. For example, while a shareholder station's advertising rate for a half-hour local show might have been one thousand dollars, a sponsored half-hour network broadcast netted the station only $20.

The American broadcasting industry was changing swiftly and dramatically in the late 1940s and early 1950s and it soon became apparent that it was no longer economically feasible for stations to own a network. Attempts were made to sell Mutual (including merger negotiations with Metro-Goldwyn-Mayer) but none of these attempts were successful.

Eventually, the General Tire and Rubber Company, owner of MBS shareholder the Yankee Network, gained control of Mutual through its purchase of shareholders Don Lee and WOR. Although these acquisitions did achieve Yankee's objective of turning Mutual into a single-purposed, "for profit" organization, the purchase of both Don Lee and WOR were largely motivated by General Tire's decision to expand its investment in local television.

By 1957, General no longer needed to support most of its TV enterprises with money from radio. In fact, although General Tire's subsidiary RKO Teleradio was still profiting from its local radio stations, its networks (Mutual, Don Lee, and Yankee) were only marginally profitable if at all. Accordingly, RKO kept its local stations when it sold Mutual in mid-1957 and when it later dissolved the Don Lee and Yankee networks.

The syndicate which bought Mutual from RKO was characterized by internal strife and mis-management. Within 14 months, the network changed hands again, this time becoming a subsidiary in a complex family of corporations run by self-made millionaire Alexander Guterma. It was soon alleged (and later confirmed) that Guterma had made much of his money through stock fraud and other swindles. It was also revealed that Guterma accepted $750,000 from the government of Dominican dictator Generalissimo Rafael Trujillo in return for promising to have Mutual broadcast Dominican propaganda under the guise of actual news.

In the wake of Guterma's reign, MBS struggled through a financial mire. After going through voluntary bankruptcy proceedings under the tutelage of long-time Mutual newsman Robert Hurleigh and financier Albert McCarthy, the network emerged in improved, but not healthy, condition. Advertisers were reluctant to use Mutual because of its history of instability. In order to assure the survival of MBS, the wealthy Minnesota Mining and Manufacturing Company (3M) bought the network as a "public service," thus allowing MBS to rebuild confidence among advertisers and affiliates. When those goals had been achieved, 3M sold the network back into private hands.

As in all history, it is wise when considering the story of Mutual not to underestimate the effects of individual personalities and motives. Edgar Kobak, for example, wanted to transform the Mutual Broadcasting System from laughable to respectable. In large measure he accomplished this task, but becasuse he was schooled in the carte blanche system at NBC he found it difficult to keep reign on the expense column. Kobak never quite understood that Mutual, as a network owned by stations, could not support an organization patterned after the other networks.

Other conflicts of personality and business style also affected Mutual, most notably the strained relations between the Yankee Network's Tom O'Neil and Don Lee's Lew Weiss. It seems probable, though not certain, that the conflict between Weiss and O'Neil played a part in O'Neil's decision to recommend that his father's company, General Tire, buy the Don Lee network when it went at auction in 1950. The decision a year or so later to purchase WOR may have been influenced by conflicts between O'Neil and WOR's Ted Streibert.

Friendships also came into play in the history of Mutual. Apparently, it was the friendship between former FCC Commissioner Frieda Hennock and millionaire oil magnate and art dealer Dr. Armand Hammer which prompted Hammer to join with Hennock in the syndicate which purchased Mutual from RKO. Later, it was Robert Hurleigh's friendship with Senator Hubert Humphrey and others which helped pave the way for the sale of Mutual to 3M.

When discussing personalities and motives in relation to Mutual, the most intriguing questions, of course, arise out of Alexander Guterma's reign at MBS in late 1958 and early 1959. Did he really intend to build a radio, TV, and film empire? Or was it simply to be an empire on paper used in a scheme to bilk investors?

Unfortunately, probably only Guterma knew the answers to these and to many other questions. Attempts to draw conclusions from the available evidence seem only to raise more questions. For instance, it is now known that when Guterma bought Mutual (through the F.L. Jacobs Company, Scranton Corporation, and Hal Roach Studios), he already had a history of engaging in fraudulent stock schemes.[3] Investigations by the Securities and Exchange Commission also revealed that "in the fall of 1958" Guterma pawned much of his stock in F.L. Jacobs as well as the unemcumbered stock of Jacobs' subsidiaries in return for high-interest loans.[4] This suggests Guterma, realizing his various enterprises were financially shaky was preparing to "bail out" by simply keeping the loan money while the money-lenders were left to dispose of his stock at reduced prices. Apparently, Guterma made these loan deals within a few weeks or months after gaining control of Mutual. The question, of course, is--Was he already planning his "bail out" when he bought MBS?

An examination of the Dominican deal raises even more questions. The Securities Exchange Act of 1934 requires public stock companies to file an annual report with the SEC within 120 days after the close of the fiscal year. Since F.L. Jacobs failed to file a report for FY 1958, Guterma

---

[3] An SEC investigation revealed Guterma had engaged in stock fraud as early as 1954. (U.S. Securities and Exchange Commission, Litigation Release No. 1485, 26 August 1959.)

[4] "A Tangled Trail Leads to Mutual," Broadcasting, 16 February 1959, p. 29.

certainly knew when he was negotiating with the Dominican that Jacobs was under investigation and that it was only a matter of time before the SEC filed charges. The fact that the Dominican transaction was put together hurriedly (apparently less than a month passed between inception and consummation) suggests Guterma designed the deal to raise quick cash, probably so that he could take it with him when he left the country. In this context, though, the "foreign agent" matter makes little sense. If Guterma was planning to skip the country, why go through the trouble of setting up a bogus news service as a means of "legally" getting around the Foreign Agents Registration Act?

If Guterma was not planning to leave the United States, then, did he actually intend to carry out his part of the Dominican agreement? The answer to this question would have to be no, he did not. There is simply no way Mutual could be made to broadcast 425 minutes (more than seven hours) of Dominican news per month without the collusion of the entire MBS news division. That Generalissimo Trujillo could be made to believe otherwise only illustrates his lack of understanding of the independence and freedom of the American news media.

One individual who deserves special mention in connection with this particularly turbulent period in Mutual's history is Robert Hurleigh. During the especially troubled time between Guterma and 3M, it was Hurleigh who held the network together as he juggled the positions of MBS news director, president, and (for a short time) owner. He was also the finder of new capital. It was Hurleigh who arranged the sale of the network first to Malcolm Smith, then to Albert McCarthy, and finally to 3M. Hurleigh was also the network's biggest cheerleader, as attested to by long-time Mutual announcer Martin Edwards:

> [He] had the ability to bring up your spirits. He was a master of it. He could talk with us--give us a pep talk like a coach at a football game. By golly, it'd raise your spirits. He had confidence. The man was dynamic.[5]

MBS senior news correspondent Dick Rosse believes Hurleigh's contribution to Mutual prevented the network from going out of business:

> Bob was the perfect man for the time .... If there's a dedication to [your] thesis it ought to be to the memory of Bob Hurleigh. We wouldn't be here without him.[6]

Future Research

Like all works of history, this study is incomplete. Documents which could shed additional light remain undiscovered. The whereabouts of some individuals whose recollections may have clarified certain points are unknown.

---

[5]Martin Edwards, interviewed at Crystal City Underground in Arlington, VA, 22 May 1982.

[6]Dick Rosse, interview.

Other participants died years ago.

Even so, this study has accomplished what it set out to do--namely, to chronicle and explain the major structural changes which occurred within the Mutual Broadcasting System radio network during the period from 1948 to 1960. As far as could be determined, this thesis is the first graduate level research project to deal solely with the Mutual network as well as the first to bring to light much oral and written material never before available.

Future researchers may wish to add to this history by exploring the early and/or later years of MBS. Unfortunately, there is much which cannot be adequately reconstructed. The network has changed hands so often that records--if they exist at all--are widely scattered. Then too, tracking down and interviewing participants is a difficult (and sometimes costly) task.

The effect of existing radio network organizations on the development of TV networks was touched on in this study, yet it remains a subject worthy of more lengthy investigation. For example, it seems likely the Dumont Television Network was severely handicapped by its lack of an existing organization on which to build. On the other hand, affiliate loyalty to a particular radio network appears to have provided each of the "big three" network organizations with a ready market when their respective affiliates received television licenses.

The increasing popularity of the "music-and-news" radio format in the 1950s had a definite, if not immediate, effect on all the radio networks. Another researcher may wish to address these changes by investigating the ways in which the networks adjusted their programming and marketing strategies in order to adapt to radio's changing role in American life.

SOURCES CONSULTED[1]

Documents[2]

U.S. Federal Communications Commission. Report on Chain Broadcasting. Commission Order No. 37, Docket No. 5060. Washington, D.C.: Government Printing Office, 1941.

Mutual Broadcasting System Station Relations Dept. Text of Phillips Carlin's Address to the Affiliate of MBS--16 January 1945, n.d. (Mimeographed.)

Kobak, Edgar. "Report to the Board of Directors [of the Mutual Broadcasting System]: January 1948." (Mimeographed.)

Mutual Broadcasting System. Minutes of a Special Meeting of the Board of Directors, 13 December 1948. (Mimeographed.)

Mutual Broadcasting System. Minutes of a Special Meeting of the Board of Directors, 28 February and 1 March 1949. (Mimeographed.)

Mutual Broadcasting System. Minutes of a Special Meeting of the Board of Directors In Lieu of the Annual Meeting, 8 April 1949. (Mimeographed.)

Mutual Broadcasting System. Prose Release Announcing the Appointment of William H. Finesriber as Vice-President in Charge of Programs, 14 June 1949. (Mimeographed.)

O'Neil, Thomas F. Outline of a MBS/MGM Merger Proposal, 5 December 1949. (Mimeographed.)

U.S. Federal Communications Commission. Broadcast Financial Data for Networks and AM, FM, and Television Stations: 1948. No. 42588 (1949).

---

[1]Items within each category are arranged alphabetically except where noted.

[2]Items in this category are arranged chronologically. Those items with no date (n.d.) are grouped alphabetically at the end of the chronological listing.

Mutual Broadcasting System. Minutes of a Special Meeting of the Shareholders (copy), 3 February 1950. (Typewritten.)

O'Neil, Thomas F. "Statement of Thomas F. O'Neil on the New Proposal of the Stockholders of the Mutual Broadcasting System to Sell Mutual to Loews [sic] Inc. (MGM)." March 1950. (Mimeographed.)

Poor, John B., and Nelson, Arthur H. "The Mutual Broadcasting System, Inc.: Opportunities for Prospective Purchasers," April 1950. (Mimeographed.)

'Settlement Agreement' Between the Mutual Broadcasting System and the Yankee Network--Including Exhibits I and II (affiliation contracts), 1 May 1950. (Mimeographed.)

Mutual Broadcasting System. Minutes of a Special Meeting of the Board of Directors, 12 June 1950. (Mimeographed.)

"Tentative Reorganization Plan No. 1." 14 March 1951. (Typewritten.)

Mutual Broadcasting System. Minutes of a Special Meeting of the Board of Directors, 28 February 1952. (Mimeographed.)

U.S. Federal Communication Commission. Final AM-FM Financial Data--1952. No. 99911 (1953).

Mutual Broadcasting System Press Information Dept. "Mutual to Mark Twentieth Anniversary with Week-Long Celebration Oct. 3-9." 20 September 1954.

Winkler, Patrick J. Memo to Julia Sullivan, 8 February 1955. (Typewritten.)

Mutual Broadcasting System Press Information Dept. "Milestones in History of the Mutual Broadcasting System." 2 July 1957.

Mutual Broadcasting System. Bankruptcy Petition, 1 July 1959. (Mimeographed.)

In the Matter of: Mutual Broadcasting System, Inc., Debtor, In Proceedings for Arrangement No. 94225. Plan of Arrangement. U.S. District Court, Southern Dis. of N.Y., 14 July 1959. (Mimeographed.)

Mutual Broadcasting System. Profit and Loss Statement, August 1959. (Mimeographed.)

In the Matter of: Mutual Broadcasting System, Debtor. Ruling on the Dominican Republic's Claim Against Mutual. U.S. District Court, Southern Dis. of N.Y., November 1959. (Mimeographed.)

U.S. Federal Communications Commission. Final AM-FM Broadcast Financial Data--1960. No. 12337 (1961).

Minnesota Mining and Manufacturing Company (3M). Memo to employees of the Mutual Broadcasting System, 9 May 1966. (Mimeographed.)

Kobak, Edgar. *Stop, Look, Listenability!* Mutual Broadcasting System, n.d.

[O'Neil, Thomas F.] Memo to the General Tire and Rubber Co. Board of Directors, n.d. (Mimeographed.)

O'Neil, Thomas F. Rough Draft of a Progress Report on the MGM Negotiations, n.d. (Typewritten.)

O'Neil, Thomas F. Rough Draft of a Proposal Regarding 'Subscription Co-op', n.d. (Typewritten.)

Pierson, W. Theodore. Outline of General Tire's Position With Respect to Mutual and Macy's, Including Proposals for Reorganization of MBS, n.d. (Mimeographed.)

Yankee Network Accounting Memo, n.d. (Typewritten.)

Correspondence[1]

Weiss, Lewis Allen. Letter to Thomas F. O'Neil, 1 April 1948.

Kobak, Edgar. Letter to the Mutual Board of Directors, 18 June 1948.

Swezey, Robert, and James, E.P.H. Letter to the Mutual Board of Directors, 1 October 1948.

---

[1]The items in this category are arranged chronologically. Those items with no date (n.d.) are grouped alphabetically following the chronological listing.

Weiss, Lewis Allen. Letter to Elbert M. Antrim, 14 February 1949.

Kobak, Edgar. Letter to the Mutual Board of Directors, 8 March 1949.

Weiss, Lewis Allen. Letter to Benedict Gimbel, Jr., 24 March 1949.

Weiss, Lewis Allen. Letter to Theodore C. Streibert, 24 March 1949.

White, Frank. Letter to Thomas F. O'Neil, 10 June 1949.

White, Frank. Letter to Thomas F. O'Neil, 1 August 1949.

O'Neil, Thomas F. Letter to Frank White, 28 October 1949.

O'Neil, Thomas F. Letter to the Mutual Board of Directors, 5 December 1949.

Travers, Linus. Letter to Thomas F. O'Neil, 5 December 1949.

Friedman, Leopold. Letter to the Mutual Broadcasting System, 17 March 1950.

Lebhar, Bertram, Jr. Letter to Thomas F. O'Neil, 18 March 1950.

Poor, John B. Letter to Thomas F. O'Neil, 8 August 1951.

Carlin, Phillips. Letter to Dr. Armand Hammer, 10 June 1958.

Hurleigh, Robert F. Letter to Ted Joseph, n.d.

O'Neil, Thomas F. Letter to the Mutual Stockholders Regarding the 'status of the Don Lee Matter', n.d.

O'Neil, Thomas F. Rough Draft of a Letter to [Elbert Antrim], n.d.

White, Frank. Confidential Memorandum to the Mutual Board Attached to an August 1, 1949 Letter to the MBS Board, n.d.

Interviews

Edwards, Martin. Arlington, Virginia. 22 May 1982.

Meserand, Edythe. Washington, D.C. 5 August 1984.

O'Neil, Thomas F. RKO General, New York City. 2 July 1984.

Rosse, Dick. Mutual Broadcasting System, Arlington, Virginia. 21 May 1982.

Strauss, Jack. WOR Oral History Project, June 1983.

Streibert, Theodore C. Long Island, New York. WOR Oral History Project, August 1983.

Wagner, Harold M. "Hal". Oaton, Virginia. 26 January 1984.

Scholarly Works

Alm, Ross C. "A Survey of Regional Networks of the U.S." M.A. thesis, Michigan State College, 1949.

Black, Ronald Eugene. "Growth of Radio Networks in the United States." M.S. thesis, Illinois State University, 1976.

Duncan, Joe Turner. "A Study of the Impact of Television Upon the National Radio Networks: 1948-1960." Ph.D. dissertation, University of Michigan, 1965; Ann Arbor, Michigan: University Microfilms, 6510948, n.d.

Lichty, Lawrence Wilson. "'The Nation's Station': A History of Radio Station WLW." Ph.D. dissertation, Ohio State University, 1964.

Logan, Devere E. "Some Aspects of the Decline of Network Radio Drama: 1948-1958." M.A. thesis, University of Illinois, 1958.

Robinson, Thomas Porter. Radio Networks and the Federal Government. New York: Columbia University Press, 1943.

Slotta, Helen. "A Study of the Ways in Which Network Radio Has Met the Impact of Television: 1948-1956." M.A. thesis, Pennsylvania State University, 1957.

Steiner, Peter O. Workable Competition in the Radio Broadcasting Industry. Ph.D. thesis, Harvard University, 1949; Dissertations in Broadcasting Series. New York: Arno Press, 1979.

Stuart, Frederic. The Effects of Television on the Motion Picture and Radio Industries. Ph.D. dissertation, Columbia University, 1960; Dissertations on Film Series. New York: Arno Press, 1976.

News Accounts[1]

"Mutual Tele Planning to be Revealed Wed." Radio Daily, 17 May 1948, p. 8.

"Travers Joining MBS As Web Vice-Prexy." Radio Daily, 1 October 1948, p. 3.

"O'Neil Interests Top Don Lee Bid." Radio Daily, 23 October 1950, pp. 1, 5.

"Mutual Sale Brings $550,000." Broadcasting, 29 July 1957, p. 42. (For a time Broadcasting magazine was actually titled Broadcasting/Telecasting. To avoid confusion and for greater ease of citation Broadcasting is use throughout this bibliography.)

"MBS Applies for First Station." Broadcasting, 30 December 1957, p. 44.

"Station Authorizations, Applications." Broadcasting, 30 December 1957, p. 75.

"Red to Black." Broadcasting, 3 February 1958, p. 56.

"Closed Circuit." Broadcasting, 15 September 1958, p. 5.

"New Giant Growing in Radio-TV?" Broadcasting, 15 September 1958, p. 27.

"New MBS Owner Guterma: Optimist Moving Into a 'Depression-Proof' Trade." Broadcasting, 22 September 1958, p. 46.

"A Tangled Trail Leads to Mutual." Broadcasting, 16 February 1959, pp. 30, 32.

---

[1]The items in this category are arranged chronologically.

"Guterma's Tangles Thicken." _Broadcasting_, 23 February 1959, p. 56.

"SOS From Mutual as Courts and Creditors Close in." _Broadcasting_, 9 March 1959, p. 36.

"Mutual Loses Outlets But Gains New Backers." _Printers' Ink_, 13 March 1959, p. 27.

"Rescure Squad Takes Over at MBS." _Broadcasting_, 30 March 1959, p. 27.

"ABC, MBS, Don Lee," _Broadcasting_, 6 April 1959, p. 69.

"New Captain on a Listing Bridge." _Broadcasting_, 6 July 1959, p. 30.

"Mutual's Angel is a Heavyweight." _Broadcasting_, 27 July 1959, p. 49.

"Asks Money Back." _Broadcasting_, 7 September 1959, p. 70.

"Grand Jury Indicts Guterma Trio." _Broadcasting_, 7 September 1959, p. 75.

"Trujillo Radio 'Debut' Was Galindez Mystery." _Broadcasting_, 7 September 1959, pp. 76-77.

"Dominicans File MBS Suit." _Broadcasting_, 14 September 1959, p. 48.

"Guterma Bares Mutual Pact." _Broadcasting_, 5 October 1959, p. 29.

"MBS Reorganization Finally Okayed." _Broadcasting_, 21 December 1959, p. 59.

"Guterma Guilty." _Broadcasting_, 1 February 1960, p. 78.

"Guterma, Eveleigh Draw Sentences, Fines." _Broadcasting_, 22 February 1960, p. 50.

"Why Did 3M Buy Ailing Mutual?" _Broadcasting_, 25 April 1960, p. 81.

"Mutual and 3M: 12 Months Later." _Sponsor_, 12 April 1961, p. 38.

Miscellaneous

Broadcasting/Telecasting Yearbook: 1948. Washington, D.C.: Broadcasting Publications, 1948.

Broadcasting/Telecasting Yearbook: 1960. Washington, D.C.: Broadcasting Publications, 1960.

Considine, Bob. The Remarkable Life of Dr. Armand Hammer. New York: Harper and Row, 1975.

Current Biography: Who's News and Why, 1947. Edited by Anna Rothe. S.v. "Kobak, Edgar." New York: The H.W. Wilson Co., 1948.

Current Biography Yearbook: 1955. Edited by Marjorie Dent Garde. S.v. "O'Neil, Thomas F(rancis)." New York: The H.W. Wilson Co., 1956.

Current Biography Yearbook: 1973. Edited by Charles Moritz. S.v. "Hammer, Armand." New York: The H.W. Wilson Co., 1974.

Group Broadcasters, Inc. Advertisement. Broadcasting, 1 March 1934, p. 38.

Kobak, Edgar. "What's Up Our Sleeve Is Up the Advertiser's Alley" (advertisement). Radio Daily, 2 April 1948, p. 3.

NBC Television Network Advertisement. Radio Daily, 22 January 1948, pp. 4-5.

New York Times Biographical Service. S.v. "Hurleigh, R.F., Broadcaster." August 1980, p. 1121.

Sybert, Pamela Johnson. "Mutual Admiration: MBS and the Dominican Republic." Journal of Broadcasting 24 (Spring 1980): 189-197.