

Newsweek

JANUARY 27, 1964

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Top of the Week

The Cover. While other Republicans campaign in slush and snow for the GOP Presidential nomination, a lanky, languid man back in a warm office in Harrisburg, Pa., threatens to leave them all out in the cold all year. He is, of course, Gov. William Warren Scranton, who may succeed at the July convention without even



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trying. To assess this surging dark horse, Benjamin Bradlee and John Jay Iselin of our Washington bureau and Associate Editor Peter Goldman travel to Pennsylvania for interviews with the governor, while Associate Editor Jacquin Sanders talks with family, friends, and foes in the governor's hometown, Scranton, Pa. Goldman's report on Bill Scranton and his 1964 potential begins on **page 19.** (NEWSWEEK cover photo by Robert Phillips.)

East African Cuba? Soon after the sudden coup in Zanzibar, NEWSWEEK's John P. Nugent landed on that troubled island in an Arab smuggler's open boat. His mission: to find out how and why the revolution took place. For his findings and an account of his harrowing experience, **page 34.**

The State of Business. In his Economic Report, the President paints a rosy picture of the economy, then gives his blueprint for keeping things humming. **Page 65.** The accomplishment he prizes the most: his surprisingly low \$97.9 billion budget—a figure which has both economic and political importance. Acting as the President's "no" man was Budget Director Kermit Gordon. **Page 66.**

Smoke Rings. Aspirin sales go up, cigarette sales down, as a sizable number of the nation's 70 million smokers set out to kick the habit—their determination reinforced by the government's report. Whether they succeed or not is the overwhelming question for an industry that involves 750,000 farmers, 96,000 factory workers, and 1.5 million retailers. In SPOTLIGHT ON BUSINESS, General Editor Lawrence S. Martz assesses the tobacco industry, which suffered another blow late last week when the Federal Trade Commission made some unusually forthright recommendations. **Page 70.**

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EMMET JOHN HUGHES . . . Page 13

To Smoke—Or Not to Smoke?

The individual ponders the U.S. health report—and the industry reels from tough FTC proposals



Moment of Truth



Bassett—N.Y. World-Telegram & Sun
The craving continues



What a man should know
when he switches to cigar smoking



A hint from General Cigar

(See for yourself.)

This is Carlton, the unusual new cigarette from The American Tobacco Company. Everything about Carlton is selected and crafted to produce this one result: Low "tar" and nicotine, with real smoking pleasure. It is so low in "tar" and nicotine we print test results on all packs and cartons. Carlton has a distinctive blend, high porosity paper, special air vents, and a new "flavor filter" with activated charcoal which actually enriches the taste. We believe you'll want to try Carlton. We also believe you will find it a new and pleasurable smoking experience. Give Carlton the time it takes you to smoke a carton. See for yourself.

Carlton's claim: 'Less tar'

"I wheeze and snort like a second-hand motorcycle engine protesting against an icy hill. My tongue feels like a welcome mat for a coal mine. My taste buds are blighted. At breakfast I can't tell the difference between a marinated herring or a poached egg. When I awaken in the morning my dusty mouth suggests I slept with my head inside the pouch of the vacuum cleaner that polices the lion's cage at the zoo."

This was the agony of New York sportswriter Jimmy Cannon last week as he described the hangover of a three-pack-a-day man trying "to shake the butts." Meantime, he wrote, "I'm smoking like a dragon. Isn't everybody?"

To the majority of America's 70 million other smokers, Cannon's dragon was a familiar beast. With the Surgeon General's report on "Smoking and Health" still fresh in mind, great numbers of them were trying to kick the habit. They were jumpy, they were suffering, and each had a small gnawing craving just under his breastbone; but they were trying. And the whole nation seemed to be caught up with them.

Land in Jail: On Wall Street, major tobacco stocks fluttered nervously at the report, sank slowly, and closed with average losses of more than a point. In Eastland, Texas, the city council proposed an ordinance setting a \$1,000 fine or three years in jail for smoking inside the city limits. Nobody figured it would work, but it seemed like a good idea. In Illinois, somebody dug up a 1907 statute making it illegal to sell cigarettes; it had never been repealed. In Washington, the Surgeon General's report itself was the hottest item in the government's bookstore, selling at \$1.25 a copy. The Jesuit weekly *America* proclaimed that smoking is a moral issue. And one Catholic priest went further and declared that smoking was a sin.

Moral issue or not, such talk did not seriously frighten the tobacco industry. In the normal course of events, it would soon die down. What *did* worry cigarette makers was a series of meetings, held for four days last week on the second floor of a six-story white granite building which houses the Federal Trade Commission in Washington. Surgeon General Luther Terry, in releasing his study, had bluntly stated that "appropriate remedial action" was called for because cigarette smoking was a proven hazard. And the five-man commission, headed by big, soft-spoken Paul

Rand Dixon, was considering what action it should take. "Our job is to curtail unfair, deceptive, or misleading advertising—and that's what we'll do," Dixon said. The commissioners were known to be considering a single-spaced ten-and-a-half-page draft of proposed regulations which would restrict the claims of cigarette advertising.

As the cigarette makers worried about what the Federal Trade Commission might do, kicking the habit became a full-fledged fad. Nightclub comedians gagged it up ("Give me the money," the bank robber said, "or I'll blow smoke in your face"); scores of newspaper reporters wrote daily features, chronicling the progressive torture of withdrawal; and a chic, booted secretary strolled Manhattan's Madison Avenue puffing a Mamm Yokum brier pipe.

Clearly, the fad had its ridiculous aspects—and like any fad, most observers in the \$8 billion tobacco industry felt, wouldn't last. And if past performance was any guide, they were right. A decade ago, when it was first announced that cigarette tar could cause cancer in mice, sales plummeted nearly 9 per cent in two years. But since 1955, each American adult smoker has boosted his annual consumption from about 3,400 cigarettes to almost 4,000. More recently, the sales dip in Britain which was caused by the 1962 report of the Royal College of Surgeons was erased in little more than six months.

Clear the Air: Yet despite such historic reassurances, the tobacco industry realized real changes in the tobacco market were coming. Unlike past reports on smoking, this one bore the imprimatur of the U.S. Government. There was the threat of FTC action, and the Public Health Service was preparing an anti-smoking campaign directed at school children which could discourage them from smoking even after they grew up. In addition, nine proposals for new laws were pending in Congress, countless others in state legislatures; fighting off these efforts to curb industry sales campaigns was sure to focus continuing publicity on the smoking-health issue. "Over the long term," a Wall Street analyst warned, "this has to slow the industry's growth."

Already, the Surgeon General's report was having an effect of its own. In the Green-and-White, a bleak teen hangout on Chicago's North Side, cigarette and black parkas serve almost as admis-

sion tickets. Yet of two dozen youths lounging around the well-worn tables one afternoon last week, three had stopped smoking. "They proved that cigarettes cause cancer and all," said 16-year-old Lorraine Aiolo. "I smoked a pack a day for just about two years. Now I don't want to start again."

Skirmishing within the industry for bigger shares of the changing market was well under way last week. General Cigar Co. hopefully aimed a new ad series at the "switchers"; puffing up a blue haze in his office in New York, General Cigar president Edgar M. Cullman said: "Cigars are seemingly less dangerous—they were virtually exonerated in the report. Our products are more geared to the so-called switchers—we're lucky." Even before the report had come out, American Tobacco floated a new brand, Carlton, with a filter which the company claimed transmits "less tar than has been reported . . . for any other cigarette now being sold in the United States."

Tell Me Why: Most of the cigarette industry, which had anticipated the Surgeon General's report for months with confidence, retreated into tight-lipped silence when it actually appeared. Of the heads of the six major companies, only courtly Edwin P. Finch, president of Brown & Williamson in Louisville, would discuss the findings. Finch hewed to the traditional line: "They don't know why or what causes cancer, and why cigarettes should be contributory, if they are. We feel a lot more research needs to be done; there are a lot of unanswered questions."

Meanwhile, several companies were scrutinizing their advertising with suddenly nervous eyes. In telegrams last week, American Tobacco told newspapers to destroy mats of an ad for its mentholated Montclair showing a pretty girl holding a cigarette and saying: "I could kiss the man who invented Montclair." The substitute merely shows a cigarette pack with the caption: "What a delicious difference in new Montclair."

Despite immediate difficulties posed by the report, however, the industry remained confident throughout the week that it could adapt to market changes and ride out the immediate storm. When Sen. Maurine Neuberger asked 90 senators to join her in backing anti-cigarette advertising bills, only six stepped forward. The main reason for this lack of political enthusiasm over a crackdown was simply the power and influence of the tobacco industry itself. It supports 750,000 farmers, 96,000 factory workers, 4,500 wholesalers, and 1.5 million retail outlets. Tobacco companies spend \$150 million a year in advertising, and they relay \$3.3 billion in excise taxes to state and Federal governments. Even minor curbs on advertising



Newsweek—Jeff Lowenthal

In a Chicago smoke shop, the trend is to briers

and sales could well start an upheaval.

All the economic weight of the tobacco industry, though, couldn't flatten the inescapable moral dilemma: was it right to go on selling something for everyday use when there were solid grounds to believe that it could kill people? The answers varied:

►The major tobacco companies still maintained that there wasn't any health problem, since all details of the smoking-health relationship simply were not yet known.

►Advertising men ducked the problem as adroitly as they evaded interviews about their clients' problems last week. "Anything that's lawful to sell is legal to advertise," proclaimed an official of the American Association of Advertising Agencies. At Gardner Advertising, the account executive for the new Carlton cigarettes said breezily: "Speak to American Tobacco. They're our leaders, you know."

►Curiously, Southern tobacco farmers spent little time arguing about the role of smoking in health. "Some good may even come out of this," said gray-eyed

Harrison Scott, who farms 305 acres in Wilson County, N.C. "I think they'll find a cure for cancer . . . I don't know whether they should put crossbones on a pack of cigarettes or not, but is there a crossbones on a pint of liquor? My conscience doesn't bother me."

►Retailers across the country watched philosophically as cigarette sales fell (estimates range up to 20 per cent) and customers inexpertly fondled new briers. "I expect more cigar and pipe business in the next few weeks," said Jake Keiter, downtown San Francisco tobacconist, "but in the months to come, I just don't think too many people are going to change their habits." Whatever the fad—and one Chicago smoke shop reported selling 200 small, ladies' pipes last week—the tobacconists were still pushing cigarettes. "I feel badly about the report," one New Yorker admitted, "but not bad enough to stop selling cigarettes. I figure they're old enough to use their own judgment."

The judgment of many, of course, was to try to say no. At New York's Hunter College, some 1,200 addicts faithfully appeared nightly for a five-day course on how to stop smoking. Organized by a psychologist of the Seventh-Day Adventist Church, the course combined prayer, a gruesome movie of a lung operation, diet, exercise, and a "buddy system" similar to the Alcoholics Anonymous program. For short, bespectacled Mrs. Sophie Tockerman of the Bronx, it provided at least a temporary answer to an eight-year-old problem: how to stop smoking two packs of cigarettes a day. By the third day, Mrs. Tockerman reported, she was down to one cigarette a day—but she couldn't stop smoking that one. "I get the urge," she confessed. "I get very nervous, I start screaming . . ."

For those of weak moral fiber, drug-stores were crowded with pills, pastilles,



Newsweek—Robert R. McElroy

Mrs. Tockerman: 'I start screaming'



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Newsweek—Bernard Gotfryd

Stoppers and subs: From menthol sticks to lettuce leaves

mints, and chewing gum to help people stop smoking. There were also filters of all shapes and sizes, menthol sticks to suck in place of cigarettes, cigarettes made of lettuce leaves (being test-marketed in Florida), and a \$9.95 time-vault cigarette case that could be opened only at pre-set intervals. And, to coincide with the Surgeon General's report, RCA Victor rushed out a long-playing record of popular tunes ("Autumn Leaves," "Love's Old Sweet Song") entitled "Music to Help You Stop Smoking." The jacket's promise: "This music may help your will power."

The makers of all such products reported sharp sales gains since the report was issued; but in New York the National Better Business Bureau cautioned consumers on exaggerated claims of some such cures, adding "the bureau knows of no product which will, in itself, cure the tobacco habit or permanently eliminate the desire for tobacco."

The Upshot: The anti-tobacco products didn't come off well in the Surgeon General's report either. Hence, as the weekend began, many smokers were left with only their meager will power, and the hope that some company would come up with a provably safe filter. And the industry itself hoped that the furor would run its course.

Then, on Saturday afternoon, as casually as if it were announcing the appointment of a minor official, the FTC dropped its bomb. Reporters who had been following the commission's secret deliberations last week were summoned at about 1:30—exactly one week after the Surgeon General's report had been released. The agency's proposals were handed out by a minor official in the small guard room off the FTC building's entrance. There was no commissioner present. But one look at the Federal Trade Commission proposals told reporters that all previous calculations—both those by the industry and the smoking public—were off.

In four single-spaced pages and a five-

and-a-half-page explanation, the FTC proposed to adopt three new rules drastically restricting all cigarette advertising. Most important was the rule on labeling. It would force all cigarette advertisements and packages to "clearly and prominently" display one of these stark warnings:

▶"CAUTION: CIGARETTE SMOKING IS A HEALTH HAZARD. The Surgeon General's Advisory Committee on Smoking and Health has found that 'cigarette smoking contributes substantially to mortality from certain specific diseases and to the over-all death rate.'"

▶"CAUTION: CIGARETTE SMOKING IS DANGEROUS TO HEALTH. It may cause death from cancer and other diseases."

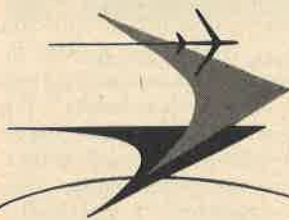
The short—but more lethal—warning was provided for those advertisers who might prefer it in "spot television" plugs. The other two rules would prohibit any ads that even *imply* cigarettes do not hurt health, and any statements at all about a cigarette's ingredients, unless the claims or implications could be proven to the government's satisfaction. Similar restrictions would apply to any claims which attempted to imply that one cigarette is safer than another.

Besides the proposed regulations, the FTC issued a general attack against "much current cigarette advertising" as so false and misleading that it "may violate the laws."

The FTC proposals are subject to hearings beginning March 16. After that, the FTC is free to adopt proposed or modified rules as law, and cigarette makers could challenge the rules in court—a process which could take months or even years.

With so much at stake, the tobacco industry was almost certain to press its case vigorously—in the laboratories for a "safer cigarette" and in the courts to challenge the FTC's authority to make such sweeping proposals.

But the Federal government, sponsors of both the Surgeon General's study and the FTC action, was not likely to be



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easily pressured into a milder stand on cigarettes and health. One indication of the Administration's attitude came from FTC chairman Dixon when asked to comment on his agency's tough recommendations: "The language is clear and the rules speak for themselves."

MANAGEMENT:

Mr. General Motors

In 1918 when Henry Ford was riding to fame and riches aboard the fabulous Tin Lizzie, a gaunt, quiet roller-bearing engineer named Alfred P. Sloan Jr. joined rival General Motors Corp. Ford had no way of knowing, but a great contest between his own intuitive genius and one of the twentieth century's most logical business minds had begun. After a five-year vice-presidential apprenticeship, Sloan was named president of GM in 1923. By 1927 he had stripped Ford of automotive supremacy.

Exactly how Sloan and his associates pulled their coup has been debated in countless books on business, because the managerial techniques they created laid much of the groundwork for all modern administrative methods. Last week, the 88-year-old Sloan himself, in a book called "My Years With General Motors,"* probably settled all arguments. Like a field marshal recounting a victorious campaign, Sloan describes the shifting battlefield—the automotive marketplace—and the step-by-step development of strategies which beat Ford and built the biggest manufacturing enterprise ever. Since he was chief executive until 1946, chairman until 1956, and is still a director, the strategies Sloan describes in covering GM's 55 years of business are mainly his own.

The heart of his creed is the belief that "there is a logical way of doing

business in accordance with the facts and circumstances of an industry, if you can figure it out." As Sloan saw it, Henry Ford was overpowering all competition with his idea of a single, unchanging mass market supplied with basic transportation by this low-priced Model-T. Ford accounted for 60 per cent of all U.S. cars and trucks sold in 1921 against only 12 per cent for GM.

A Sloan-led committee that year recommended that General Motors should view the market as ever changing, not static. Sloan advised spreading GM's cars evenly across all price ranges, thus offering a "car for every purse and purpose." He also urged that GM attack the Model-T market from above, gradually lowering Chevrolet's price toward the Model-T's as sales volume grew. "It would have been suicidal to compete with him head on," Sloan notes.

Controlled Freedom: Organizationally, Sloan pushed a "happy medium" of "decentralization with coordinated control." Divisions retained administrative freedom and profit responsibilities while central committees received all policy-making powers, provided central styling and other services, and imposed strict financial controls.

The book probes every aspect of GM's operations—from its engineering achievements and failures to the development of its styling department (styling head Harley Earl got his idea for the famous tailfins from a twin-fuselage P-38 fighter he saw during World War II). But "My Years" has some shortcomings. It often lapses into polysyllabic business jargon; it almost totally avoids discussion of personalities and personal infighting, and it slights the 1936-37 United Auto Workers "sit-down" organizational battle.

Sloan is understood to have spent more than \$200,000 on research projects to assure the accuracy of his book which has been in progress since 1954. And to a man accustomed to producing vast streams of cars in a single day, the result of all this literary effort was bemusing. "It all boils down to a few pages in a volume like this," said the still vigorous octogenarian in New York last week, tapping a copy with a ball-point pen. "I suppose it's all the publishers thought the readers would take, but it is rather disappointing."

AVIATION:

Supersonic Snafu

Hustling up to a ticket counter at Los Angeles International Airport one afternoon last week, Lockheed Aircraft Corp. engineer Terry Donahue handed the girl his ticket to Washington, D.C., and asked casually: "Did the morning flight to Washington arrive safely?" Vaguely,

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That means that if you select stocks carefully . . . always weigh investment values on the basis of fact—and keep close track of those values after you buy—more often than not your stocks should sell at a higher price than you paid for them over the years ahead.

A recent report, for example, by the Center for Research in Security Prices at the University of Chicago contains some rather startling figures:

Suppose, for instance, that you were in the equivalent of today's \$10,000 tax bracket and had invested \$1,000 in every stock on the New York Stock Exchange starting in January of 1926. Suppose, too, that you had reinvested all your dividends as you went along.

Then, through December of 1960, the return on your total investment would have equalled a rate of 8.2% interest compounded annually after all commissions and capital gains taxes.

Purely as a matter of mathematics, \$1,000 compounded annually at 8.2% would amount to \$15,774 in 35 years. Or \$10,000 would amount to \$157,740.

So, when should you invest?

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Newsweek—Robert R. McElroy

Sloan: 'Rather disappointing'