1952

The Effect of Political Interest Groups on C.A.B. Policies

Basil J. F. Mott

Follow this and additional works at: https://scholar.smu.edu/jalc

Recommended Citation
https://scholar.smu.edu/jalc/vol19/iss4/1

This Article is brought to you for free and open access by the Law Journals at SMU Scholar. It has been accepted for inclusion in Journal of Air Law and Commerce by an authorized administrator of SMU Scholar. For more information, please visit http://digitalrepository.smu.edu.
THE EFFECT OF POLITICAL INTEREST GROUPS ON C.A.B. POLICIES

By Basil J. F. Mott, Jr.

Administration Fellow, Political Science, Graduate School of Public Administration, Harvard University; M.P.A., Graduate School of Public Administration, Harvard University, 1952; Amherst Memorial Fellow, 1949-1950; A.B., Amherst College, 1949; Formerly, with Dun & Bradstreet Inc., Encyclopedia Britannica Inc.; Naval Aviator, Lt. (jg), U.S.N.R., 1943-1946.

PURPOSE

To Test Truman's Thesis

The political interest group is a widely recognized and discussed phenomenon; its importance and power in shaping public policy and in giving character to the political climate of the day is seldom disputed. There is, however, little agreement concerning its nature and place in a theory of politics, or in a theory of the political process, in which politics is thought of as a process of human or social relations of a particular order. David B. Truman's book "The Governmental Process" makes a bold and stimulating effort to present a theory of the political process which will account for the role of the political interest group.

It shall be the purpose of this article to take the ideas or theories which Truman develops and apply them to a particular area of public policy, with the thought in mind of testing them.

TO THROW SOME LIGHT ON THE CHANGE IN C.A.B. POLICY

The purpose of this article, however, is not limited to seeking answers to the above questions of theory. It also is hoped that some light can be thrown on the particular area of public policy to be treated, namely on the Civil Aeronautics Board's administration of Federal aid to the air transport industry under the Civil Aeronautics Act of 1938. Since the war much heated controversy has concerned itself with the manner in which the C.A.B. has administered the airmail payments.

called for under the Act of 1938. Until 1949, the Board consistently stood in opposition to all proposals and legislation offered for the purpose of having any subsidy which may be contained in mail pay to the airlines, separated from what merely is compensation for carrying the mail. Our primary interest is in accounting for the reversal which the C.A.B. made in 1949, when in principle it came out in favor of such a separation, and later went on to support legislation to this effect. In this respect two questions will be asked: (1) Why did the C.A.B. change its mind and come out in favor of subsidy separation? And (2) Can any predictions be made under any given conditions as to how the C.A.B. is likely to behave in the future?

THREE CLASSES OF POLITICAL GROUPS

According to David B. Truman's definition and differentiations of groups, there are three main classes of groups into which the behavior and attitude patterns in our study may fall. They are: (1) The institutional groups of the Government. (2) The political interest groups endeavoring to translate their claims into accepted policy. And, (3) the relevant general attitudes and potential interest groups which influence the issue.

The institutional groups of the Government make up the formal structure of Government, and shape the many patterns of behavior and expectations which define and determine the paths which policy changes must take. We are dealing with a change in institutional behavior and, in particular, the behavior of an "independent" regulatory commission; for though the C.A.B. is a relatively new agency, its policy of not separating airmail subsidies has been carried on for over ten years. We are concerned therefore with the formal organization of Government. But formal organization is only half of the picture. Though it determines where access is advantageous, the nature of access and the interaction patterns between groups and Governmental officials often is informal. These are the most difficult factors to determine.

The political interest groups can be identified more easily, at least associations and formally organized groups, but evaluation of their internal politics and cohesion is difficult, as it is in their interest to keep internal conflicts undisclosed. The appearance of unity is important to the success of their claims. But some knowledge of the political interest groups, their attitudes, membership, organization, and techniques and strength, will be necessary to evaluate their role in the separation issue. We shall be concerned with the railroads, the certificated airlines, the non-skeds, the cargo carriers, the steamship lines, and others.

And last, the most vague thing with which we shall have to deal, are the relevant general attitudes and potential interests. There can be little doubt that they play an important part in shaping private and public attitudes and behavior in this issue, but much of their signifi-
cance must be grasped intuitively. Some of these attitudes are those subsumed under Truman's "democratic mold," others are, a public dislike particularly for hidden subsidies, and a desire for economy and efficiency, as manifested by the popularity of the Hoover Commission.

The Truman theory assumes that the political process is made up of attitude and behavior patterns. The reason for emphasizing groups is that they are the basis of uniformities of behavior and of differentiations in the interactions of men. Public policy, therefore, is the established attitude and behavior patterns of Government. Politics is not only coercive, it also is persuasive; it is a two way relation.

FACTORS DETERMINING C.A.B. POLICY

Since Governmental policy is an interaction pattern, an attitude and behavior pattern, C.A.B. policy must be determined by the particular character of the C.A.B.'s interactions as an institutional group of Government. The changes in the C.A.B.'s attitude and behavior towards the issue of airmail subsidy separation, therefore, may be said to be determined by two related factors: (1) the external relations, patterns of interaction, of the Board with the different groups involved, and (2) the internal cohesion of the C.A.B., i.e., the nature of its own group politics. The character of its external and internal relations is composed of institutional attitudes and behavior, and the informal and dynamic aspects of group life and politics. Truman's ideas thus furnish us with a broad framework within which we may describe the formulation of policy, but it also is apparent that an appraisal of the character and
relative significance of the many interaction patterns which determine policy, requires considerable subjective evaluation.

The external relations of the C.A.B. may be said to be composed of four main interaction patterns, whose nature and importance make them influential in the formulation of policy. They are: (1) C.A.B. relations with the airline industry, (2) C.A.B. relations with Congress, (3) C.A.B. relations with the President and Executive Branch agencies, and (4) C.A.B. relations with general attitudes and potential interest groups.

Because the C.A.B. is an “independent” regulatory commission administering to a single industry, the character of its relations with the industry it regulates is of cliental nature and therefore is a powerful determinant of policy.

Its commission form of organization and operation causes C.A.B. relations with Congress to take on added importance. Its interactions with Congress are most frequent with the committees which are concerned with aviation matters. Interactions with groups in Congress with which the airline industry and other interested groups achieve access also become very important.

Although regulatory commissions often are thought of as bound closely to Congress and free from the political climate in which Executive departments function, it is easy to underestimate the importance of the C.A.B.'s relations with the President and other Federal agencies. Interactions with the President and the Budget Bureau, the Post Office Department, the Department of Commerce, and inter-agency committees, such as the Air Coordinating Committee, can and often do have an important effect on C.A.B. policy decisions.

C.A.B. interactions with generally held attitudes and potential interest groups also may influence the course of policy. They help create the climate in which policy is formulated. Because of its commission form of organization and relations, the effect on C.A.B. policy of general attitudes and potential interests more often is likely to be indirect, i.e., through its relations with the industry, the Congress, and the Executive.

The interaction patterns of the C.A.B. with other Government groups, political interest groups, and potential interest groups are themselves the function of the group life and external relations of these groups. Therefore, we must concern ourselves with the relevant interaction patterns affecting the attitudes and behavior of Congress, the political interest groups, and the Executive agencies involved in the subsidy separation issue. In Congress the attitudes and behavior of the Interstate and Foreign Commerce Committees, the Appropriations Committees, and the Post Office Committees, and the external relations of these committees to the airline industry, other political interest groups, the President and other agencies, and to the general attitudes and potential interests, are of particular importance.

If C.A.B. policy is a function of its interaction patterns, i.e., its
internal cohesion and external relations, and we have been correct in identifying the major determining patterns of interaction, the following propositions should hold true:

(1) A change in Board policy ought to reflect a change in the attitudes and behavior of the groups with which it carries on its most important relations.

(2) The degree to which the Board moves from an established policy to a new policy should reflect the degree and extent to which the attitudes and behavior of the above groups have changed.

(3) Given sufficient cohesion within the Board on a policy question, policy should tend to remain unchanged until its external relations have become sufficiently disturbing, i.e., the Board's success in warding off a change in policy will depend on its internal cohesion.

The degree to which we find these propositions to be true will offer us some degree of verification of Truman's thesis. If these propositions hold true, it follows, that on the basis of a knowledge of the most significant Board interaction patterns, under given conditions, it should be possible to make some predictions as to how the Board will act on certain issues.

**Background of the Airmail Subsidy Issue**

Following World War II an air of optimism prevailed in the air transport industry and in the Government circles concerned with the formulation and administration of the national policy towards civil aviation. The aircraft manufacturers expected the heyday of wartime production to end, but the airlines and vocal public opinion expected commercial and private flying to become the thing of the day. An aviation age surely was upon us! This would mean continuing prosperity for all of civil aviation, though perhaps not on as large a scale for the manufacturers of aircraft.

Much of this optimism was the outgrowth of the important role aviation had played during the war. The airlines had been through a period of unprecedented prosperity and full load capacity, and a system of Government priorities had been required to keep away the business they could not handle. These facts stood in sharp contrast to the difficult days the airlines had experienced since their early development, although they had begun to show signs of financial strength in the years immediately preceding the war. But it was expected that they were going into the final stage of self-sufficiency, when they no longer would be dependent upon large air mail payments beyond the reasonable cost of flying the mail.

The Civil Aeronautics Board in its administration of the Civil Aeronautics Act of 1938, "the magnum opus" of the national policy of promotion and regulation of civil aviation, showed that it was no ex-
ception to this spirit of optimism about the future of air travel. It granted new certificates of convenience and necessity, increased the route pattern of the nation many fold, and instituted a whole system of costly new feeder lines. The airlines followed with purchases of new and larger aircraft with greater load capacities, and expansion brought with it increased passenger business.

But in spite of this unprecedented expansion and increase in business, in the winter of 1946-1947, and at a time when American business was enjoying an unheralded prosperity, the air transport industry headed into a financial depression as severe perhaps as the industry had ever experienced. To make matters worse, expansion had been accompanied by inefficient service, and both public and private complaints began to mount. A series of dramatic air crashes also occurred which gave rise to several Congressional and Governmental investigations in 1947. Therefore, in spite of a great increase in traffic over 1945, the airlines began to lose money in 1946. It was in this setting that the issue of the separation of airmail subsidies began to be heard.

The Civil Aeronautics Board was in a difficult position. Its post war policy of expansion and encouragement of competition by the granting of many new route certificates was proving unprofitable to the airlines. If the airlines were to survive, they were going to need increased Government aid, aid which it appeared was necessary to some extent because of the C.A.B.'s optimistic policies. Under the Civil Aeronautics Act of 1938, direct financial assistance to the airlines was administered by the C.A.B. through the awarding of air mail payments to carriers it had certified under the Act. The Act definitely contemplated a policy of promotion through air mail payments, the "need" provision of the Act requiring that the C.A.B. take into account:

the need of each such air carrier for compensation for the transportation of mail sufficient to insure the performance of such service, and, together with all other revenue of the air carrier, to enable such air carrier under honest, economical, and efficient management, to maintain and continue the development of air transportation to the extent and of the character and quality required for the commerce of the United States, and the postal service, and the national defense. [52 Stat. Sec. 406(b)]

The Board therefore set the mail rate for a carrier at a figure which provided enough additional income to close the gap between non-mail revenues and expenses incurred under what the Board determined was honest, economic and efficient management, with enough left over as a profit.

Before the reversal of expectations of airline prosperity, the C.A.B. held that some of the rates for mail had already become or were becoming compensatory, i.e., it was felt that they contained little or no element of subsidy, reflecting merely the cost of carrying the mail. The Civil Aeronautics Act of 1938 did not require that subsidy be separated from that portion of the mail payments which merely was com-
GROUP POLITICS AND THE C.A.B.  

The law also set up an unusual procedure for paying the airlines. Although the Post Office Department had some part in rate proceedings and in the awarding of routes, its role was very minor. Nevertheless, the Post Office was required to pay the airmail bill out of its budget. It therefore had to appear before the Congressional Appropriations Committees with a "fait accompli." Because of this procedure the C.A.B. was not required to justify its policy or awards to the Budget Bureau or to any Congressional committee, except indirectly in connection with its own budget. The "cost plus" manner of determining airmail rates and the charging of the Board's awards against the Post Office budget were two major objections which constantly were to be raised against the national policy as administered by the C.A.B.

THE CHANGES IN C.A.B. POLICY TOWARD THE AIR MAIL SUBSIDY ISSUE

The Period from 1946 to 1949: Against Separation

We have shown that during the period from 1946 to 1949 the airlines went from a state of prosperous expansion into a severe economic depression. It was not until 1949 that the carriers, largely through the help of mail rate increases granted by the C.A.B., began to recover from their plight. It was against this background of economic difficulties that criticism of the airlines and Board policy in coping with the situation developed into a strong movement to force the Board to separate the subsidy from mail pay. But from 1946 until 1949 the C.A.B. was able to hold out against the efforts to change its policy.

During 1947 great stress was put on the C.A.B.'s relations with the airline industry. The industry expected the Board to bail the airlines out of their financial crisis by increased mail rates, but Chairman James Landis and his associates were hesitant to move too rapidly. Criticism from Congress and hostile interest groups could fairly place a share of responsibility on the Commission for its excessive postwar optimism. Moreover, airline financing techniques were open to some criticism, and Landis wanted to encourage the carriers to follow less objectionable fiscal procedures.

The Board, however, decided to increase mail rates, and this policy was pursued until recovery appeared in 1949, and 1950. But the airlines thought that the Board was much too slow. Criticism of the rate making procedure was frequent and spread to Congress and other quarters in Government. At one instance it had been estimated that the Commission was two years behind in its work, and it appears that administrative inefficiency was influential in Landis' failure to be re-
appointed in December. Yet behind the pulls and strains of the Board's industry relations one finds a continuing cliental relationship. The Board and the industry were seldom very far apart in attitude, and as we shall see there is a strong correlation between changes in Board policy and changes in airline attitudes and behavior.

In Congress there was a great play of group interactions. It was there that those interests which were most hostile to the C.A.B. and the airlines, hoped to make themselves felt. Access through the President and the other agencies concerned with C.A.B. policy usually was more difficult to achieve, and because the C.A.B. has a single clientele and a commission form of organization, the value of such access was diminished. These interests usually were the airline's competitors and they had certain access to the House and Senate Interstate and Foreign Commerce Committees, because these committees handled all transportation legislation and policy. The unusual relationship of the Post Office Department to C.A.B. proceedings, and the method by which airmail payments were appropriated and paid through the Post Office budget also made the Appropriation Committees and committees handling Post Office matters significant points of access.

A report issued in December of 1946 by the House Committee on Interstate and Foreign Commerce presents a good picture of political interest group attitudes and behavior in the transportation field. The responses to the Lea Committee's transportation inquiry were in the form of answers to questionnaires dealing with the national transportation policy, and since they were submitted before the airline depression in the winter of 1946-1947, the report is especially helpful in identifying these group attitudes which traditionally have been hostile to the C.A.B. policy of airline subsidization. In response to questions related to the policy of Federal aid to transportation, of 151 answers 117, or approximately 90%, of the respondents were against Federal aid except where private capital could not or would not provide the service. Of 70' answers to the question, "Is present policy of Federal aid unjust to anyone?" 60 respondents believed that it was.

At that time the separation of airmail subsidies had not become an issue, but the railroads and their various organizations,—the Association of American Railroads, Railway Age, etc., singled out for attack the aid received by the airlines. They strongly advocated user charges, and endorsed the cost principle of pricing in transportation. Other organizations with memberships dependent on rail transportation felt that there were inequities in the present national policy of aid, and the A.A.R. felt that a remedy could be found in placing the regulation of all transportation agencies in one regulatory commission. The most powerful airline industry association also responded to the House inquiry. The Air Transport Association of America favored Federal aid

---

2 House Report No. 2735, 79th Congress 2nd Session, Committee on Interstate and Foreign Commerce.
3 Ibid., p. 164.
4 Ibid., p. 175.
GROUP POLITICS AND THE C.A.B.

6 "What's Wrong With the Airlines?", Fortune Magazine, August, 1946.

to new modes of transportation in their beginning stages. It replied that the amount of money given the airlines was less to date when compared to the amount used to aid all other forms of transportation, except for the pipe lines. It found no inequities in present national aid and it pointed out that air mail rates have followed a trend toward lower rates since 1941; the A.T.A. also asserted that the C.A.B. regarded its 60 and 45 cent (per ton mile) rates as compensatory.

Previous to the fall of 1946 the trend of rates (since 1941) had been downward, and the industry was engaged with the C.A.B. in a profitable expansion. C.A.B. relations were stable and airmail policy was in a state of relative equilibrium. Although the industry's rapid expansion had shrunk the profit margin of the previous year, the C.A.B. reported that the fiscal year ending June 30, 1946 had been profitable, and the Board expected substantial improvement during the coming year. Inter-agency relations also were satisfactory, and there did not appear to be any general attitudes or potential interests in play which would change the course of policy.

When the newly elected Republican 80th Congress met in January of 1947, the situation had changed radically. The airline expansion not only had turned into a severe depression, but it had brought with it inefficient service and a series of dramatic air crashes. Representative Margaret Chase Smith said in January that Congress ought to conduct an investigation of the carriers' inefficiency and bad service. In August of the previous year Fortune magazine had run a critical article on this aspect of the airline expansion. Investigations of airline accidents and the safety problem began in both the House and Senate under the leadership of Interstate and Foreign Commerce committeemen.

Criticism of the airlines and C.A.B. for overselling aviation came from Secretary Harriman of the Commerce Department. The historic interest of the Commerce Department in civil aviation, and its success in acquiring jurisdiction over the Civil Aeronautics Administration in the reorganization of the old Civil Aeronautics Authority in 1940, made this a foreboding gesture for the Board and the industry which have always been jealous of the C.A.B.'s independence. The attitude of the Commerce Secretary could affect relations with the President and the Board's important relations with the C.A.A. and the Air Coordinating Committee.

Increased activity of the Board's traditional enemies, the railroads, and the shipping interests which wished to secure entrance into the airline business also took place. The Sea-Air Committee, representing steamship interests, and in particular the Waterman Steamship Company, began a publicity campaign in connection with its effort to secure legislation which would aid steamship companies to get certificates of convenience and necessity from the C.A.B., certificates which were required to operate air transportation in conjunction with sea travel.
The airlines and the Board traditionally had been opposed to the entrance of either water or land carriers into the air business. Claims were made that certain steamship companies could operate various routes without subsidy. An important application for a certificate by a steamship company was before the Board, and when it was denied in March the Sea-Air Committee began a concerted campaign to get legislation through Congress. The strains on the Board relations attending the Sea-Air case caused Chairman Landis to criticize the "pressures built up inside and outside of Government."

The steamship companies were successful in achieving access to the House Interstate and Foreign Commerce Committee, and Representative Miller of Connecticut introduced the first of several Sea-Air bills in March. Support for the steamship case was forthcoming from Representative Wolverton, the chairman of the Committee, and it appeared that relations between certain of the Committee's members and the Waterman Co., the most outspoken line, were close, for on the eve of open hearings on the Sea-Air bills in Washington, Chairman Wolverton and other members of his Committee were guests of the Waterman Company on a Central American Inaugural flight. But in spite of strong support the steamship companies were not successful in getting the House Committee to report out a bill. The effect of this episode, however, was to broaden the issue of airmail subsidies.

The Senate Interstate and Foreign Commerce Committee appeared more charitably disposed to the airlines' plight and to the C.A.B.'s problems, and in March 1947 it unanimously withdrew permission to one of its sub-committees to investigate the airline financial conditions, feeling that an investigation at that time might seriously weaken public confidence in them. But the Senate Appropriations Committee took a strongly critical attitude towards C.A.B. policy. Senator Reed said he was tempted to seek an investigation of airmail subsidies, and he and other Senators at public hearings said that they were not sure whether the law should be changed so subsidy amounts would be appropriated directly. Senator Reed's committee also gave Board members Oswald Ryan and Harllee Branch a difficult time at hearings in connection with a supplementary Post Office Appropriation bill. In its final report the Committee made a strong recommendation that the Senate consider legislation which would separate airmail subsidies. Some people felt that the railroads had access to Senator Reed.

Other interests generally hostile to the favored position of the certificated carriers and to C.A.B. policy began to take form. In connection with the applications of various air freight forwarders to operate under Board auspices, the Air Freight Forwarders Association was formed in February in an effort to aid their cause. This pattern of interactions grew so that cooperative efforts also were worked out with the non-certificated cargo carriers through their association, the Independent Air Freight Association. In time, the cargo carriers, the non-

---

7 Aviation Daily, March 24, 1946.
skeds, and the group servicing them became eager witnesses before airline and airmail investigations.

By the middle of 1947 fear for the aircraft industry and the effect of the general aviation plight on national defense crystallized into two movements for the investigation of national aviation policy, and as many expected attention also was drawn to the question of airmail subsidies and subsidy separation. Although there was some rivalry between these two movements, the one Presidential and the other Congressional, and some question as to whether the President might veto Congressional action, both the President's Air Policy Commission and the Congressional Aviation Policy Board were set up, and their relations were unexpectedly cooperative. Formed a few days earlier in July, 1947, the Presidential body took the lead, but reports were not forthcoming until January and March respectively of 1948.

While these groups were at work, upon Presidential request, the Air Coordinating Committee issued in August 1947 a statement of policies giving some indication of the temper of Executive attitudes towards airmail subsidies. Though general and cautious in its tone, the Committee affirmed the principle of need payments under the Civil Aeronautics Act and the philosophy of aid during the developmental stage. There was no mention of separation, but the Committee said that the payment of subsidies requires the strict tests of the usefulness of an operation to commerce and the national defense. Chairman Landis was the Co-Chairman of the Committee.

The C.A.B.'s relations had been strained in many quarters, but the important Commerce Committees had not been moved to act, and the only bill introduced into either House, calling for separation, H.R. 3050 by Representative Dirksen, was not even accorded a hearing. But by December an unfriendly investigation into airmail subsidies was begun by a sub-committee of the Committee on Post Office and Civil Service under the leadership of Representative Rees. This gave the airlines' traditional enemies an opportunity to criticize the Board's policy and extend the issue of subsidy separation. The non-certified cargo carriers and air freight forwarders welcomed the opportunity to make their cases heard and criticize the favored position of the certificated airlines under Board policy. Both groups had applications pending for certificates, applications which the certificated carriers openly opposed.

Appearing against Board policy was the Association of American Railroads, which severely criticized airmail subsidy policy; the steamship companies represented by the Sea-Air Committee and the Waterman Steamship Company itself, which made a strong appeal for the Dirksen separation bill; and various air freight lines, which made ap-

---


8 Hearings on Air Mail, House, 80th Congress, 1st Session, Committee on Post Office and Civil Service.
peals against what they termed subsidized competition and a subsidized rate war by the certificated lines to drive them out of business. The air freight carriers also favored separation of airmail subsidies. Appearing in defense of the airlines and the C.A.B. was Chairman Landis, various certificated carriers, and the influential Air Transport Association represented by Robert Ramspeck, a former Congressman and very effective lobbyist. The A.T.A. tended to favor large carrier interests.

Chairman James Landis defended the intent of the Civil Aeronautics Act to serve objectives other than mail service, and he opposed separation until the industry was past the developmental stage. He testified that any effort to apportion the amounts paid the airlines according to the various objectives of the Act would be misleading, and that the entire amount paid is the minimum amount required to assure continuance of existing mail services (value of service). Robert Ramspeck made a very effective defense of the airlines and C.A.B. policy, disturbing a seemingly decided Committee chairman.

Because the hearings were before an unsympathetic Post Office Committee, the testimony of the Postmaster General is significant in revealing at that time the attitude of the Post Office Department towards separation. Although Postmaster Donaldson said he was in favor of some kind of separation, he defended the C.A.B. and indicated that the Post Office would prefer bookkeeping separation on the Post Office books to separate subsidy appropriations by Congress. He preferred to pay the subsidy out of the Post Office budget. Considering the atmosphere of the hearings, the Post Office appeared to be quite friendly toward the C.A.B. Second Assistant Postmaster General Aiken testified that the Department had first suggested such a separation at its appearance before the President's Air Policy Commission earlier in the year. The Post Office position seemed to be equivocal, but it was not unfriendly towards the airlines and the C.A.B.

The C.A.B. had weathered the strains in its industry, Congressional, and Executive relations in 1947, but general attitudes of economy, efficiency, and a general dislike of subsidies, particularly undisclosed subsidies, had begun to make themselves felt, largely as a consequence, perhaps of the airline depression, but also as a consequence of hostile political interest group interactions. Sore points had begun to appear in Congress, and much depended on the forthcoming reports of the Presidential and Congressional air studies. These disturbances had weakened the internal cohesion of the Board. Chairman Landis was not reappointed in December. Apparently most of his colleagues were close to the point of resignation. With few exceptions the industry opposed his reappointment, and strong opposition against him came from Secretary Harriman of the Commerce Department, and Harriman's relations with the President were politically strong. Landis had been a strong opponent of any increasing Commerce Department dominance of the C.A.B.
When 1948 began there was much talk about a successor to the former Chairman; yet it was not until April that Joseph O'Connell was sworn in as the new chairman. The Senate Armed Services Committee had balked at the President's surprising nomination in January of a military man, General Kuter, for the position. Between the previous October and January 1948, two other board members had submitted letters of resignation, so for a time the C.A.B. was down to three members. It was not until May 13, that its membership was back to the full five members. These internal dissensions and the changes in personnel, which they necessitated, contributed to the uncertainty of the Board's relations and, therefore, to the future of subsidy policy. During the course of the new year many new interactions contended to determine the first change in the Board's attitude and behavior towards separation in 1949.

In January 1948 the anxiously awaited report of the President's Air Policy Commission was completed and made public. Although the Commission sidestepped most of the air transport problems, it was generally sympathetic to airline and C.A.B. problems. Its caution reflected support for the C.A.B., but the Commission had sensed the strains in the Board and industry relations, and indicated that the C.A.B. was on trial and had better find out where it was going. It attributed the present difficulties primarily to an over expansion which was based on mistaken assumptions of post war traffic, and it did not think that the situation essentially was different from the pre-war problems. It complimented the Board's action of granting temporary rate increases in the Spring of 1947 to aid the distressed carriers. The Commission also backed up the Board's stand on subsidy separation, asserting, "We see no advantage now in disturbing a practical working situation," but it thought it desirable for the C.A.B. in cooperation with the Post Office to study the cost of air mail service with a view to the future when most airlines would be able to operate without subsidy payments.

In March of 1948 the Congressional Aviation Policy Board issued its report, taking much the same position towards the separation issue as the President's Commission. Although it asserted that there was merit to the contention that the public ought to know what the subsidy was, and that existing policy did not constitute an incentive to low cost and economy and confused the Post Office budget, the Board said that it must be recognized that separation was an extremely complicated matter and that probable delays resulting from separation might cause serious difficulty to "need" carriers and public service. It said that when the airlines were in sounder financial condition, consideration could be given to the separation question.

---

9Survival in the Air Age, President's Air Policy Commission, January 1, 1948, Washington, D. C.  
10Ibid., p. 103.  
11Senate Report 949, 80th Congress, 2nd Session.  
12Ibid., p. 23.
Further support for the airline and C.A.B. stand on subsidy separation, also was forthcoming from the important House Interstate and Foreign Commerce Committee in the form of a report issued to the House on March 25, 1948, entitled “Public Aid to Air Transportation.” The Committee affirmed the policy of public aid to transportation agencies in their early stage of development. Although it held that there was some merit to the Post Office Department’s desire to remove the confusion from its budget resulting from hidden subsidies, it thought that this would require elaborate cost surveys which would have no accurate basis of computation. It even appeared that the Committee was reluctant to admit the existence of any subsidy to the airlines. It said that if the C.A.B. performed its function properly there would be no subsidy to the carrier, but only to the community or service that does not provide sufficient income to pay all the costs. Though in somewhat admonishing tones, C.A.B. policy had received important support from influential Presidential and Congressional quarters at a time when it was attempting to reorganize itself under new leadership.

But other Congressional quarters were becoming more hostile to airmail subsidy policy. The Senate Appropriations Committee and the House Committee on the Post Office and Civil Service resumed their attack on the C.A.B. and it appeared that the Post Office Department under the strain of Representative Rees’ criticism and Senate Appropriation Committee criticism was being compelled towards a stronger position in favor of changing existing policy. Senator Bridges, chairman of the Senate Appropriations Committee, and a fellow member, Senator Ferguson, who also was a member of an investigating sub-committee of the Senate Committee on Expenditures in Executive Departments, in April expressed their early hope to investigate airmail subsidies. Members of the House Appropriations Committee also expressed their concern over C.A.B. disorganization and policy, and the latter committee recommended that the Budget Bureau request for an increase in the Board’s budget be cut in half.

In May, 1948, the Rees Post Office Committee of the House issued a strong report severely criticizing the airlines and the C.A.B. The report criticized what it called, the high cost of feeder lines, the high salaries of airline officials, the poor management of some airlines, and the C.A.B.’s freedom to make experiments without direct action by the appropriations committees. It contended that separation effected simply by the use of accounting procedures by the Post Office was not enough, for it said that no agency should be allowed to establish basic public policy without direct action by Congress.

Approximately a week later the Senate Appropriations Committee presented a report, in connection with an appropriations bill for the

13 House Report 1612, 80th Congress, 2nd Session.
14 Ibid., p. 7.
Treasury and Post Office Departments, in which it strongly endorsed the findings of the Rees Committee. During hearings on the bill, Senator Reed in questioning Postmaster General Donaldson said subsidies should be separated, and Donaldson replied that he thought the time had come to look into separation from postal payments. The Committee report claimed that a major share of the Post Office appropriation was subsidy and recommended that the appropriate committee study the question of separation with the view in mind of enacting legislation. It was becoming clear that pressure on the C.A.B. and on the Post Office was growing in these quarters. The Appropriations Committees seemed to want a share in policy determination, and legislation requiring the separate appropriation of subsidies would accomplish this purpose. Preliminary work was begun in July, 1948, by the Senate Committee on Expenditures in Executive Departments to study airmail subsidies, but these efforts did not develop into a full scale investigation due to the difficulty in getting Senators back from election campaigns.

The attitudes of the political interest groups interested in air mail policy appeared somewhat more developed in 1948. Hearings held by the House Committee on Interstate and Foreign Commerce on national transportation policy in April, 1948 (a continuation of the National Transportation Inquiry begun by Representative Lea) reveal the major group attitudes. The railroad organizations; the National Industrial Traffic League, an organization of firms engaged in the shipment of commodities and goods principally by rail; and the National Association of Motor Bus Operators, appeared against subsidies to transportation agencies, and favored a single regulatory commission for all forms of transportation. Though they were very cautious, the U. S. Chamber of Commerce and the Transportation Association of America seemed to be influenced somewhat by railroad attitudes. The Sea-Air Committee of National Federation of American Shipping Inc., appeared in the interests of the steamship companies which wanted the right to operate air carriers, and again strongly urged that airmail subsidies be separated.

The Air Transport Association fresh with material from the reports of the President's Air Policy Commission and the Congressional Aviation Board was quick to defend the airlines and the C.A.B. Robert Ramspeck minimized the amount of subsidy in mail pay, and he suggested that since the war airmail rates had been compensatory. If there was any subsidy he said it was obvious that it went to the users of the air mail service. The Aircraft Industries Association also testified, backing up the A.T.A. and the airlines.

During the remainder of the year the newly appointed chairman of the C.A.B. attempted to reunite the Board on an approach to the still unprofitable airline situation. Joseph O'Connell was a loyal Administration Democrat, and the President showed additional confi-
dence in him when he appointed him in August to be the chairman of the Air Coordinating Committee, thereby filling a vacancy which had existed since the previous October. In September, the Board finally decided to authorize the Air Freight Forwarders to operate under a five year exemption. This appeared to be some indication that the C.A.B. was softening its policy towards the integration of surface and air agencies in the cargo field. But feeling that excessive competition was a major factor depriving the airlines of a profitable income, the Board began a crackdown on the large irregular passenger carriers, which eventually was to bring more troubles upon it. In the past the non-skeds had operated under a general exemption, but under a new Economic Order they would have to apply for individual exemption, and thereby justify their right to receive one. Concern for their coming fate caused the non-skeds to organize the Independent Air Carrier Association, whose name they changed in November to the Non-Certified Air Carrier Association, in order to avoid confusion with the air freight carriers association.

As the year 1948 drew to a close, it appeared that the C.A.B. had weathered the storms of criticism. Favorable reports on separation had come from the Presidential Commission and the Congressional Board, and both Commerce Committees had remained inactive, except the House Committee which issued a report vindicating the Board. Moreover, no bills calling for separation had been introduced in either House. But below the surface, relations were not as satisfactory as they appeared. The C.A.B. only had been spared the further wrath of the Appropriations Committees, particularly the Senate Committees, because of Congressional interest in the Presidential election year. It received a cut in its budget requests, though partly due to an economy minded Congress.

Concern over the dangers imminent in the separation issue was reflected within the Commission itself. Memoranda from divisions within the General Counsel and Economic Bureau of the Commission to the Board expressed considerable worry over public feeling about hidden subsidies, and the growing impatience of Congress. Referring to letters to the Board from Representative Rees and Senator Bridges, who requested respectively that the Board submit a draft of separation legislation, and a study of mail subsidies with proposed legislation, both divisions urged the Board to assign staff members to satisfy these requests and act as liaison officers between their Committees and the Board. A growing desire within the Board to satisfy some of the pressures involved in the separation issue also was revealed in a dispute over economic policy. The Board had pending before it a number of smaller cases for airmail rate adjustments. The Economic Bureau argued that the need of these smaller carriers was too serious to postpone in favor of beginning a study of mail costs and taking up the cases of the Big Five Airlines. The General Counsel thought that the Board ought to defer setting final rates for the smaller carriers and
begin a cost study and take up the cases of the Big Five, as it was thought that this course would help the Board meet some of the criticism involved in the separation issue. But it was not until February of 1949 that the Board announced its intentions to do a mail cost study, and it indicated that it would require a sufficient appropriation to do so. Its failure to receive adequate appropriations in 1948 had sharpened policy disputes within the Board.

The period from 1947-48 ended without a change in airmail subsidy policy. The Board's internal cohesion and external relations had received many strains, but except for the Appropriations Committees, the Rees Committee in the House, some concern in the Post Office Department, and the traditionally hostile political interest groups, Government and industry groups had stood behind C.A.B. policy. The subsidy issue, however, had grown, and potential interests and general attitudes were being aroused. The next year was a different story.

The Period During 1949 — A Study of Subsidy Separation

When Congress convened in January 1949, President Truman was back in the White House, and the Democrats back in control of both Houses. Since the subsidy question had not been a party issue there was no break in the continuity of committee interest. Concern in Congress for the airline situation and the subsidy issue actually grew in intensity. The Senate Interstate and Foreign Commerce Committee was feeling the pressure of the Appropriations Committee, and House Appropriations Committee criticism was threatening the Board's future welfare. The increased clamor of the non-skeds against the Board's policy of whittling them down also aroused greater attention, and the C.A.B. action of granting a series of retroactive rate increases in February, some of which were to cover losses incurred by the forced grounding of certain types of planes for safety reasons, received considerable criticism. It seemed that the C.A.B. subsidy policy was in for more trouble.

Disturbed by the continued airline plight and pushed by the powerful Appropriations Committee, in January, Senator Johnson of Colorado, the new chairman of the Senate Interstate and Foreign Commerce Committee, indicated that the financial condition of the airline industry was so vital to national defense that his committee would begin an investigation, one which probably would go headlong into the question of subsidies. This investigation got started in April and lasted into 1950. It collected thousands of pages of testimony and gave every interested group a chance to be heard.

Before the Johnson Committee began its work the influential Hoover Commission submitted most of its reports, and at a crucial time made a strong recommendation in favor of separation and for the separate appropriation of airline subsidies. Interest in the attitudes

---

17 Hearings, Senate Interstate and Foreign Commerce Committee, Airline Industry Investigation, Parts I-V, 81st Congress, 1st and 2nd Session.
and behavior of the Hoover Commission was general\textsuperscript{18} and many of its recommendations tended to crystallize strong general attitudes and potential interests which opposed inefficiency, lack of economy, disliked subsidies, and in particular hidden subsidies. The Commission's attitude on separation did much to nullify the effect of the position taken by the President's Air Policy Commission and the Congressional Aviation Policy Board.

Within a few days a number of separation bills were introduced into both Houses of Congress. On February 21, Representative Kennedy of Massachusetts introduced H.R. 2908, which was said to have been drafted by Langdon Marvin, then a very active leader of the Citizens Committee for the Hoover Commission. Marvin and Kennedy had been classmates in college and Marvin previously had been the first Executive Director of the Congressional Aviation Policy Board for a short time. On February 25, Senator Johnson himself introduced a bill, S-1077, which was substantially the same as the Kennedy bill, and on March 28, he submitted another bill, S-1431, a modified version of his first bill—a bill for which he hoped to get Administration support.

Events moved rapidly, and in February, 1949, the C.A.B. announced, with its action granting large retroactive rate increases, that as a part of its Economic Program for 1949 it was beginning a detailed study of mail costs for use in determining compensatory mail rates, and that it also would conduct an investigation of the efficiency of the Big Four. Senator Johnson indicated that although he was pleased with the Board's orders relieving the hard pressed carriers, plans for his forthcoming investigation would continue, and the introduction of his first separation bill followed the Board's action by four days.

Before the Senate Airline Industry Investigation got under way Representative Rooney and his colleagues on the House Appropriations Committee handled Board members harshly during testimony on C.A.B. budget requests. The House Committee decided to cut $360,000 from the Board's requests. Much of this money was needed to add new positions and make possible the Board's ambitious economic program, i.e., its mail cost study, etc. The Committee's report quoted Hoover Commission recommendations pertaining to the C.A.B., and criticizing its administrative record and procedure as well as its subsidy policy.\textsuperscript{19} The House passed the Committee bill without amendment a few days later.

It also was reported in March, 1949, that the President called a conference of top officials on the request of Postmaster General Donaldson to discuss the pressure on the Post Office resulting from the C.A.B. subsidy policy. Donaldson was worried about the difficulty the Post Office would have in defending the higher appropriations which would be needed as a result of the Board's recent mail rate increases. Board Chairman O'Connell was reported to have attended the con-


\textsuperscript{19} House Report 386, 81st Congress, 1st Session.
ference. The growing pressure on the Board's relations appeared to be threatening the future of the Board's anti-separation policy.

On the day after the Presidential conference Chairman O'Connell addressed the New York City bar association, and personally endorsed separation of airmail subsidies. It looked as if a C.A.B. change had taken place, but this was not to be the case for several months, for at the opening of the Johnson investigation O'Connell was to prove elusive and disappointing to Senator Johnson. Perhaps the reluctance of other Board members, and the attitude of the House Interstate and Foreign Commerce Committee, which did not appear to be sympathetic to separation, made him reconsider, but O'Connell indicated that he believed that his testimony was consistent with the views he expressed in his March speech. He took the position that until the C.A.B. completed its proposed study of mail costs and its proposed investigation of the efficiency of the Big Four, it was too early to consider separation, and undesirable to pass legislation. He said that the Board believed that after these investigations were completed it would be possible to formulate a reasonable policy and make any changes in the Civil Aeronautics Act which might be necessary.20

O'Connell also said that unless the Senate restored the large budget cut approved by the House, the Board would be seriously handicapped in its program, and that might mean that it would not be able to go along with its studies. Senator Johnson admonishingly suggested that if the Board would press for separation, as he was going to do, that it might receive better treatment from the Appropriations committees. O'Connell was visibly disturbed by the Board's relations with the House Appropriations Committee. Further stress upon the Board's relations with the Senate Commerce Committee was revealed about a week later when Senator Johnson in a radio interview said that he suspected certain very large airlines had great influence with certain Board members.

After O'Connell's testimony, the opposition of the airline industry began to weaken. It was reported that most of the Big Four and various other carriers either would not oppose separation of airmail subsidies or would support separation outright. When Robert Ramspeck appeared before the Johnson Committee for the Air Transport Association, his usually strong attitude of opposition to separation changed to one of delaying its realization. Former Chairman Landis reversed his earlier stand and came out in favor of separation. The Budget Bureau testified in favor of separation, and said that its being endorsed in principle should not be held up because of the problem of putting it into effect. On May 2, 1949, Northwest Airlines, a certificated carrier, testified for separation.

In addition the non-skeds many of whom were facing extinction under a new Board interpretation of Economic Order 292.1, the so-called "death sentence," which was to go into effect on May 20, 1949, 20 Loc. cit., p. 140.
made strong appeals to Congress and to the Senate Commerce Committee against C.A.B. policy. Senator Morse testified in their behalf, charging that the C.A.B. was about to put the only profitable carriers out of business. Testimony by the non-scheduled carriers themselves, and support from the Justice Department justifying competition in the airline industry under anti-trust policy, was effective in stirring Congressmen to request the Board to postpone the effective date of its new order. Senator Johnson himself wrote the Board and requested that it put off the “death sentence” until more time had been given to study the value of the non-skeds to our air transport system and national defense. The Board later refused most of these requests, but it conceded a little and changed the effective date of its new order until June 20, 1949.

With the industry beginning to split, relations with the Senate Commerce Committee deteriorating, the Executive agencies swinging towards separation, and general attitudes becoming intolerable, the C.A.B. on May 4, 1949, wrote Senator Johnson, (a letter which went through 11 drafts) suggesting the introduction of a resolution calling for a study of the problems involved in separating mail pay from subsidy. The Board also suggested that if Congress appropriated funds and acted soon enough, that it could report back to Congress early in the next session. The Board could not continue to oppose separation outright when airline industry attitudes began to change and its relations with one of the Commerce committees was seriously threatened. It had made a change, but it did not go all the way until 1950, when it clearly endorsed separation in principle and supported legislation to put it into effect.

On the day of the Board’s letter to Senator Johnson the Senate Appropriations Committee in reporting on a Post Office appropriations bill again urged an amendment of the Civil Aeronautics Act to require the separation of subsidies and their separate appropriation. Two days later the Senate authorized the Committee on the Post Office and Civil Service to study airline, steamship, and railroad mail rates. Pressure also was increasing on the Post Office, and Senator Johnson himself said on May 3 that he thought the Post Office was reluctant to have separation as they liked an alibi for deficits.

After the C.A.B. went on record in favor of study of the problems of separation, the issue became more complex. Within the Board itself there was little agreement on what basis a separation could be made, and its decision reflected its own disagreement as well as the changed position of the trunk route carriers and the Big Four. There was a great deal of hesitancy in the Board’s new policy, and it preferred to avoid separation if possible. At the heart of the issue was a disagreement over what a compensatory mail rate was. The lawyers within the Board tended to favor a cost basis for computing mail rates, i.e., to show what the airlines were getting beyond the cost to them of flying the mail. This basis of separation was recommended by the Hoover Com-
mission, and was what the airlines most objected to in separation. The accountants in the rate division favored determining rates by the "value of service." They contended that it was not possible to determine mail costs, since airmail costs were joint costs. The separation question also was complicated by the special situation of the U.S. international carriers, who competed with foreign subsidized lines, and who operated under international mail rate agreements. We shall restrict the discussion in this article to the issue as it applied to domestic carriers.

The Board's proposal to Senator Johnson helped to stabilize its relations with the Senate Commerce Committee. Johnson who at first seemed to be driving for legislation to effect a separation of subsidies on May 16, 1949, introduced S.J.R. 92 calling for the study proposed by the Board, and gave his support to this resolution in preference to his previous bills. On May 17 he announced that the C.A.B. had reversed its position and now looked with favor on separation. The Johnson resolution would have authorized $300,000 for the C.A.B. to pay for the study, and would have required the Board to report to Congress by March 1950.

The Board's action also improved its relations with the Senate Appropriations Committee, for early in June the Committee restored $160,000 of the $360,000 cut made by the House Committee in the appropriation bill for the C.A.B. budget, and the Senate passed it without change. The House Committee, however, was not satisfied, and in July the Conference Committee cut out what the Senate had restored. As a consequence, C.A.B. appropriations were $160,000 below the previous year's budget, and $360,000 below Budget Bureau recommendations.

During the remaining hearings held by the Senate Committee in the Airline Industry Investigation, many witnesses appeared relative to separation, and in general much of the airline industry appeared to support separation, but few witnesses had any concrete suggestions for specific legislative provisions. American and Eastern and other large airlines decided to support separation partly to avoid being identified with their less profitable competitors. The feeder lines and smaller trunk carriers were the most reluctant to accept separation because of their greater dependence on airmail subsidies. Eastern Airlines even attempted to use the situation to further its own expansion. Before the Johnson Committee Rickenbacker offered to operate five of Eastern's competitors at what he called Eastern's "non-subsidy" rate. The most outspoken airline opponent of separation continued to be Carlton Putman of Chicago and Southern Airlines. His company had been the subject of much unfavorable publicity in connection with the Waterman Steamship Company's effort to secure entrance into the airline business. His line operated under high mail rates. Putman attempted to minimize and justify subsidies, and he praised the C.A.B. and the fairness of the Post Office Department. The non-certificated air-cargo carriers, and two of the newly certificated cargo carriers who had won a
favorable decision in the Air Freight Case, appeared in favor of separation. The equivocal attitude of the Post Office was indicated in June when Postmaster General Donaldson testified that the airmail subsidy was the smallest subsidy they had. It appeared that with many groups in earnest about separation that the Post Office was somewhat reluctant to lose a justification for its deficits, yet it said it favored separation. The Post Office also has had a long history of interest in aviation. It was the original Government agency to develop the airlines.

The Senate Airline Industry Investigation hearings were concluded on June 30, 1949. After the change in C.A.B. attitude towards separation, Senator Johnson favored the passage of S.J.R. 92 calling for a study. The Board had informed him that it endorsed his resolution, but formidable opposition developed to it. Many of the proponents of separation did not think that it went far enough, whereas many airlines were hesitant. During June and July meetings were held between the staff of the Johnson Committee, the Board, and the A.T.A. relative to the draft of a bill which would be acceptable to all. The Board was reluctant, however, to go beyond supporting a study of separation, whereas Johnson again began to reflect the growing pressure for more satisfactory legislation, i.e., legislation calling for separation.

At this time C.A.B. interactions with the House Interstate and Foreign Commerce Committee increased in frequency. The House Committee had shown little interest in separation and was more sympathetic to the Board’s attitude. In July, 1949 the House Committee and the Board held meetings pertaining to the separation issue. The Board’s staff reported to the Transportation sub-committee that it would welcome having an overall airmail study done by a private management firm, and in July the Board drew up a House Joint Resolution calling for a study which Representative Crosier, Chairman of the House Commerce Committee introduced early in August. Because of its large budget cut, the Board had given up the studies which it had announced in its Economic Program for 1949, and this situation further strained its relations with Congress and the proponents of separation legislation.

Presidential support for separation legislation was forthcoming after the introduction of Representative Crosier’s H.J.R. 331, calling for a study. Secretary Sawyer of the Commerce Department endorsed S-1431, one of the original Johnson bills. The Bureau of the Budget was of the opinion that the C.A.B. was not convinced of separation, and would probably have taken the position that S.J.R. 92 was not in accordance with the President’s program had it not been for the friendship which existed between Director Pace and Chairman O’Connell. The Budget Bureau informed the C.A.B. that its support of S.J.R. 92 was without objection, though S. 1431 and S. 2437 were preferable. Senator Johnson introduced S. 2437 in August as a compromise bill. It called for separation for domestic carriers, a study of the U. S. international carrier problems, authorized $100,000 to the C.A.B., and left the method of separation up to the Board. The C.A.B., however, con-
continued to prefer S.J.R. 92 and H.J.R. 331. The Board’s relations with Congress, the Executive, and the Senate Commerce Committee became increasingly unsatisfactory. But, except for the non-skeds and the cargo carriers, the airlines did not object to the Board’s stand on separation.

When considerable opposition developed to S.J.R. 92, and when the Board failed to go along with separation legislation or proceed with the studies it had announced in its Economic Program for 1949, Senator Johnson decided to begin a study of his own. In October, 1949 his Committee contracted with Ernst and Ernst, a private management consultant firm, to do a pilot study of the feasibility of separation. Senator Johnson also was anxious to have the Board cooperate with the Ernst and Ernst study by assigning liaison people to consult with them. The C.A.B. refused this request, and a second request that they reconsider their earlier refusal, on the grounds that they could not spare any personnel because of budget cuts. Relations between the Board and the Senate Committee turned into what some aviation circles described as a “cold war.”

The House Appropriations Committee continued its hostility to Board policy, and in October began two investigations to inquire into C.A.B. budget problems and their relation to its backlog of work. Robert Ramspeck appeared for the A.T.A. and gave some indication of industry attitudes toward the Board. He testified that the Board was understaffed, and although he said that the airlines questioned the necessity of some of the Board’s projects, it did not appear that the industry objected to the Board’s stand on separation.

Interactions with the Commerce Department also became more unsatisfactory. In August the President requested Secretary of Commerce Sawyer to prepare a report outlining the major policy issues which needed to be resolved so that national transportation policy could achieve maximum effectiveness and consistency, and it was expected that the Commerce Secretary’s recommendations might threaten the future “independence” of the C.A.B. The Commerce Department was ambitious to absorb more aviation functions, and with the Board and Commerce Departments far apart on subsidy policy, the airlines and the Board were concerned about the effect of a strongly critical Commerce report. A speech made by Chairman O’Connell in November, 1949, in which he defended the importance to aviation of an “independent” commission, was interpreted as a direct answer to the forthcoming report. The Sawyer report was issued in December; it called for subsidy separation and made favorable reference to the need for the consolidation of transportation policy into fewer agencies.21

When the year drew to a close the C.A.B. had not moved beyond favoring a study of the problems involved in separation. Its attitude reflected the reluctance, if not the opposition, of most of the airlines to separation. But in spite of the attitudes and behavior of the Appro-

---

priations Committees and the Johnson Committee, it also reflected Congressional sentiment, for no separation bills had been reported out of either Commerce committees. The House Commerce committee was not in favor of separation, and the one thing that the Johnson Committee was doing, i.e., conducting a study of the feasibility of separation, was exactly what the Board had suggested be done. But neither the C.A.B. nor the industry had been able to withstand the pressure of Congressional, Executive agency, and general attitudes calling for separation. The Board and the industry had given up its outright opposition to separation, but this was not enough, and in 1950 with its relations becoming more unsatisfactory, the C.A.B. clearly endorsed separation in principle and supported legislation to accomplish it.

The Period During 1950: Separation in Principle

The crystallization of Executive agency attitudes towards separation was made apparent when the President in his budget message called for the separation of subsidies and their direct appropriation to the C.A.B. The Sawyer report and the President’s personal endorsement of separation made it difficult for the Board to hold out any longer. Chairman O’Connell also was a loyal Administration Democrat. Late in January he made a speech in which he personally endorsed separation, and thereby indicated that a change in the Board’s attitude was about to take place. At this time the Board was preparing a letter to submit to the Senate Commerce Committee which would definitely put it on record favoring separation.

The House Interstate and Foreign Commerce also started to take a greater interest in the separation issue, partly because it did not wish to be outdone by the Senate committee, and partly because it felt obligated to do something, since the President had clarified the situation at least in respect to Administration policy. In January the Committee informed Board members that it wished to meet with them in executive session to discuss separation, and finding that the Board had changed its position to favoring separation in principle, it proposed to hold hearings on two bills pertaining to separation, H.R. 2908, the original Kennedy bill, and H.J.R. 331, the Crosser resolution calling for a study of separation. It was even reported that if the House committee could agree on the desirability of separation that it might support the Board’s request for additional funds from the House Appropriations Committee to put separation into effect. But also behind the House Interstate and Foreign Commerce Committee’s decision to hold hearings on separation bills was Appropriations Committee pressure, which some Representatives felt would be appeased if hearings were held. The Appropriations Committees were consistently the strongest Congressional proponents of separation.

The C.A.B.’s changed attitude towards separation was made clear by Chairman O’Connell’s testimony during House Commerce Com-
mittee hearings on February 15, 1950.\textsuperscript{22} O'Connell said that since the previous April, the Board had been by no means sure of a method for accomplishing separation, and for that reason it had favored making a study of the problems involved. Indicating the Board's new attitude, he said:

Ten months have now passed since our initial proposal for these studies, and we are now faced with a decision as to whether to renew our request or whether to support legislation which lays down the broad objective of separation, but which will also give us time and funds necessary to complete the technical research needed to achieve a satisfactory method of separation. We have chosen to support such legislation.\textsuperscript{23}

Also on the day O'Connell testified both Senate and House Committees received a letter from the Board indicating its support of immediate legislation to affect a separation of mail pay and subsidy and with suggested revisions to H.R. 2908, and S. 1431. O'Connell testified that the Board was supporting the Kennedy and Johnson bills because it believed that on the basis of its experience with the present Big Four mail case and other work it was doing, that it would be able to develop adequate methods and formulas for separating subsidy from mail pay and that it could be put into effect about July, 1951 if it received adequate funds. He estimated that the Board needed about $386,000 more than Budget Bureau recommendations to do the job. He also reported that its revision of H.R. 2908 was in accord with the program of the President, and that the Budget Bureau was studying the Board's request for additional funds.

During the hearings held by the House Commerce Sub-Committee on Transportation many witnesses appeared in favor of separation, some of whom doubted the sincerity of the C.A.B.'s changed attitude. Appearing in favor of separation legislation were: the Post Office Department, which had received a lot of criticism for its past equivocations; the non-skeds; the cargo carriers; the Association of American Railroads, various shipping interests; the Commerce Secretary; the Citizens Committee for the Hoover Report; Representative Kennedy; and others. The Air Transport Association also testified, but there was so much difference of opinion in the industry at this time that Stuart Tipton, who represented the Association, said it could not take a stand either for or against separation. Tipton, however, seemed to favor a study in preference to separation legislation, as he elaborated on the difficulties of separating subsidies from mail pay. The A.T.A. also argued against a strict cost basis for separating subsidies, and although it found the C.A.B. revision of H.R. 2908 preferable, it was not satisfied with the changes which the Board had made so far as cost standards were concerned.

\textsuperscript{22} Hearings, on H.R. 2908, and H.J.R. 331, Airmail Subsidies, House Interstate and Foreign Commerce Committee, Feb. 15, 24, March 9, 15, April 6, May 24, 1950, 81st Congress, 2nd Session.

\textsuperscript{23} Ibid., p. 21.
Representative Kennedy and Langdon Marvin of the Citizens Committee were not satisfied with the Board's attitude and revisions of H.R. 2908. Kennedy charged that the C.A.B. was the greatest obstacle to separation and that its request for increased funds to put separation into effect was an excuse to delay separation if it did not receive all it asked for. Kennedy and Marvin insisted that the C.A.B. be given a deadline for separation, and they were not satisfied that the C.A.B. was not trying to change the "actual cost" standard of the bill by substituting "value of service." Kennedy also was sympathetic to the cargo carriers and non-skeds and did not want to limit subsidy to those carriers certified to carry mail. The O'Connell revision limited subsidies to mail carriers as the present law did. It appeared that the Board's stand on the issue of cost vs. value of service was somewhere between the industry's views and the more active proponents of separation.

In January, 1950, the Senate Interstate and Foreign Commerce Committee received the Ernst and Ernst pilot report and was anxiously awaiting industry and Government reaction to it. Senator Johnson appeared pleased with the work Ernst and Ernst had done, but the airlines were reluctant to comment on it, and three months later the C.A.B. had not yet responded to Senator Johnson's request for comments. It had failed to solidify airline attitudes. The report had recommended a method for calculating mail rates which was made up of a fixed formula covering airport handling costs and a variable element of compensation based on poundage and directly related to the passenger rate structure. In January the Johnson Committee also heard witnesses from the Defense Department in reply to its request that they report if it were feasible to segregate any of the airmail subsidy which was benefiting the national defense. Under Secretary of Defense Stephen J. Early reported that after months of study the Department of Defense considered it impracticable to do so, and that even if it could, the Department would not be justified in underwriting airmail subsidies alone.

During the period in which the House Commerce Committee was holding hearings on separation bills, the Senate Committee also was completing a preliminary study of the cost of airline service on a community service basis. During the closing week of the previous session of Congress the Senate Appropriations Committee had expressed considerable concern over the failure of the C.A.B. to separate subsidies from mail payments, and was planning to set up a sub-committee to investigate airmail subsidies until Senator Johnson successfully prevailed upon it to allow his Committee, to report to it early in the next session. Interest in the separation of subsidies on a community service basis developed out of these relations, and Senator Johnson also was anxious to fulfill his obligation to the Appropriations

---

GROUP POLITICS AND THE C.A.B.

Committee. In May, 1950, he issued a report to the chairman of Appropriations Committee.²⁵

After the Ernst and Ernst report failed to solidify airline or Board thinking on a formula for separation, Johnson became strongly interested in putting separation on a community service basis, and he made a strong recommendation for such a procedure in his report to the Senate Appropriations Committee. Johnson's attitude was that the Board had not gone far enough in its new policy, and because his plan required a large study of station costs before separation could be effected, it developed that he did not favor a separation bill until a station cost study could be done. Ironically, now that the Board was on record for separation legislation, the Senate²⁶ Committee seemed to favor a study.

The C.A.B. had gone a long way towards separation, but this did not satisfy the House Appropriations Committee. In February, Representative Rooney of New York handled Chairman O'Connell very roughly in committee hearings, and threatened to cut C.A.B. appropriations one million dollars. Other House committee members were hard on Board witnesses, and it became apparent that personal animosities had much to do with the increased harshness towards the C.A.B. which had developed within the House Appropriations Committee. Representative Rooney made a searching analysis of C.A.B. practices and procedures, and he was able to reveal some real weaknesses and even get Chairman O'Connell and an assistant to make some admissions. The Committee reported out a bill with $923,000 budget cut, which meant that the Board might lose about 100 positions.

Behind these excessively bad relations with the House Appropriations Committee was a chance remark O'Connell was reported to have made the previous fall about the poorness of the New York City delegation in Congress, while attending a testimonial dinner for J. Howard McGrath. O'Connell's comments were carried back to Representative Rooney, who was a Congressman from Brooklyn. There was growing feeling that Representative Rooney wanted to force Chairman O'Connell's resignation.

With the Johnson Committee working on a community cost basis for separation and the House Sub-Committee on Transportation expected to reach a decision on separation legislation, airline opposition to separation, particularly among the small carriers, formed into a move to head off legislation effecting separation by calling for a study of the question. On March 10, 1950, 17 certificated airlines, including 9 feeder lines, sent a letter to the Senate Commerce Committee endorsing legislation which would authorize the C.A.B. to make a study of the feasibility of separation and how it could be accomplished. Although this was interpreted as a change in attitude among some of

²⁵ Separation of Air-Mail Pay from Subsidy, Senate Interstate and Foreign Commerce Committee, Committee Print, May 5, 1950.
the feeder lines, Congressmen did not regard it as a support for separation per se. John J. Sullivan, a Washington lawyer, testified in their behalf at House Commerce Committee hearings in May, and suggested that H.J.R. 331 be amended to make the airlines a party to the study which the bill authorized the C.A.B. to undertake. Apparently some of the airlines were not sure they could rely upon the C.A.B. to see that their interests would be protected.

The Johnson report to the Senate Appropriations Committee was well received by the latter Committee, and Johnson testified before it that he was strongly against the enactment of legislation requiring separation until a study had been made. With the C.A.B. beginning to show favor for the Johnson community basis of separation, Board member Josh Lee made a speech late in May praising it as the most practical method he knew, it began to appear that the C.A.B. would be directed to make a study. Yet there was some question as to whether the C.A.B. would conduct such a study alone. The Johnson Committee did not have much confidence in the Board, and the Board did not wish to conduct a divided study. When the House Sub-Committee on Transportation reported favorably on H.J.R. 331, it tended to confirm industry feeling that the C.A.B. would be directed to do a study.

At this time, however, the Board's internal cohesion was seriously disturbed by the resignation of Chairman O'Connell in connection with an important international case. The Board and the President originally had ruled against Pan America's application to acquire American Overseas Airlines. The President, however, reversed himself and the Board. O'Connell, feeling that the President had gone around him, resigned on July 10, 1950. There was considerable apprehension and uneasiness on the Board and in airline circles about the Board's future. There was talk about a shift of the C.A.B. to the Commerce Department and of unification with the C.A.A.

In the meantime the Senate Appropriations Committee decided to authorize the Senate Interstate and Foreign Commerce Committee to make a station cost study as a basis for separation. But a surprising move got under way in the House, and a new separation bill, H.R. 9184, introduced in July, 1950, by Representative Heselton of Connecticut, was successfully reported out of the House Commerce Committee, even though its Transportation Sub-Committee had only one month earlier reported to the full committee that it favored H.J.R. 331. H.R. 9184 was a rewritten Kennedy bill. But due to the lateness of the session, and the fact the Johnson Committee was preparing to contract for a $150,000 study, it was expected that it would not be acted upon. A substitute bill, H.R. 9305, which had airline backing, was made ready by those who opposed separation in case a compromise proved necessary. The House action was all the more surprising because the House Commerce Committee had always been unfavorable to separation, whereas the Senate Commerce Committee had favored it.
In September Delos Rentzel, former head of the C.A.A., who had been slated to be an Under Secretary of Commerce, was appointed Chairman of the C.A.B. The President had been unable to find a suitable candidate for the position, and had drafted Rentzel, who was popular with the Commerce Committees and well regarded by the industry, for the job. The President also thought highly of him. Senator Johnson was pleased with the appointment, and during testimony on Rentzel's confirmation, he spoke of how C.A.B. relations with the Commerce Committee had reached a low ebb, and how he looked forward to their improvement. The new chairman proved to be effective in bettering the Board's relations and in improving its internal cohesion.

With the elections drawing near it looked as if further action on separation legislation would have to wait until the new 82nd Congress convened. The Senate Appropriations Committee's authorization to the Johnson Committee to conduct a $200,000 community cost study had become law with the passage in October of the Omnibus Appropriation Bill, and the Johnson Committee had already contracted with Ernst and Ernst to do another study. But the President and other groups sought legislation from the "lame duck" Congress. Although it was thought to be too late to get legislation through the Senate so that a bill could become law, especially in view of the fact that the Johnson Committee had just begun a costly study, it was thought that passage of separation legislation in the House would tend to spur passage of a bill during the 82nd Congress.

The Board did not give much positive support to this effort; though it recommended important amendments to the Heselton bill which was finally passed in December, 1950, it did not oppose this legislative move. Chairman Rentzel told the Senate after the House had acted that he thought that there were different problems in the international field. The version of the Heselton bill which was passed in the House was amended to satisfy most of the Board's objections, i.e., the cost standard was modified, only mail carriers were made eligible for subsidies, and the Board was given more time to effect separation. The Hall substitute bill, H.R. 9305, which had airline support, had been defeated, but many of its provisions were adopted as amendments to the bill which was passed.

Though the Senate Committee voted not to consider the Heselton bill after it had passed in the House, Senator Johnson had assisted its passage, by unexpectedly giving his support to it in a letter to Representative Kennedy. It appeared that Johnson knew the Senate would not act, and thought that it would be a good thing to get the House on record in favor of separation. As the year drew to a close the Board and the domestic carriers were showing increased favor towards Johnson's community service basis for separation, and relations with his committee had improved noticeably.

The C.A.B.'s February decision to support separation in principle
and legislation which would effect it had reflected the growing pressures on its external relations. When 1950 ended it did not appear that any new change in the Board's policy was in the offing. Although the Board's relations with the House Appropriations Committee reached a near breaking point there was little it could do to adjust to the attitudes of that Committee. Beneath the surface of its relations with the committee were several personal animosities which were not relieved until Chairman O'Connell left the Board in July. The attitudes and behavior of the House Appropriations Committee, however, were effective in straining the Board's relations with the industry and with other Congressional groups, and in particular with the Johnson Committee. They were instrumental in leading to the Chairman's resignation, and they caused heavy budget cuts.

But once the Board had taken a clear stand on separation its policy reflected a certain degree of stability in the character of its interaction patterns, particularly after a new Chairman free from the turmoils of the past came to the Board. In respect to its Congressional relations, Board policy stood somewhere between the attitudes of the Commerce Committees. The positions of these Committee's shifted, but in somewhat opposite directions. C.A.B. relations with the Executive agencies and the President tended to place the Board in the position of seeming reluctant to separation by comparison to their more definite attitude to see it put into effect, and it also appeared that the Board's relations with the general attitudes and potential interests which were organized were about of a similar nature. The C.A.B.'s policy towards separation, however, was somewhat ahead of most of the airline industry, but as the year drew to a close the industry progressed closer to the Board's position. C.A.B. policy towards the separation of subsidy from mail pay tended to be the lowest common denominator of certain Congressional, industry, Executive, and general group attitudes and behavior.

**Summary and Critique**

We have attempted to describe certain changes in C.A.B. policy towards the issue of the separation of air mail subsidies in terms of Truman's theory of "group politics." From our discussion what answers have we found to our original questions?

What explicative value does Truman's theory have? The answer to this question is related to another question which we posed "Why did the C.A.B. change its mind and come out in favor of subsidy separation?" Truman's theory of politics makes the political scientist's job primarily one of describing the political attitudes and behavior of people, i.e., the attitudes and behavior of people in respect to the institutions of Government. But since any individual attitude or action is determined by and is part of various patterns of attitudes and behavior, which are defined as groups, the nature of the political process is a mosaic of groups contending with each other. Interaction is the
most significant aspect of attitudes and behavior. Any one attitude or action is determined by the environment of attitudes and behavior patterns from which it is born.

Truman's theory therefore explains political events by the patterns of attitudes and behavior which determine them. The answer to the question, "Why did the C.A.B. change its policy in 1949?" is "Its policy is the result of certain interaction patterns." The answer to a specific question is made by identifying the determining group attitudes and behavior. In respect to the C.A.B.'s shifts in policy we found that the Board's attitudes and behavior reflected the major group attitudes with which, by virtue of its particular institutional character and relations, it had to contend. The Board's policy seemed to be a function of certain industry, Congressional, Executive, and general attitudes, and over a period of time it remained unchanged until the differing attitudes of these groups made themselves felt through the Board's relations.

The three propositions\(^{27}\) which we said should follow from our application of Truman's ideas to the area of policy under discussion we found generally to be true. In general terms we found that changes in Board policy did reflect changes in the attitudes and behavior of the groups with which the C.A.B. carried on its most important relations. Although the major groups with which the C.A.B. had relations usually did not agree on separation policy, and though in many instances they opposed each other, the degree to which the Board changed its attitudes and behavior reflected the degree to which the attitudes and behavior of these groups were changing. Recognizing that the C.A.B. itself as a group was a factor in determining what its subsidy separation policy was going to be, i.e., it had something to contribute since interactions are two way streets, the success of the Board in maintaining its attitudes under similar conditions did appear to be a function of its internal cohesion. Although it is difficult to determine, the C.A.B.'s success in preventing changes in its policy, which had been an institutional pattern of behavior, tended to reflect the degree of internal cohesion it was able to muster.

Within a society which is as highly organized as ours, and in which groups play such an important role, the emphasis on groups is rewarding. The Truman theory recognizes the power of groups in shaping public policy, and offers a definition of groups which provides a broad framework within which the formulation of public policy may be described.

In so far as Truman's theory is objectively concerned with describing the correlations and the "causal" relations between particular political events and attitudes and behavior which may be defined and identified as group characteristics, it has real value in getting at the nature of political life, and on the basis of a sufficient knowledge of particular group relationships with Government derived from such an approach, it should be possible to anticipate some of the character of

\(^{27}\) See page 383, supra.
future events. A sufficient knowledge of the Board and the groups with which it carries on its most important relations should net one more understanding about what future C.A.B. policy is going to be than an approach to the question of policy prediction which neglects such a basis of knowledge. Perhaps Truman's theory is the formulation of what an experienced lobbyist might call the obvious, but in so far as it does so systematically, thereby simplifying and refining knowledge, this is to its credit.

Although we have not brought our policy discussion up to the present on the basis of our general application of Truman's theoretical framework, we may conclude that the Board's present policy on separation should not change unless at least industry and Commerce Committee forces start moving for a change. What their attitudes are also will depend upon Appropriations and Post Office committee attitudes, and upon Executive and general attitudes. In 1951, the C.A.B. announced an administrative separation for domestic carriers which went into effect in September. During 1951, the Senate also passed a separation bill, S. 436, which the Board originally endorsed but later opposed. The House Commerce Committee was slow to hold hearings and only reported out a substitute bill late in the session after bitter controversy within the committee. Efforts to bring this bill up on the floor of the House during the closing days of the session failed when the Board objected to it and the Bureau of the Budget threatened a Presidential veto. The differences between the Senate passed S. 436 and the House substitute as reported out, were not substantial, but both differed radically from the Heselton bill, which the House had passed during the 2nd Session of the 81st Congress. Even though the C.A.B. supports separation legislation of the Heselton bill type, it tends to remain satisfied with its present policy solution; and with Appropriations and Post Office committee attitudes cooled down, the industry adjusted to the present arrangement, and general attitudes relatively inactive, it appears that no change in the present situation is likely to take place for some time. Subsidy separation must gain more active support than it presently has to achieve a legislative solution. But when a change does occur, it will be determined by the major group interactions we have described.

28 Administrative Separation of Subsidy from Total Mail Payments to Domestic Carriers, Civil Aeronautics Board, September, 1951.