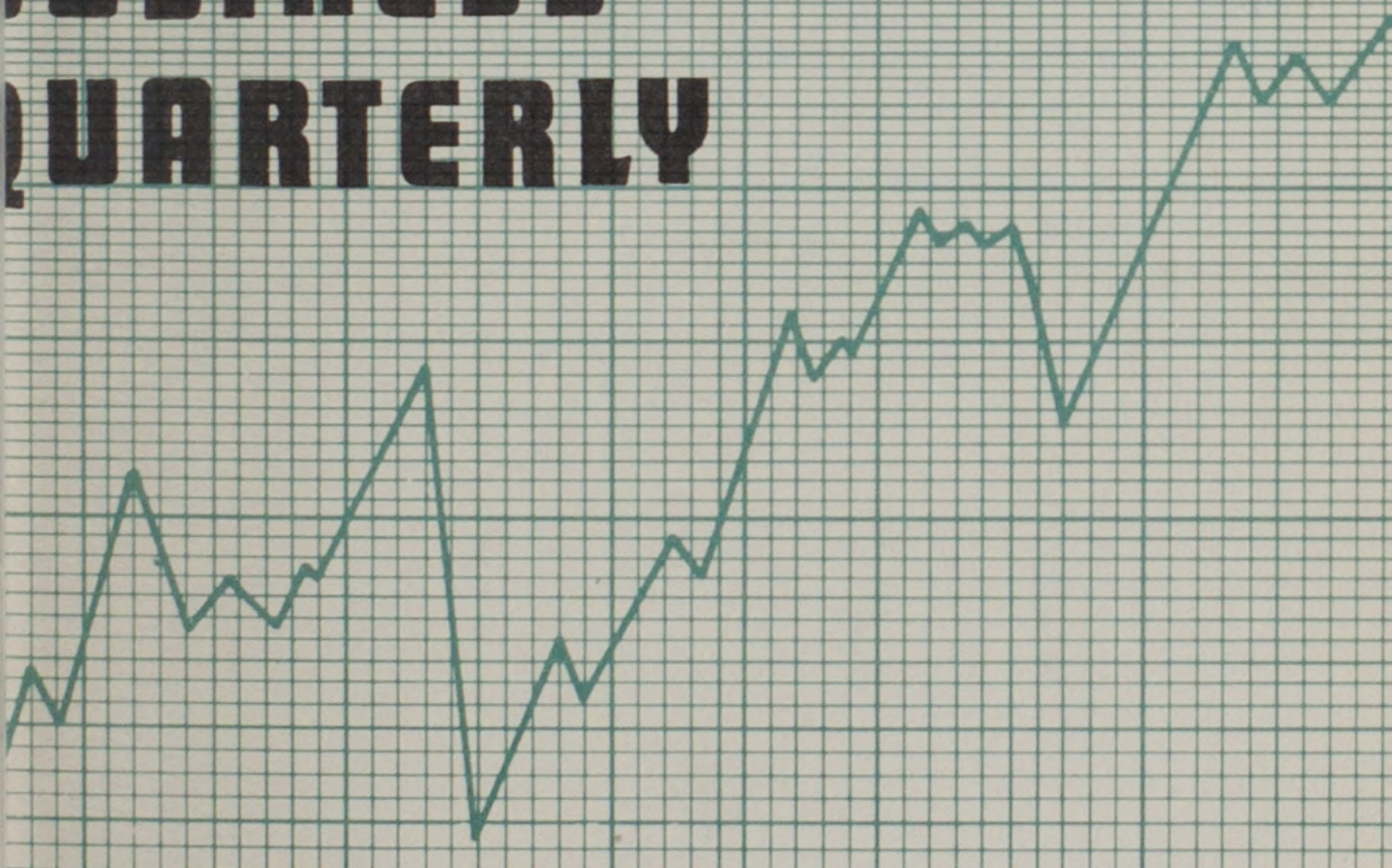
WINTER 1967

MONTANA BUSINESS QUARTERLY



BUREAU OF BUSINESS AND ECONOMIC RESEARCH
SCHOOL OF BUSINESS ADMINISTRATION
UNIVERSITY OF MONTANA, MISSOULA

MONTANA BUSINESS QUARTERLY

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In This Issue

About the Authors

Charles W. Bolen, who makes his first appearance in the *Quarterly* with his article entitled "The Arts and Business," has been Dean of the School of Fine Arts at the University of Montana since 1962. Dean Bolen received a B.M.E. degree from Northwestern University in 1948, M. M. degree from Eastman School of Music in 1950, and a Ph.D. in 1954 from Indiana University. Prior to coming to the University of Montana he was chairman of the music department of Ripon College from 1954-62.

Dr. Bolen is a member of the American Musicological Society, National Council of Fine Arts Deans, National Council of Arts in Education, and the Music Extension Committee. He is currently chairman of the Montana Arts Council and is a board member of the Missoula Symphony Orchestra in which he plays first flute.

Mrs. Maxine C. Johnson, Assistant Director of the Bureau of Business and Economic Research, has published numerous monographs and contributes regularly to the *Montana Business Quarterly,* where her semi-annual outlook articles are a regular feature.

"It's a New Sales World," by Dr. Lawrence J. Hunt, discusses the new salesman's attitudes and approaches in the modern selling world. Dr. Hunt came to the University of Montana in the fall of 1964. He received his M.S. degree in retailing from New York University and his D.B.A. from the University of Oregon. Prior to coming to Montana, Dr. Hunt taught at The Ohio State University and the University of Oregon and had extensive experience in business. Professor Hunt has done a considerable amount of freelance writing. His articles and short stories have appeared in many popular magazines and he has published four juvenile novels. He has been nominated for membership in the Authors' Guild, the Mystery Writers of America and is listed in Contemporary Authors. He is a frequent contributor to the *Quarterly.*

Glenn R. Barth, associate professor of business administration, has had considerable experience in business as well as teaching. After receiving his B.S. degree in 1948 from the University of North Dakota, he was partner in a chain of three shoe stores for five years. In 1954 he entered graduate school at the University of Minnesota, completing work for

the Master of Business Administration degree in 1955. From 1955 to 1959, he was at Harvard University studying and doing research as a case writer.

During 1959-60, Professor Barth taught at Idaho State College in Pocatello; in 1960 he came to the University of Montana where he taught until 1964 when he went to Montana State University at Bozeman. He received his Ph.D. in Agricultural Economics in the summer of 1966 from MSU. Dr. Barth returned to the University of Montana last fall, to resume teaching in the School of Business Administration.

Professor Barth has written articles for two previous *Quarterlies*: "Planning Your Marketing Program" (Fall 1962) and "Three Management Attitudes" (Spring 1963).

Dr. John H. Wicks resumes his discussion of Montana's taxation problems with an article describing the burden distribution of some Montana and federal taxes. He co-authors the article with Brian G. Johnson. Professor Wicks is an associate professor of economics at the University of Montana. He received his B.A. degree from the University of South Dakota and his M.A. and Ph.D. degrees from the University of Illinois.

Brian G. Johnson graduated from the University of Montana in June 1966 with a B.A. degree in Economics. He is now a Second Lieutenant on active duty in the Army serving at Fort Dix, New Jersey.

From the Director's Desk . . .

STATE TECHNICAL SERVICES: A PROGRESS REPORT

On two previous occasions the "Director's Desk" has discussed the expansion of the Bureau's operations under the State Technical Services Act. The purpose of the Act is to make available to commerce and industry various kinds of technical and engineering information. As the agency designated to implement the Act in Montana, our Bureau is responsible for preparing one-year and five-year operational plans, working with other schools and departments of the University of Montana, with Montana State University and with the College of Mineral Science and Technology to develop possible programs and to implement approved programs. Our Bureau is also cooperating with Colorado, Nevada, Utah, Idaho, New Mexico, and Arizona to develop regional State Technical Services programs.

Montana was among the first 24 states to submit its Five-Year Plan and a related fiscal 1966 program. The fiscal 1966 program approved by the U. S. Department of Commerce provided federal matching funds of $9,702 to finance six seminars. The University of Montana Schools of Forestry and Business presented a one-day conference concerning the problems of marketing wood products. Participants from Montana, Idaho, Washington, and California had an opportunity to examine and to evaluate new ways to coordinate supply and demand at different points in the market channel for wood products. The proceedings of the seminar were mailed to all participants.

The fiscal 1966 program provided funds for two other Forestry School seminars. The problems of the lumber industry that result from the declining sources of virgin or primary timber were the topic of one seminar. The other seminar, scheduled for March 1967, will cover certain technical aspects of land management, particularly the legal principles that determine boundary location.

Hospital accountants also benefited from our State Techni-

cal Services activities. In cooperation with the Montana Hospital Association, the University of Montana School of Business held a four-day Accounting Institute. Various aspects of hospital accounting were discussed, with particular emphasis on the accounting problems posed by the Medicare program.

Two other activities were sponsored by Montana State University in fiscal 1966. One of these—their Civil Engineering and Engineering Mechanics project—involved a seminar series, each session of which covered some particular phase of civil engineering or engineering mechanics. "Urban Planning in Montana" was the topic discussed at one of these seminars. In cooperation with the Montana Section of the American Society of Civil Engineers, Montana State University also sponsored a two-day Soil Mechanics and Foundation Engineering Conference. Several persons, including the prominent Ralph Peck, professor of Foundation Engineering at the University of Illinois, presented papers on the technical problems of soil engineering and display. The 240 participants represented fourteen states, the District of Columbia, and one foreign country. Proceedings of the meeting will soon be available to all interested persons.

Montana's fiscal 1967 program has also been submitted and approved; the grant provides federal matching funds totaling $46,000. As an indication of the success of our past program, it should be noted that thus far only eleven other states have received approval for their fiscal 1967 programs. Our State Technical Services activities will be greatly expanded in this fiscal year; because we had more time to prepare the proposals, we were able to develop projects designed to meet the informational needs of more Montana businessmen than was the case in fiscal 1966. In addition to our seminars and conferences of last year, we are planning two field service activities, a monthly engineering newsletter, a handbook on mining operations and equipment, and a directory of scientific and engineering expertise.

The approved fiscal 1967 program includes three seminars sponsored by the University of Montana School of Forestry and designed to increase the technological information available to the wood products and related industries. More intensive use of our forests has necessitated new techniques for measuring timber resources and for removing the accumulated debris from logging activities; the Forest Mensuration Seminar will describe these new measurement techniques. A recently developed technique for clearing slash areas will be

presented at the Remote Ignition of Clear Cut Blocks for Slash Burning Seminar. The third seminar to be presented by the School of Forestry, a Soil Management Seminar, will give private landowners an opportunity to evaluate the technological basis for resource management decisions. The three-day conference also will include field trips designed to familiarize the landowner with the response of soils to different chemical applications and with the associated management problems.

Montana State University at Bozeman will publish an Engineering Research and Development Report, including monthly newsletter and an annual report outlining engineering activities, new research, and development projects which are of interest to Montana businessmen. Under the State University's Technical Services Group program, field visits will be made to companies desiring technical assistance. The group will meet with owners and managers to discuss any production problems they may have or to describe new technological developments. In cooperation with the Montana State Board of Health, Montana State University will also present a five-day seminar for personnel engaged in municipal and industrial water and waste treatment. The program will include basic instruction in mathematics, chemistry, microbiology, and hydraulics as applied to water supply and waste water disposal problems.

The three remaining activities will be sponsored by the Montana College of Mineral Science and Technology. Companies which have expanding business opportunities in Montana frequently need qualified men with specific educational and business backgrounds. Such information has been difficult to obtain, because no central agency exists within Montana which prepares and maintains a current listing of the scientists and engineers in the state. The Directory of Montana Scientists and Engineers to be published by Montana Tech will provide such a list. Montana Tech will also publish an explanatory bulletin illustrating and describing many types of mining operations and equipment. Its third State Technical Services activity will involve a field service program. An engineer will be available to visit active mining properties within the state at least once a year, discussing with management the new innovations in machinery, equipment, and mining methods.

Although the accomplishments of the State Technical Services program cannot be fully assessed after only one year, we are pleased with its initial success. The response from Montana's businessmen has been most encouraging; for example,

at the request of the participants, several fiscal 1966 and 1967 activities will be repeated in 1968, if the 1968 plan is approved. Questionnaires returned by the participants also indicate that the programs have been well-planned and informative. We hope, through our efforts and those of the other participating institutions, that we can better meet the informational needs of Montana businessmen.

PATRICIA P. BRAGG
State Technical Services Coordinator

The Arts and Business

CHARLES W. BOLEN, Dean
School of Fine Arts
University of Montana, Missoula

One of the concerns of the American people today is for quality. We want our children to have a better education; we want for them—and ourselves—more opportunities to enjoy the good things of life. Judging from our highways and suburbs, people are demanding better cars, better homes, better furniture. In addition, new signs point to a growing awareness of our basic human need for beauty as well as utility in our environment. We are searching for deeper meanings and higher values in all our relationships; we have begun to actively seek ways to enhance the quality of living.

Nobody denies that the quest for quality, directed as it is toward fulfillment of fundamental spiritual and aesthetic needs, is a noble pursuit; but some may underestimate the role it plays in our economic life.

History furnishes striking evidence of the interdependence of the realms of art and "practical affairs." Six centuries ago the city of Florence in Italy was losing population. It was suffering a depression. Determined to do something about their plight, the leading citizens of Florence surveyed their resources. They noted that Florence was not on the sea, was not on any important trade route, was not in a very prosperous farming area. These circumstances seemed to block any growth or development for the future in Florence.

Recognizing that Florence could not develop agriculturally, financially or commercially, some of the local visionaries decided that Florentines should concentrate on doing what they could do exceptionally well. They facelifted their shops, dressed up their town, and settled down to doing small things in an exquisite way.

What resulted from this approach to their problem? "The City that Art Built"—the city that gave the world Boccacio, Squarcialupi, Landini, Brunelleschi, Ghiberti, Masaccio, Donatello, Leonardo, and Michelangelo.

A parallel closer to us in time and distance is provided by

the experience of one western mining camp. Aspen, Colorado, faded away to a ghost town when the gold played out. It was through the arts that the president of the Continental Can Company realized his dream of reviving Aspen. Relying, like the Florentines, on quality, he imported professional orchestras, launching his experiment with a performance in a tent by the Minneapolis Symphony. Today, Aspen is internationally known for the quality of its festival, and it has grown into a vital center for research in the humanities.

Can this concern for quality be aroused in Montanans? It can be—and, indeed, has been. Virginia City, and now Nevada City, have developed into thriving tourist attractions. Their appeal is due in no small part to the quality of the Virginia City Players. And there can be no doubt that the Bigfork Summer Playhouse adds to the economic strength of the entire Flathead Lake area.

The arts are indeed intimately bound up with the economy. The arts can be big business. For the past several years, national attendance at symphony and chamber programs, opera, theater, ballet and modern dance recitals, and solo performances by artists has topped attendance at all spectator sports, including professional baseball and collegiate sports.

This national "arts explosion" translates into a phenomenal dollars-and-cents value. In the past six years, the rate of growth of wealth produced by music alone (including box office receipts, classical recordings, instruments, music publications and music equipment) has exceeded the growth of the gross national product by 78 percent, according to a report by Broadcast Music Incorporated.[1] Americans spent some $4 billion on cultural activities last year—twice as much as a decade ago. By 1970 this figure will top $7 billion, and by 1975 direct and indirect expenditures on the arts will total over $20 billion.[2] That figure argues persuasively for the economic importance of the arts. The arts have become important economically because they are increasingly important in practically every area of American life.

Frank Stanton, President of C.B.S., calls this trend "a very

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[1] *Concert Music in U.S.A., 1965* (New York: Broadcast Music Incorporated, 1965).

[2] For an intensive study of the economics of the arts see: William J. Baumal and William G. Bowen, *Performing Arts: The Economic Dilemma* (New York: 20th Century Fund Study, 1966).
See also: *The Performing Arts: Problems and Prospects* (New York: McGraw-Hill Book Co., 1966).

obvious fact of our time—and no business can survive very long if it ignores the major new directions taken by the society of which it is a part. . . . The arts are also important to business," Stanton continues, "because the total area with which the modern business corporation must be concerned has widened very perceptibly over the past two decades."[3]

David Rockefeller, President of the Chase Manhattan Bank, says, "Surely our success as a civilized society will be judged largely by the creative activities of our citizens in art, architecture, music and literature. Improving the condition of the performing and visual arts in this country calls, in my judgment, for a massive cooperative effort in which business corporations must assume a much larger role than they have in the past."[4]

Business can aid the arts by sponsoring outstanding radio and television programs, commissioning art works, donating funds to operating expenses of the arts, making physical facilities available for performances and exhibits, and encouraging its executives to become leaders in community cultural life.

Business is recognizing that this kind of involvement in the arts is part of its role as a citizen of the community and area it serves. As Rockefeller says, "Almost imperceptibly over the past several years the modern corporation has evolved into a social as well as an economic institution. Without losing sight of the need to make a profit, it has developed ideals and responsibilities going far beyond the profit motive."[5]

He notes that from an economic standpoint such involvement can mean direct and tangible benefits. It can provide a company with extensive publicity and advertising, a brighter public reputation and an improved corporate image. It can build better customer relations, a readier acceptance of company products, and a superior appraisal of their quality. Promotion of the arts can improve the morale of employees and help attract qualified personnel.

In a broader context, as Stanton expresses it, "Many corporate leaders are convinced that our country as a whole, if it is

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[3]Dr. Frank Stanton, "Art: An Integral Part of Corporate Life," Speech given at Eleventh National Conference, Arts Councils of America, June 18, 1965 (published in *The Arts: A Central Element of a Good Society* [New York: Arts Councils of America, pp. 25-30]).

[4]David Rockefeller, "Culture and the Corporation," Speech given at fiftieth anniversary conference of the National Industrial Conference Board, September 20, 1966, New York, New York.

[5]*Ibid.*

to exercise a leading influence in world affairs, needs to have, as a people, a broad knowledge of the arts, the more profound understanding of humankind that goes with the arts, and the international outlook and international insights that the arts develop in companies as well as in individuals."[6]

Municipal and state governments, of necessity concerned with the contributions both the arts and business make to the general welfare, recognize the value of the arts in keeping and attracting business. The State of Oklahoma recently advertised in a national magazine that corporations moving to Oklahoma would not have to ask their employees to sacrifice cultural opportunities by coming to that state. Atlanta, Georgia, has not only adopted professional baseball and football, but is expanding cultural activities. The city is building a large cultural center, has established a repertory theater and professional dance company, and is rapidly moving toward the organization of the Atlanta Symphony as a full professional orchestra. The North Carolina State Legislature several years ago appropriated a million dollars to buy paintings to found an art museum in Raleigh, and over the years the state has supported symphonies and aided a number of arts groups. Said State Treasurer Edwin Gill, "We discovered that culture is the biggest card for drawing new industry we've got." In its study of Denver as a possible site for its reactor plant, the Atomic Energy Commission expressed grave concern over Denver's lack of cultural resources.[7] Yet Denver, of all cities in the Rocky Mountain region, probably has as much, if not more, culture than any other.

It is obvious that the arts affect our economic life; but their social—and personal—impact will be even greater than their economic consequences in an increasingly technological society. As machines take over more and more of the monotonous tasks that have consumed so much of man's time and energies in the past, we will have more leisure time. As the marvels of science continue to free us from drudgery, we must learn how to turn our increased leisure into an opportunity for personal fulfillment and service to others rather than a sentence to boredom and futility. Science can give us the gift of time; the arts will teach us how to use it wisely.

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[6]Stanton, *op. cit.*

[7]Report by Roger Stevens, Chairman, National Endowment on the Arts, at Arts and Humanities Committee Meeting, Governors' Conference of Federation of Rocky Mountain States, Salt Lake City, Utah, September 3, 1966.

That the arts are a proper concern of national government is implicit in the Preamble to the Constitution, which states that one of the purposes of the people in establishing the Constitution was "to . . . promote the general welfare . . . ."Certainly our aesthetic and spiritual milieu is as important to our welfare as our physical environment.

History shows a high correlation between artistic creativity and the political vigor of a nation. We might even say that Hitler's expulsion of Germany's best artists was the beginning of his downfall. Even Russia has recognized the power of the arts and has attempted to use them for propaganda purposes.

In his State of the Union message in 1961, President Kennedy stated: "Enlightened governments have always tacitly recognized that the arts are not for a privileged few but for the many; their place is not on the periphery of society but at its center; they are not just a form of recreation but are of central importance to our well-being and happiness."

Indirectly the federal government has encouraged and supported the arts for many years through the Smithsonian Institute and its Collection of Fine Arts, the National Gallery of Art, and other related galleries. During WPA days, the government assisted many orchestras, theater groups, and creative artists. Since World War II especially, various governmental agencies, including the State Department, have sponsored touring artists, symphonies, theater, opera, ballet, and art exhibitions to countries all over the world.

Two years ago the University of Montana sent a musical, "The Fantastiks," to the Orient as part of a cultural exchange; and just this summer the University's Director of Bands and his wife presented a series of recitals in South America under State Department auspices.

The purpose of these government-sponsored programs is to expose other countries to our artistic development. More and more, world leadership in the arts rests with the United States —in creativity as well as performance. Our cultural groups performing abroad can do more than any number of words to dispel the image many foreigners have of us as a materialistic, selfish, imperialistic, war-minded nation. Their encounter with any of our creative achievements can shatter the stereotype.

In 1965, Congress passed the National Foundation on the Arts and Humanities Act. This legislation, the culmination of years of growing awareness on the part of government of its responsibilities to the arts, heralds a new era. The new legislation gives government support to arts programs while con-

fining its help to precisely limited areas. It scrupulously observes the distinction between extending encouragement and bestowing the death kiss of control. It offers stimulation and challenge, not regulation. In short, it prepares the soil and furnishes the tools of cultivation needed for a real flowering of the arts in America.

Essentially, this Act provides assistance to states in promoting the growth and development of the arts, not only for the artists but for all citizens. Cultural opportunities should not be denied people because of geography. The stimulation of the mind and spirit which the arts can give adds a new dimension to the lives of our citizens. Thus, in spite of their comparative geographic isolation from large cultural centers, Montanans may soon experience the excitement that a professional orchestra can create, enjoy the stimulation of live theater, see great works of art and witness great dance. A direct benefit to Montana was the financial assistance given to the Archie Bray Foundation, of Helena, as a result of the federal Act.

The federal Act provides the incentive and assistance for each state to develop its own potential as it chooses. All states have now set up arts councils to spearhead this development. Last year 23 state legislatures appropriated money to match federal funds available, and many more are expected to board the bandwagon this year.

When the surge of national interest in the arts began to manifest itself in the states, Governor Babcock, by executive order dated April 22, 1965, created the Montana Arts Council, with a view to expanding social, economic and cultural opportunities for all Montanans. The governor envisions an expanded arts program in which our smaller communities as well as our cities will take part and which will stimulate the kind of vigorous cultural climate necessary to attract new enterprise and keep native talent. The Council, with twenty-four members representing diverse interests and geographic areas, is committed to this objective.

The Montana Arts Council, while charged with major responsibility for developing a comprehensive arts program for Montana, recognizes that many individuals and organizations contribute to the cultural life of the state and that the active support of all who share the Council's concern for the arts is essential to the success of any arts program. With the cooperation of various groups under the direction of Dr. Luther A. Richman, executive director of the Council, a survey was made of the state's cultural resources. The Council presented its

report on the survey and its recommendations for an arts program for Montana to the governor and the legislature in January 1967.

Programs recommended:

Visual Arts: Mobile unit to tour state with works of Montana and other artists; assistance to Archie Bray Foundation and Montana Institute of the Arts exhibition program.

Drama: Nonprofessional touring stock company for Montana; professional consultants to community theaters upon request.

Dance: Workshops and clinics; visiting professional ballet tours; young dancers' festival.

Music: Assistance, upon request, to community orchestras to hire professional players and teachers (one per orchestra); contribution to travel fund to enable such personnel to perform with orchestras that do not have a professional.

Tours: Montana chamber orchestras (one to tour western Montana and one for eastern Montana); professional out-of-state artists (individuals or groups), with priority going to communities without college and/or artists series; community and college groups.

The Council also recommended support for the *Montana Institute of the Arts Quarterly* and technical assistance to communities and local groups.

The original Council, an interim committee of the governor, asked the legislature to establish a permanent Arts Council as a state agency empowered to receive and administer federal matching grants. It requested an appropriation of $160,000 for the next biennium to match federal grants for programs and to pay agency operating costs.

This amount, while modest by the standards of wealthier states, could get an effective arts program under way because it would draw matching money from both the federal level and Montana groups initiating programs.

The Governor has just signed into law the bill creating a permanent Arts Council. By the time this piece is in print we hope to see the council appropriately funded. This agency can create an exhilarating cultural atmosphere in which the arts will flourish. This done, we can anticipate gains in material prosperity, social growth and personal satisfaction. A new Arts Council can be a powerful ally in our quest for quality. And if we persevere in that search, we may, like the Princes of Serendip, be rewarded beyond our expectations.

The Business Outlook

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The Nation

More than the usual amount of uncertainty plagues the writer who attempts to describe this year's economic outlook. Over-all measures of the economy are generally encouraging. Recent announcements by the U.S. Department of Commerce indicate that the United States produced $739.5 billion worth of goods and services in 1966; during the fourth quarter of the year gross national product had attained an annual rate of $759.1 billion, seasonally adjusted. The year's figure of $739.5 billion represented an 8.5 percent increase over 1965. At the end of 1966, personal income and employment were still rising and unemployment was lower than it had been in years.

But no economy in the world is subject to the same close scrutiny that is directed to the American system. In recent weeks more and more economists have pointed out existing and potential trouble spots. Inflation is worrisome; increased prices accounted for 3 points of the 8.5 percent gain in gross national product in 1966. Industrial production—a measure of total manufacturing, mining, and electric and gas utility output —has not changed much since August, with the index varying between 158.2 and 158.7 (1957-59 = 100). Business inventories are a potential troublemaker; they have risen rapidly, although some experts see part of the increase as a necessary response to growing military purchases. If businessmen decide their inventories are too high, then demand for goods and materials could decline while stocks are brought back to satisfactory levels. Defense spending, which increased rapidly throughout 1966, may increase more slowly during the latter part of 1967. Recently, consumers have seemed a bit cautious about spending, even though their incomes continue to rise. Housing remains depressed. Even though residential construction may pick up during the year, the total number of new housing starts will remain below other recent years.

All of these factors contributed to a rather muddled situation as 1967 began. Having completed more than six years of expansion the questions facing forecasters are these: is the U.S. economy about to encounter a recession, is it taking a "breathing" spell, or will it continue its unprecedented growth?

The chances are that the upward lines on the growth charts will continue through 1967; after pointing out all the possible pitfalls, most experts—in and out of government—foresee another year of expansion. The consensus is that the growth will be somewhat less than in 1966, but that the economy will continue to expand at a respectable rate. Projections of gross national product range from $785 to $790 billion, implying an increase of from 6 to 7 percent over the 1966 figure of $739.5 billion. Prices are expected to rise about 3 percent, so that the real increase in output presumably would amount to 3 or 4 percent. The assumptions behind these predictions include continuation of fighting in Vietnam and increased defense expenditures during the first six months, with a leveling off during the latter half of the year. It is also assumed that credit will be less restrained, and that the Administration and the Federal Reserve Board will make the best of numerous tricky decisions as to how to stimulate civilian demand.

In predicting a gross national product in the $785 to $790 billion range, economists anticipate that total government expenditures (including state and local) for the year will show another substantial increase. Consumer expenditures are expected to continue upward (but at a slower rate) and a small increase in private investment may occur. Of interest to lumber-oriented Montanans are suggestions that a modest improvement in residential construction may occur. With mortgage funds still short and interest rates high, no one is predicting a really good year; but a gradual improvement during the course of 1967 seems to be a possibility. Of the other major components of gross private domestic investment, business inventory accumulation will almost surely decline and business expenditures for new plant and equipment—one of the big question marks—will probably grow at a more moderate pace than during 1966.

Forecasts are always subject to revision as later data become available; this one, because of the many uncertainties involved, perhaps is more susceptible to change. But based on what we know now, the national outlook seems to be for a continued, but more moderate, expansion this year.

The State

Much of the description of the national economy is also applicable to Montana. Both a general prosperity and a general uneasiness existed in the state at the end of 1966. But Montana's industrial makeup also differs from the national economy in a number of ways and because of this our situation is not quite the same.

In its new series of quarterly estimates of state personal income, the Department of Commerce estimated that, after a rapid expansion in 1965, total personal income growth in the state slowed in 1966:

TOTAL PERSONAL INCOME[1]

(Amounts in $ millions; seasonally adjusted at annual rates)

Time Period	Montana		United States[2]	
	Amount	Index	Amount	Index
1965				
1st Quarter	1,641	100	515,194	100
2nd Quarter	1,674	102	524,733	102
3rd Quarter	1,743	106	538,967	105
4th Quarter	1,799	110	549,696	107
1966				
1st Quarter	1,820	111	560,355	109
2nd Quarter	1,816	111	568,819	110
3rd Quarter	1,859	113	580,277	113

[1]U.S. Department of Commerce, Office of Business Economics, *Survey of Current Business,* December 1966 and January 1967.
[2]Excludes income of military and civilian federal employees temporarily stationed abroad.

The rapid increase in Montana's personal income in 1965 was in large part the result of rising agricultural prices and income. The net income of farm proprietors for the year was 30 percent higher than in 1964. In 1966, farm income increased more modestly; total receipts from sales of agricultural products were only 8 percent higher than in 1965 and production costs also were rising. Nevertheless, based upon estimates for the first three quarters, Montana's total personal income in 1966 probably was 6 or 7 percent higher than in 1965—an increase only slightly less than the estimated national gain of 7.5 percent.

It is important that the experience of the past two years be put in the proper perspective. Since the present period of expansion began, in February 1961, total personal income has

grown more slowly in Montana than in the nation. The increase between 1960 and 1965 was 24 percent in the state and 33 percent in the U.S.

Montana's income growth in 1966 was the result of increased employment and income in most of its nonagricultural industries. Only the construction industry, hard hit by a shortage of residential mortgage funds, showed a decline in employment. Despite a shrinking demand for lumber for housing construction, the state's wood products industry employed more people than in 1965. With a burgeoning demand for copper, the state's copper mines operated at capacity, approaching the all-time production record set in 1929. Employment increases occurred in both mining and smelting. Oil production in eastern Montana was the highest ever even though, according to the Unemployment Compensation Commission, employment in oil production and refining declined somewhat.

Americans everywhere had money for travel in 1966 and large numbers of visitors flocked into Montana during the summer months. Yellowstone National Park reported a record number of visitors; Glacier had its second busiest year, exceeded only by 1962 when the Seattle World's Fair helped bring almost a million visitors to the park.

All of these things helped keep a record number of approximately 252,000 Montanans (including the self-employed) at work. Unfortunately, however, unemployment in the state continued to be higher than in the country as a whole. In December 1966, the Unemployment Compensation Commission estimated that 4.6 percent of the labor force was unemployed; the national figure was 3.8 percent.[3]

Nevertheless, Montana began the year in a strong position. Its progress has been uneven and its growth less than the national rate, but certainly the last two years—1965 and 1966—have been among the best the state has experienced. There are a number of reasons to assume—if one accepts the national outlook described above—that 1967 may also be a prosperous year for Montana. A look at some of the state's key industries will substantiate this prospect.

Agriculture

While the number of persons employed in agriculture is continuing to decline, agricultural income still plays an important role in determining total personal income in the state. Esti-

[3]Seasonally-adjusted annual rates.

mates of total personal income and farm proprietors' income since 1960 clearly illustrate this point.

TOTAL PERSONAL INCOME AND FARM PROPRIETORS' INCOME, MONTANA[4]
(Amounts in $ millions)

Year	Total Personal Income		Farm Proprietors Income[5]	
	Amount	Index	Amount	Index
1960	1,383	100	152	100
1961	1,371	99	87	57
1962	1,581	114	242	159
1963	1,588	115	186	122
1964	1,585	115	139	91
1965	1,714	124	181	119

[4]U.S. Department of Commerce, Office of Business Economics, *Survey of Current Business,* August 1962, August 1964, and August 1966.

[5]Farm proprietors' income only. Total farm income includes farm proprietors' income plus farm wages and farm "other" labor income, less personal contributions to social security programs. Proprietors' income is by far the largest component.

Readers will recall that sharply reduced farm income in 1961, a severe drought year, was followed by very high agricultural incomes in 1962. In 1963, farm income dropped back to a more "normal" figure; in 1964 low prices brought about a decline, and in 1965 agricultural income recovered to approximately the 1963 level. These sharp fluctuations sometimes have obscured the steady, although moderate, growth of nonagricultural income in the state. Montana's nonfarm income has not increased as rapidly as in the rest of the country, but it has grown.

In discussing the outlook for agriculture, one can only assume the absence of any catastrophic climatic conditions such as widespread drought or hailstorms which reduce crop production. With this assumption, farm income this year should be equal to the 1966 figure. Livestock prices are expected to be about the same as last year; receipts from crops may increase as a result of larger wheat acreage allotments and higher support prices for feed grains. Of course, production expenses will continue their steady rise. But the prospects are that net farm income should be maintained at something like the 1965 and 1966 figures.

The Nonagricultural Economy

There are several reasons for believing that 1967 may be a very good year in the nonfarm sector of the economy. Up in the northwest corner of Montana, two important construction projects will be underway this year. At Columbia Falls approximately 1,000 workers will be employed in erecting the fourth and fifth potlines at the Anaconda Aluminum Company plant. This work is scheduled for completion in 1968. One hundred miles away, near Libby, some 1,200 employees will be at work on Libby Dam, a federal project which got underway last summer. These 2,000 or so new jobs will be added to an industry (construction) which has employed an average of about 12,000 workers in recent years.

Libby Dam—a $343 million project—will have an overwhelming influence on northwestern Montana until its completion in 1972. Peak employment on the dam is expected to reach 2,300 in 1969. By that time, some 5,500 people—workers and their families—will have moved into Lincoln County, which had a total population of 12,537 in 1960. Many of these temporary residents probably will settle in Libby, which had a population of 2,868 in 1960. Obviously, extensive and often disruptive changes are in store for the Libby area; many of them are already underway. The larger trade centers in western Montana—notably Kalispell and Missoula—will benefit from the increased expenditures resulting from dam activity.

Extensive industrial and public construction in other parts of the state also is scheduled for this year. These include multimillion dollar additions to the copper refinery at Butte and an oil refinery in Billings. University and college campuses in the state are continuing their building expansions.

Housing construction, of course, provides the big question. The general feeling is that 1967 will be another difficult year for homebuilders, but that by midyear residential construction should begin to recover, as more mortgage money becomes available. Whether or not residential construction comes back, it is clear that the construction industry as a whole will be a strong plus factor in Montana, helping to offset possible weaknesses in other parts of the economy.

Because it is tied so closely to housing, the outlook for western Montana's wood products industry also is somewhat uncertain. Unless the housing market shows definite improvement—perhaps during the latter part of the year—lumber and plywood producers will continue to find the going difficult.

Other industries which should contribute to a high volume of business activity include the mining, smelting and oil industries. Demand for copper is particularly strong. Depending upon their location, most trade and service industries also can anticipate another good year. If the national outlook for continued high personal incomes is realized, travel-oriented industries should have a busy summer.

Summary

Assuming the national economy continues its growth this year, even at a slower rate, the outlook for Montana in 1967 seems fairly good. As always there may be considerable variation in business conditions within the state and among different industries. Nevertheless, when the over-all results are in, 1967 probably will be recorded as a year of expanded income and employment in Montana.

It's a New Sales World

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The "Old" Salesman

Probably no individual in the business world has been more abused than the salesman. He has been scorned for his lack of morals, his bad jokes, his arm-twisting selling tactics, and his shrewdness. He is exemplified in most people's minds by Willy Loman in Arthur Miller's play, "The Death of a Salesman," the drummer with a dubious set of social values.

In many respects the salesman of yesteryear deserved his reputation; he created and has been responsible for his problems. Even the ancient Babylonian, Phoenician and Greek traders (traveling salesmen, if you please) created an atmosphere of hostility as a result of their practices. They were so intent on making the "sale" at any costs that they found their customers turning on them with disastrous results, as Miriam Beard in *A History of Business* relates:

> Possibly the ancient Babylonian, and the Phoencian and Greek traders imagined themselves to be conferring the benefits of superior culture upon our brawny ancestors. But even they must have seen at length the disquieting aspect of such traffic. For after they had impartially distributed sharp iron swords and fire water to the wild men of the woods, these strenuous customers became exhilarated and, swinging their new-bought blades, began cleaving their way to fame.[1]

In our own land the Yankee peddler added to this image in his own ingenious way. He was followed by the drummer who helped to open the West commercially. These men of our frontier were known for their hard selling and fast talking. They were the story-telling extroverts who cared little about their customers; they sold what, where, and when they could, and then hurriedly moved on to new territory. We may, without

[1]Miriam Beard, *A History of Business*, Volume I (Ann Arbor, Michigan: The University of Michigan Press, 1938), p. 14.

thinking, condemn these men, but they were products of their time.

Like the Babylonians, Phoenicians and Greek traders, these traveling salesmen played an important part in the commercial development of that era. They had a vital part in the winning of the West. They exemplified the energetic individualism of the frontier and they worked their trade according to the accepted ways of that period of history. Unfortunately, although his time has passed, the old salesman's image still lingers on because the art of selling has been slow to change. But this old road-show approach to selling is vanishing along with what some people refer to as the "Vanishing American Salesman."[2] In the new era now the individualistic salesmanship (with the motto: "caveat emptor") is no longer a necessary part of the modern commercial scene.

The "New" Salesman

In the old world of selling it was generally felt that salesmen had to be of a certain type—in other words, they were born, not made. Thank goodness, in the new world of selling this is not true. Extroverts and introverts alike can be effective salesmen. What is required, though, is that they be versatile. The salesman of today must be capable of solving problems of all kinds, rather than charming customers.

In the new world of selling the salesman is not looked upon as a "glad hand" artist who purveys products; he has taken on new dimensions as a problem solver, a territory manager, and a communicator. In the new sales world it is acknowledged that there is no one way to sell. One salesman's strategy and tactics can be quite different from another's, yet they may both be extremely successful.

The salesman of old had to be pretty much of one type because of the way he approached the selling job. He was a seat-of-the-pants operator playing each sales situation by ear. He was an emotional salesman playing upon the feelings of his customer, rationalizing and smoothing over his product's disadvantages. The modern salesman's approach and attitude toward his job is entirely different. He is not a seat-of-the-pants operator; instead he analyzes every sales situation by preplanning each sale, by gathering advance information about

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[2]E. B. Weiss, *The Vanishing American Salesman* (New York: McGraw-Hill Co., 1962).

each customer or potential customer, and by utilizing his knowledge in such a manner that the customer as well as the vendor gains a benefit. The new salesman thinks in terms of market potential instead of today's sales. He thinks of service, of corporate image and good will, rather than one-shot sales. He thinks of all of the factors which make for customer and vendor success. The salesman of today must be aware of two sets of needs: those of his customer and those of his company. He is fully aware of the fact that his company's success is closely linked with the success of those it serves. In a sense he serves two masters and he must maintain a proper balance between the two. He should not shortchange his customer, nor can he shortchange the company he works for. The new approach to selling makes it necessary to balance both these two needs.

Companies are now realizing that the job of the salesman has tremendous strategic and innovational dimensions.[3] The salesman's role is strategic because he is the principal contact with the customer, and without the customer there is no reason for the existence of the company. At the same time the salesman is in an extremely favorable position to innovate. Today's emphasis on innovation has shifted from products to markets, since the management problem is no longer one of production, but one of marketing; and the salesman is in a position to discover, initiate, and develop new marketing techniques and methods. It is through the activities of the salesman that customer problems are identified and solved. Because every company wants to sell a product or service—to satisfy the consumer at a profit—the new salesman is no longer viewed as a pusher of a product, but is looked upon as an important member of a marketing management team.[4]

A Common Core of Sales Lore

It is common to refer to all people involved in selling products as "salesmen"—with little distinction made as to the type of sales job the person performs. But to categorize all sales tasks as being alike is far from true. As we all know, different types of selling jobs require a varying degree of skill and

[3]William Lazer and Eugene J. Kelley, *Managerial Marketing: Perspectives and viewpoints*, (Homewood, Ill.: Richard D. Irwin, Inc., 1962), pp. 378-384.

[4]Joseph W. Thompson, *Selling: A Behavioral Science Approach*, (New York: McGraw-Hill, 1966), p. 25.

knowledge. One writer in the field calls the range of sales jobs the selling spectrum.[5] Thinking specifically of creative skill, he has categorized sales tasks from those requiring little creativity to the highly complex sales jobs where a great deal of creativity is needed. The categories range from those jobs where the "salesman's" task is predominantly to deliver the product—such as the milk deliveryman, the bread truck driver, and so forth, to those positions which require the creative sale of intangibles such as insurance.

While any discussion of selling should be approached with an understanding of these various levels of sales tasks, a general approach to a discussion of selling might take for analysis the salesman as a territory sales representative who sells products for resale, such as a factory or wholesale representative calling on retailers—the approach taken in this article. In spite of the wide range of selling activity, it is generally accepted by authorities in the field that there is a common core found in practically all forms of selling. According to Professor Joseph W. Thompson of the Graduate School of Business Administration at Michigan State University this common core is made up of two areas of knowledge: (1) the knowledge that is needed to see sales in relationship with all of the other functions of the firm, and (2) the knowledge that is needed to manage the personal face-to-face sales situation. These two areas of knowledge have been referred to as (1) selling in its broader dimensions, and (2) situation management.[6]

In the first area of knowledge the salesman must look beyond the boundaries of his own territorial sales effort. He must understand how he can assist the other functions of the company in achieving the firm's overall goals. In short, he must see how his work relates to production, traffic, credit, and all of the other activities of the firm. An understanding of this kind means the salesman will be better able to tie in the needs of the customer to the needs of the company.

The second area of knowledge has to do with the management of the actual sales encounters. As selling circles know well, a very small percent of the salesman's time is spent in face-to-face selling situations. Much of his time is spent between sales calls, traveling from one prospect to the next, waiting to see the prospect, taking care of complaints, creating good will, and taking care of a myriad of other necessary details

[5]Robert N. McMurry, "The Mystique of Super-Salesmanship," *Harvard Business Review*, Vol. 39, (March-April, 1961), pp. 113-122.
[6]Thompson, *op. cit.*, p. 17.

which make up the total sales job. Because the actual selling time is so short, it is most essential that time be utilized in an efficient manner. This takes preplanning. It takes knowledge of the customer, knowledge of the product, knowledge of company policy; but, most of all, it takes knowledge of how to manage a sales situation where the principles of management, psychology, education, and communication come into play.

In sales encounters the salesman is called on to perform many roles, and he must manage these roles as the situation dictates. Every salesman must communicate the merits of the product, the policies of his company, and the news of the market place. He must teach those who use and resell his product to employ it to best advantage. He is a technical expert whose knowledge of the product must be relayed to those who service it. He is a problem solver, a public relations expert, a market analyst, a confidant, and more. Knowledge is not only required for role enactment but for role management as well. Today's salesman must know what roles are expected of him, how he should perform them, and how much time each role should take. Selling, in brief, evolves from a mix of techniques, ideas, and principles that the salesman utilizes to manage human situations. The salesman, through his management efforts, must adjust the mix of these elements so that he can adequately cope with each sales situation. In this process the salesman must not only analyze his customer and the setting, but himself as well, because in the new sales world it is the salesman who must adjust to the personal, social, and emotional needs of the other person.

The Salesman as a Problem Solver

The question which should be foremost in the modern salesman's mind is, "What is there about my product that can satisfy my customer's needs?" This is where the problem-solving aspect of the sales job comes in. There must be a need for a product or service before a successful sale can be consummated.

In his approach to problem solving the salesman of today's selling world actually applies the scientific method to his task which begins with a definition of the problem. In selling, the problem is one of discerning the customer's needs. As researchers will acknowledge, defining the problem is one of the most challenging tasks in the use of the scientific method. In many cases an observer may locate what he believes is the

problem, only to discover that the cause of the problem is hidden. A simple case, for example, might be when a salesman can easily see that a customer is losing money because of the lack of sales volume. He may look further and discover that the low sales volume is due to a lack of sufficient inventory. A still more penetrating look might indicate that the lack of inventory is due to the fact that the dealer doesn't have the finances to purchase adequate stock. In this case the problem isn't one of providing the dealer with goods, but providing him with the means for paying for the goods. Yet, perhaps the search shouldn't stop here. Problems have ways of developing out of other problems. The firm may have lost money to begin with because the sales people were ill-trained and made bad deals on the product that they did stock. This may eventually turn out to be the seat of the problem.

The purpose of this simple illustration is to point out that problems seldom have a simple aspect and generally don't have a simple one-answer solution. In this respect, the problem-solving aspect of modern salesmanship is one of its most challenging features.

Deciding upon adequate solutions to problems is the next step in the salesman's problem-solving activity. Once a problem or series of problems has been defined, one must look for alternative ways of solving it. Generally two or more alternatives will be present even though one may merely be to do nothing. Solutions to problems may be easily determined, or they may take long periods of time. The skillful salesman will manage the situation so as to get his customer completely involved in both the analysis of the problem and in the search for its solution. The salesman of the new sales world realizes that it benefits both the customer and the company if they work together in the problem-solving activity, because it is here, working together, that the strongest bond between company and customer can be made. Furthermore, cooperative problem solving means there is a greater likelihood for the success of the solution because both parties will feel responsible for the decisions made. Another plus factor is that with success, both parties can take credit for a job well done. The "new" salesman realizes that relationships formed through cooperative efforts of this kind form a high barrier to competitive companies. He recognizes good customer-vendor relations grow not through forceful sales presentation, sales promotion ballyhoo, and the like, but from the efforts of dedicated sales people

who are conscientiously interested in the welfare of their own company and the customers they serve.

It is axiomatic in the arena of merchandising today that repeat business is the profitable business, and that repeat business only comes through customer satisfaction. Thus the salesman's role as a problem solver is most strategic. In the new sales world it is his job to discover the customer's wants and through his problem-solving efforts satisfy them.

In all of this problem-solving discussion, we have hardly mentioned product. This exemplifies the change in attitude from the old type of selling to the new. In the new sales world, the product is not the focal point of the sales effort. In the old world of selling the attention was on the product: to sell it, regardless of how or why, was the first commandment of the old attitude. Today the attention should be focused on the customer; his needs and requirements assume the first place in importance. This change in attitude has done more than anything else to kill the old hard-sell seat-of-the-pants salesman and give rise to the new salesman who finds problem solving is one of his major roles.

The Salesman as a Communicator

In marketing, the channel of distribution is sometimes looked upon as being made up of three flows: an outward flow of product, a return flow of cash, and a circular flow of information which energizes the other two flows. Information flows outward from the firm in the way of advertisements, price lists, invoices, personal sales messages and the like. The return flow of information consists of orders, customer complaints, inventory reports, sales data, and so on. In all three flows that take place in the channel of distribution the salesman plays an important role, but principally his responsibility is with the flow of information—the key flow, because it keeps the other two flows moving. It is as simple as this: without orders there is no product flow, and without orders there are no invoices and no cash flow. So, basically, the entire marketing process revolves around information flow of which the salesman of the new sales world is a pivotal figure because he is a communicator of information and a collector and interpreter of information. As the company's field spokesman, he is the official representative of the firm. He is responsible for both an outward and inward flow of information. He communicates

to each link in the channel of distribution product information, company policy, selling information, technical instructions and marketing knowledge of many kinds. He communicates not only verbally but nonverbally as well. As the official spokesman for the firm he imparts the image of the company in the way he talks, walks, looks, and acts. He can be, and in most cases is, the firm's most important image builder in the field.

Under the new management philosophy often referred to as "the marketing concept," the firm's orientation is directed toward the consumer and the consumption of the product rather than the production of the product; therefore the information flowing back from the market place becomes critically important. It provides the ingredient that sustains the total system of the business enterprise. As mass consumption more and more dominates the American marketing scene, it becomes more and more important to keep in touch with the market place through the feedback of a wide variety of information. Consumer likes, their dislikes, the changes in their buying habits, competitive offerings and strategies in the field and the like are samples of the type of information needed to successfully operate in the world of modern marketing. This is why firms must ask today's salesmen to be more than purveyors of product. They must be skilled communicators.

Salesmen often fall into the routine of calling on every customer in the same manner. They use the same trite approach, in many cases a negative one (you don't need anything today, do you?), and never experiment with their sales presentation to see where improvements can be made. These people aren't communicators, nor are they salesmen of the new sales world. They are no more than order takers. Anyone can develop a routine-like approach and go through the motions of being a salesman, but a true salesman is creative; he is spontaneous. He views each sales situation as being entirely new and adapts his sales presentation to it. This is largely a communication job and involves far more than a mere verbal exchange. It means the salesman must be able to read the unverbal cues which are transmitted by the individual he contacts and interpret them to help him adjust his sales presentation in a manner which will gain acceptance. The new communication job means being able to understand another's personality and adapt to it. The buyer's place of business, his office, his dress, his attitude in greeting and listening, and his comments and questions are guides to the salesman in this adaption process. He must involve the buyer in this communication exchange and must do

so in a receptive manner. This takes diplomacy, patience, and understanding. It takes a special kind of communicative creativity. The creation of this reciprocal communicative creativity is what is required of the salesman in the new sales world.

The Salesman as a Manager

The salesman of the new sales world must not only approach the problem of his individual customers from a systematic point of view but must also look upon his total job in this manner. We often hear of the sales organizations who have their periodic salesmeetings with ringing addresses by the sales executives, where slogans are shouted and company songs are sung for the purpose of generating enthusiasm. After such a get-together, the sales people are supposed to go out and bowl the customers over. But as any football coach knows, it takes more than an inspiring pep talk to get the job done. It takes knowledge of the fundamentals, it takes teamwork, it takes strategy, and above all it takes a plan of action. Today the effective salesman is one who thinks ahead. He sets goals. He forms strategies to accomplish the goals. He lays plans as to how the sales strategies can best be carried out. He schedules his time. In general, he applies sound management techniques to the job of selling—and effective management begins with the facts about what must be managed. In this case, it is a sales territory. The "new" salesman knows the makeup of his territory in detail. He knows who his strong dealers are and his weak ones. He knows those who are potential dealers and those who may soon disappear from the field. He knows who his competitors are and where they are located. He has a feel for the market; he is aware of how his company and his dealer organization are regarded in comparison with his competitors. He knows the economic trends in his territory, the political feeling and the territory's social and cultural characteristics. All of this and more make up the knowledge today's salesmen must have.

It is vital to remember, however, that knowledge in itself is not enough. What counts is the way the knowledge is used. This is where territory management comes in—the creative salesman must apply this knowledge so that the territory produces a satisfactory return. The new salesman utilizes his knowledge first of all to make forecasts. He determines what he can reasonably expect in sales from his territory and from

this establishes goals for himself. Goals or objectives are important because they provide incentive and standards by which the salesman can measure his efforts. Defining goals may involve more than sales quotas. Goals can be defined in number of customers served. The salesman may set as a goal an increase in the number of users of his product—say, by twenty percent or some other designated amount. The setting of goals or objectives of this kind leads the salesman to another step in the use of management principles. He must determine how the objectives are to be accomplished. This involves the development of strategy and a careful planning of a step-by-step determination of how the job is to be done. If it is a matter of increasing the number of users of the product, the strategy may be to call on five new prospects every week. The plans then must fit these new prospects into the call schedule so they can be included among the calls on the regular product users.

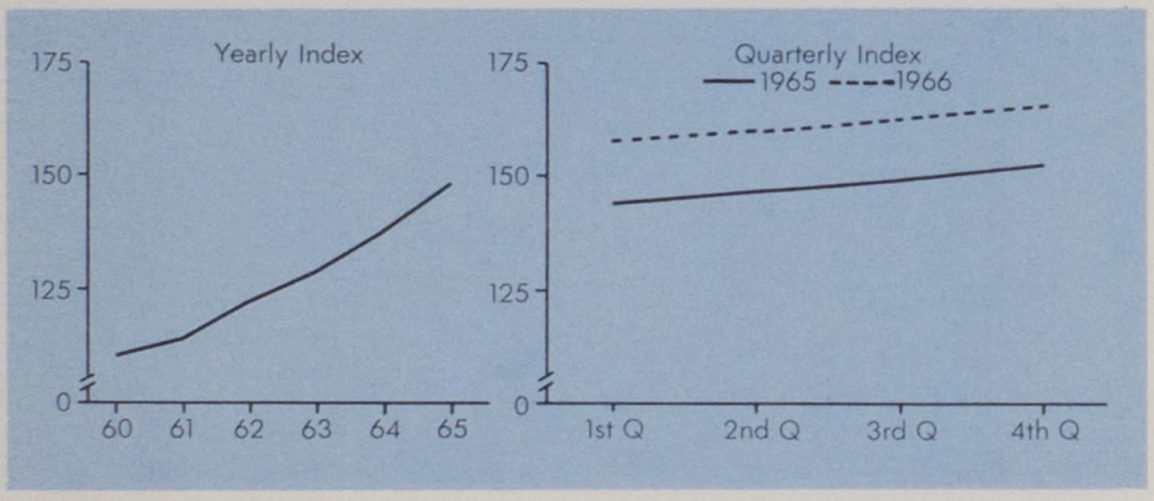
Thus, scheduling follows planning. Scheduling means that the plan is executed according to some predetermined time schedule. The salesman sets his calls up so he may accomplish the most with each account. If he knows that a certain person is easiest to see before eight in the morning, he schedules the call for that time. If he knows an account is agreeable to working through the lunch hour, he arranges his schedule accordingly. He makes appointments ahead. He arranges his calls so there is a minimum of lost time between them. Here, too, the salesman keeps in mind that he must adjust his time to that of his customers. This is why planning and scheduling rank high in importance in the new sales world.

Another important aspect of territory management is one of review and follow up. The old salesman was prone to take a hit or miss attitude toward his job and seldom looked back. He made commitments but perhaps didn't follow through on them, unless they jeopardized the immediate sale. He seldom paused to reflect on the type of selling job he was doing. He was too busy "selling product." The new salesman, on the other hand, makes a practice of pausing to examine the work he has done, the commitments he has made; and he measures his accomplishments against the goals he has set. Periodically he will make this analysis with his sales manager, and together they will endeavor to determine where the sales performance can be improved. This type of self-analysis takes a certain degree of humility and a great deal of objectivity, but it exemplifies the pragmatic and realistic attitude the salesman of the new sales world takes toward the selling job.

National Indicators —

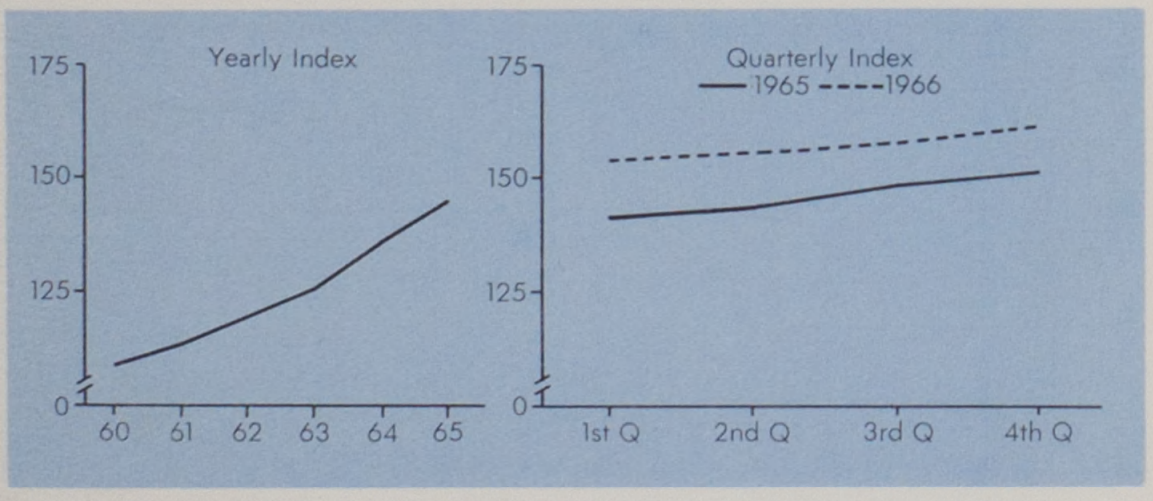
GROSS NATIONAL PRODUCT

1957-59 = 100 — Seasonally adjusted, annual rates



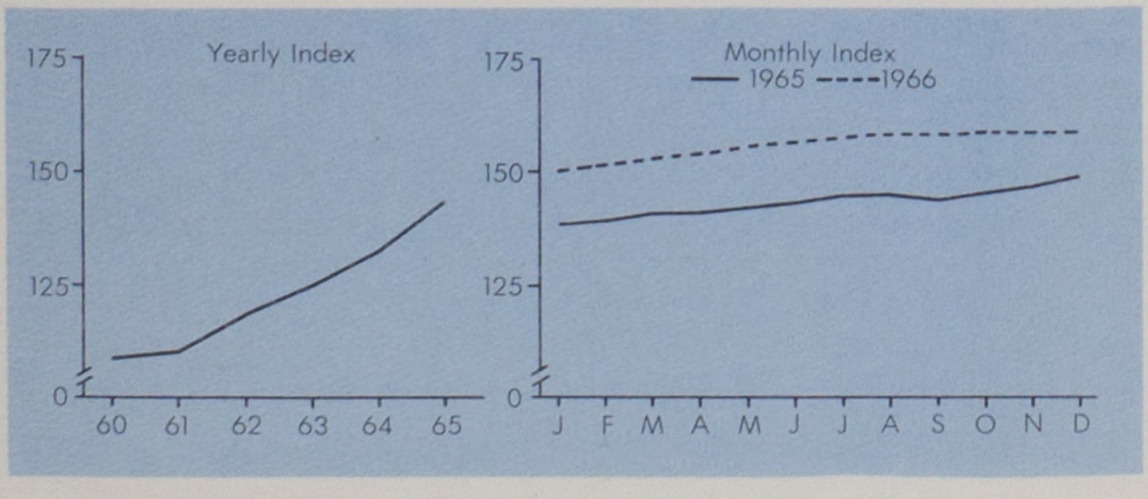
DISPOSABLE PERSONAL INCOME

1957-59 = 100 — Seasonally adjusted, annual rates



INDUSTRIAL PRODUCTION

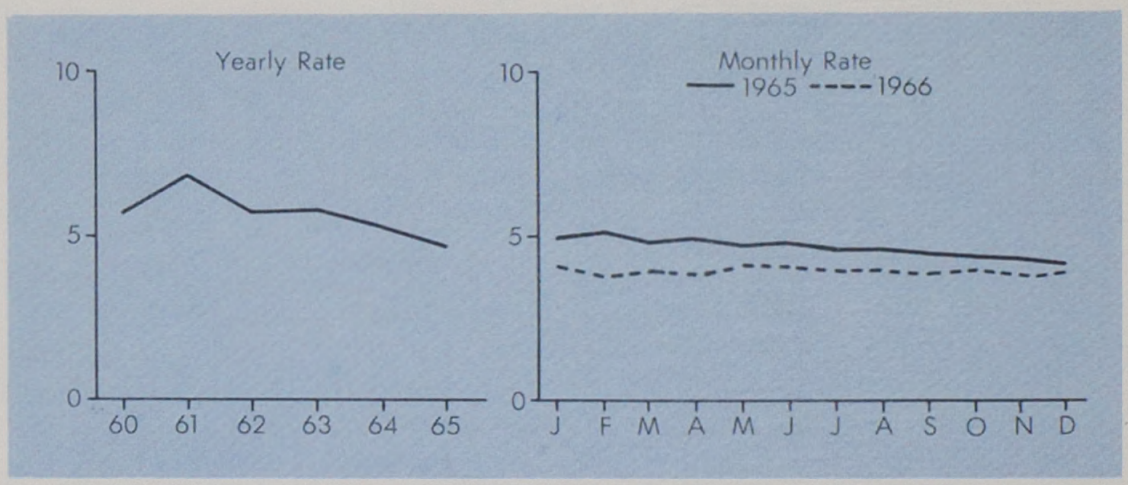
1957-59 = 100 — Seasonally adjusted



National Indicators —

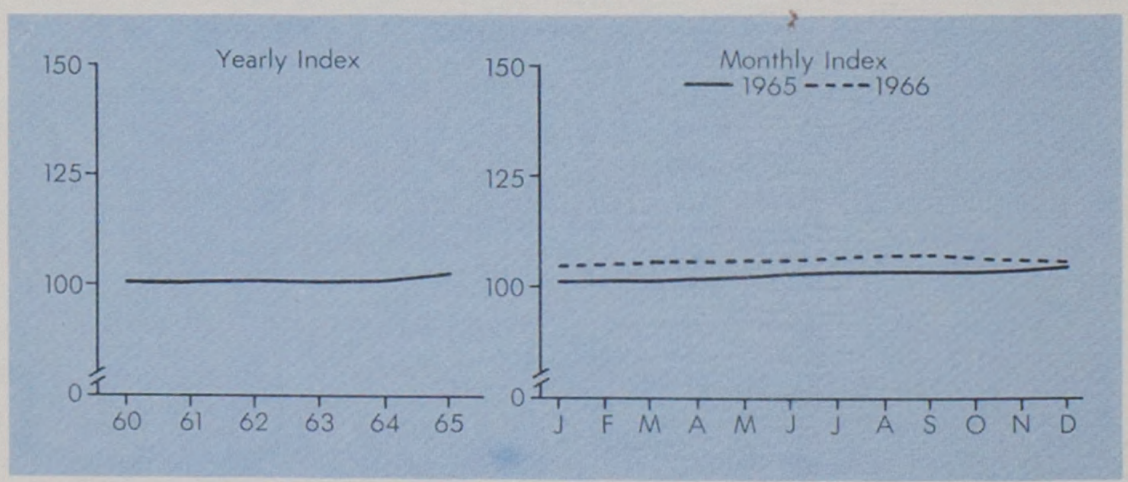
UNEMPLOYMENT AS % OF THE LABOR FORCE

Seasonally adjusted



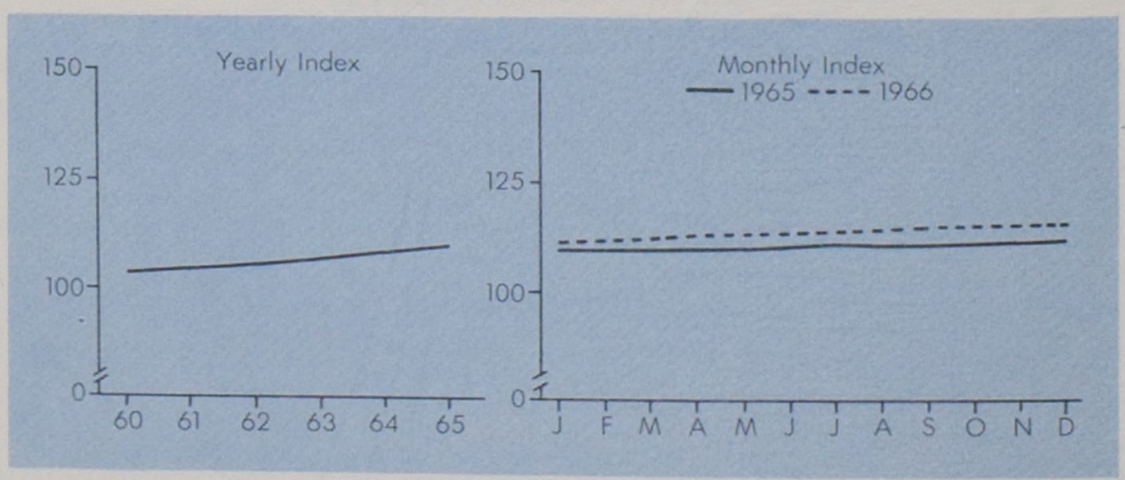
WHOLESALE PRICE INDEX

1957-59 = 100



CONSUMER PRICE INDEX

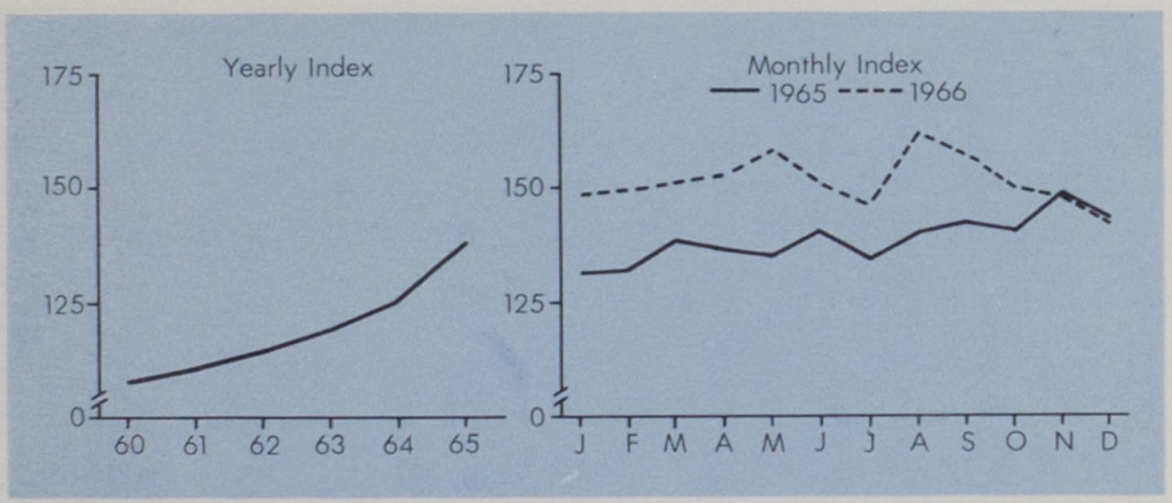
1957-59 = 100



Montana Indicators —

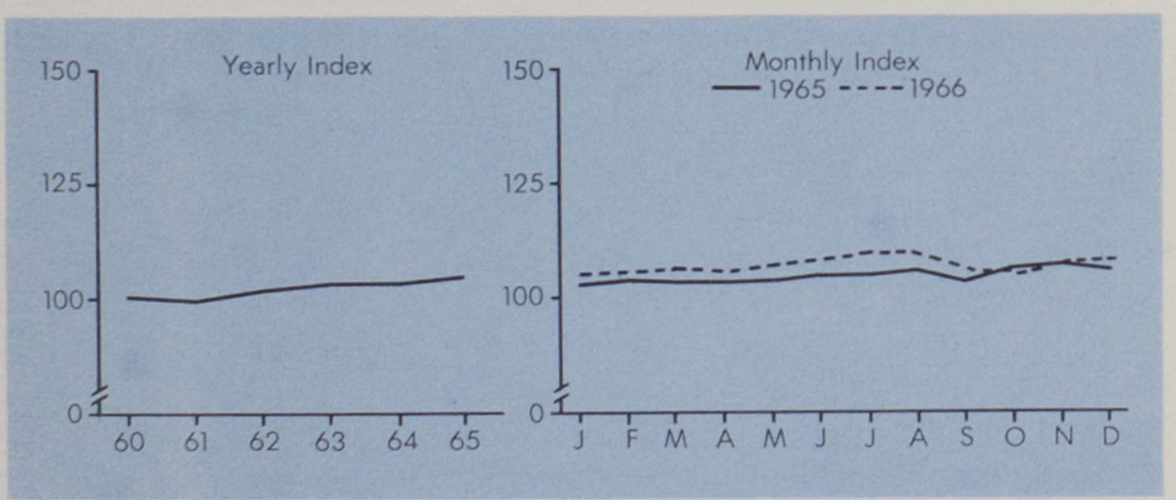
BANK DEBITS

1957-59 = 100 — Seasonally adjusted



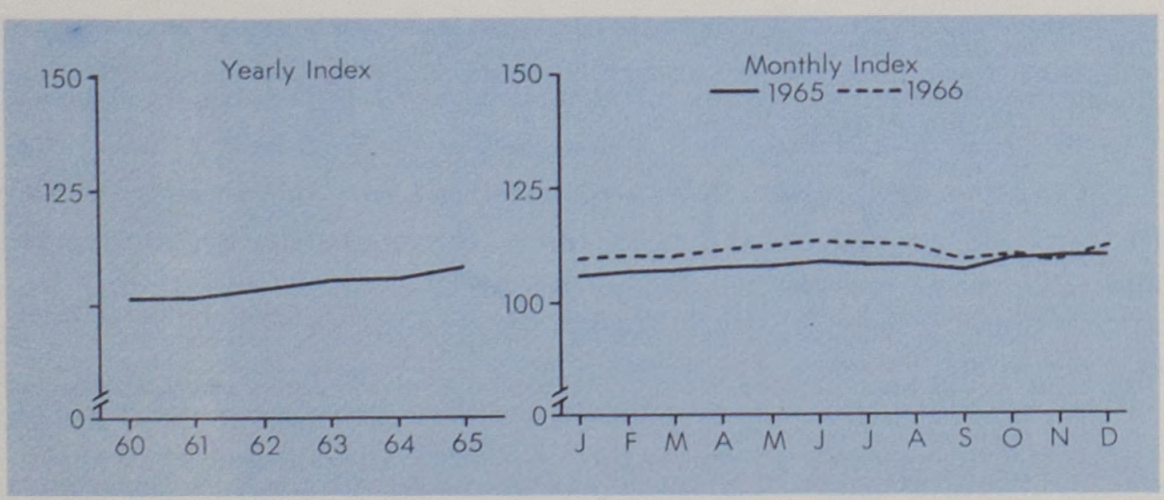
EMPLOYED WORK FORCE

1957-59 = 100 — Seasonally adjusted



NONAGRICULTURAL EMPLOYMENT

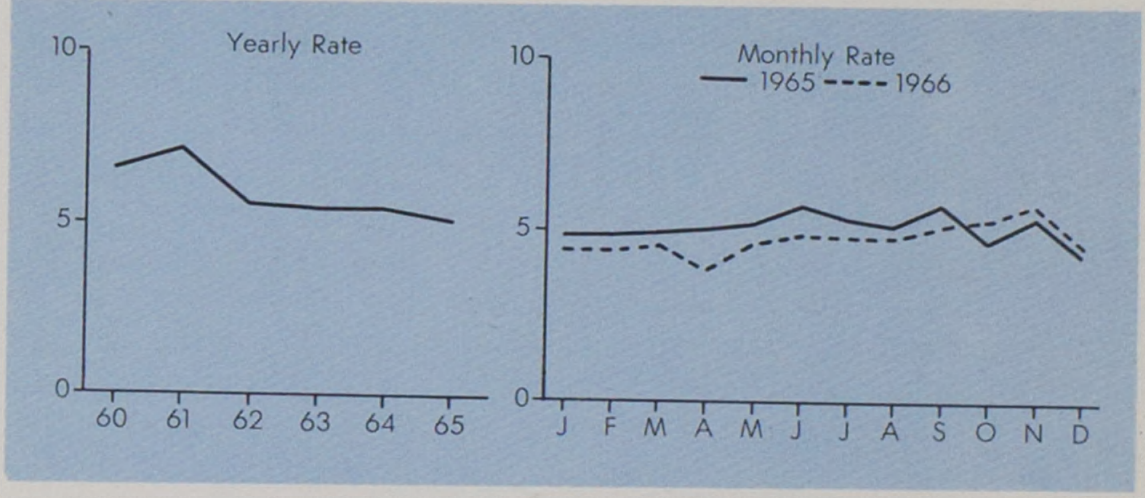
1957-59 = 100 — Seasonally adjusted



Montana Indicators —

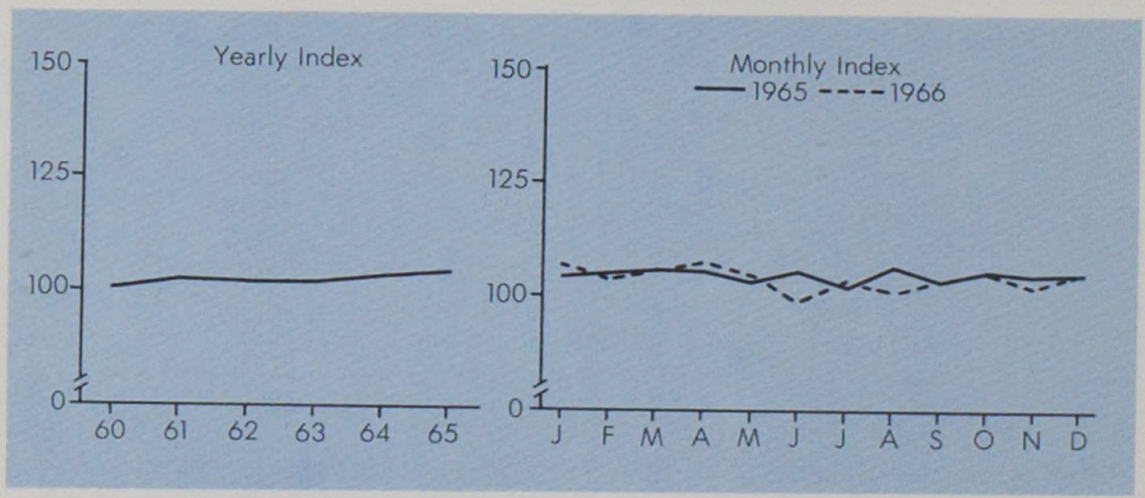
UNEMPLOYMENT AS % OF THE LABOR FORCE

Seasonally adjusted



AVERAGE WEEKLY HOURS, MANUFACTURING

1957-59 = 100 — Seasonally adjusted



SOURCES OF DATA

National Indicators

Gross national product: U. S. Department of Commerce, Office of Business Economics.

Disposable personal income: U. S. Department of Commerce, Office of Business Economics.

Industrial production: Board of Governors of the Federal Reserve System.

Unemployment as a percent of the labor force: U. S. Department of Labor, Bureau of Labor Statistics.

Wholesale price index: U. S. Department of Labor, Bureau of Labor Statistics.

Consumer price index: U. S. Department of Labor, Bureau of Labor Statistics.

Montana Indicators

Bank debits: Federal Reserve Bank of Minneapolis.

Employed work force: Unemployment Compensation Commission of Montana, in cooperation with the U. S. Department of Labor, Bureau of Labor Statistics. Excludes military.

Nonagricultural employment: Unemployment Compensation Commission of Montana, in cooperation with the U. S. Department of Labor, Bureau of Labor Statistics.

Unemployment as a percent of the labor force: Unemployment Compensation Commission of Montana, in cooperation with the U. S. Department of Labor, Bureau of Labor Statistics.

Average weekly hours in manufacturing industries: Unemployment Compensation Commission of Montana in cooperation with the U. S. Department of Labor, Bureau of Labor Statistics.

The territory salesman is often looked upon as a man performing a job alone, with occasional help coming from the sales manager or other representatives from the home or branch office. But in the new sales world, the creative salesman will not remain alone for long. Through his contacts in the field he will soon develop a sales organization of his own. He enlists the aid of his customers. If he is a salesman calling on dealers, he enlists the help of store managers, assistant store managers, and department heads, but most of all he seeks out the salesmen who come into contact with the ultimate consumer. He does this through communication, education, training, and motivation. Systematically he will go about organizing such a sales force by setting up dealer meetings, by training the sales personnel in handling the product, by instructing the service men on possible problem areas, and by doing anything else he can to make the job easier for those who handle his product. He realizes the organization and development of a territory sales organization is one of his most important tasks. He knows that having good field representation is like having a good grass roots political organization, because it is in the field that the final sale is made, where repeat business is created and where customers are won and lost. The salesman of the new sales world realizes that the success of the entire channel of distribution is dependent upon the type and amount of customer representation it has in the field.

It can be readily seen from the foregoing that the salesman in the new sales world performs management tasks similar to those performed by managers on any executive level. With this in mind, it doesn't seem appropriate to look upon these sales personnel in the narrow salesman sense any more. Instead they should be viewed in a much broader fashion. The duties they perform make them more than salesmen: they are territory managers.

Conclusion

There is no question but that the job of the salesman has gone through a dramatic change in recent years. In this era where all forms of sales promotion are on the increase, the sales job has become more important than ever. The salesman has become a member of the management team. Personality, persuasive tactics, and product ballyhoo are no longer the basic criteria for sales success. Today's salesman must have a wider range of credentials, because his job has become more complex.

He must have executive ability and understand the principles of organization and management, because he plays the important role of territory manager. He must have an inquiring mind and be able to recognize problems and arrive at satisfactory solutions to them, because one of his major roles is that of problem solver. He must have an understanding of human behavior to adjust to the personalities of others and in so doing gain acceptance for himself, his company, and his product. In accomplishing this he plays the role of communicator.

One of the sad commentaries about the salesman job is that the image changes so slowly. The image from the old regime still surrounds him. Business students are reluctant to take positions in sales largely because they have a misconception of what the present job entails and are fully aware of the unprestigious image it carries. Unfortunately, little has been done by educational institutions or the business community to upgrade the image, although some progress has been made. Titles such as district sales manager or sales administrator have been given to the territory salesman's job. Often this move towards upgrading the job is lost, however, when the job description is given. "Oh, it's just a fancy name for salesman," is the general attitude.

The role of today's salesman should not be taken lightly by either the man who is doing the job or by the company who hires him. The new salesman's role is expensive as well as important. According to one authority, the average cost of an industrial sales call in 1965 was $35.55—with a high per sales cost of $819 for a company selling concrete plant equipment.[7] These figures are for a single sales presentation.

When one takes into account costs such as these and the new sales duties which must be performed, it is easy to understand why competent men are needed to perform the selling task. As our productive capacity and market expand, there will be an ever-increasing need for them. Obviously, now is the time for this fact to be generally recognized and acted upon. The business community must encourage the new salesman by recognizing him as an important member of the management team, and it is up to education to prepare the business student for the responsibilities expected of him in the new sales world.

[7]"Sales Call Costs Jump in 1965," *Marketing Insights,* October 3, 1966, p. 8.

City People and Farm Cooperatives

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Cooperatives today are a solidly established part of the American business scene. Mutual insurance companies, mutual investment funds, cooperative wholesale houses, federal credit unions, federal building and loan associations, the news wire services, and many other types of organizations are cooperatives in practice, if not in name and serve all segments of our society. Electricity, telephone service, and credit are provided cooperatively to the agricultural sector of the economy. While all these above named organizations are actually cooperatives, when the average man thinks cooperative he thinks of marketing cooperatives, through which many farmers sell their products, or of supply cooperatives, through which they buy their feed, fertilizer, seed, gasoline, and other necessary supplies. Both are important, both in Montana and the nation as a whole. This paper describes urban attitudes toward these economically important farm organizations.

Growth in cooperative sales brought the cooperative share of the Montana farm supply market to 14.4 percent in 1963. The aggregate of all supply cooperative sales represented 22.2 percent of the national market in 1963. (Table 1 shows Montana and U.S. total cooperative sales as percentages of their respective markets). The importance of cooperatives is shown even more dramatically in sales of petroleum products. As shown in Table 2, in 1963 Montana's cooperatives controlled 47.4 percent—a larger share of the farm petroleum products market than did all U.S. cooperatives combined—43.2 percent. With more than a 47 percent share of the farm petroleum products market, Montana supply cooperatives have achieved a market penetration held by few firms in any industry.

The vigorous growth of farm supply cooperatives' substantial market share has caused concern on the part of competing Montana businessmen in many communities. They attribute much of this success to the co-op's special income tax situation and fear that when co-ops find expansion no longer practical

TABLE 1

1963 SALES OF ALL FARM SUPPLIES NET OF INTERCO-OP SALES

United States Total*	$12,189,873,000
Cooperative Total†	2,704,400,000
Cooperative Market Share	22.2%
Montana Total*	179,571,000
Cooperative Total†	25,812,000
Cooperative Market Share	14.4%

TABLE 2

1963 SALES OF PETROLEUM FUEL AND OIL TO FARMERS

United States Total*	$1,469,036,000
Cooperative Total†	634,246,000
Cooperative Market Share	43.2%
Montana Total*	26,315,000
Cooperative Total†	12,467,000
Cooperative Market Share	47.4%

*Farmer Cooperative Service, U.S.D.A., *Estimated Cash Expenditures for Production Supplies and Equipment by Farm Operators,* Service Report No. 76, November 1965.

†Farmer Cooperative Service, U.S.D.A., *Highlights of Farmer Cooperatives in Montana 1962-63,* State Information Series.

in rural areas and in farm products they will seek to attract new patrons in the region's growing urban areas. They may well have cause for concern. By 1975 it is estimated that 69 percent of Montana's population will live in urban areas (over 2,500 population).[1] North Dakota, part of which was included in this study, is expected to have 48 percent of its population in urban areas. On the other hand, small towns in both states (2,500 population and less) are expected to lose 87 percent of their population.

Research Objectives

The purpose of the research done for this article was to study and identify the attitudes of urban users of gasoline in Montana and western North Dakota. As one marketing re-

[1]John R. Borchert and Russell B. Adams, *Proected Urban Growth in the Upper Midwest 1960-1975,* Upper Midwest Economic Study, 1964, p. 12.

search text defines these terms, "Attitude implies an evaluation of an object or concept, whereas image is concerned with description alone."[2] We felt it important to discover the image of cooperatives held by urban gasoline buyers, and to identify these buyers' attitudes toward patronizing such cooperatives. This information could then be used to estimate the probability of a change in the urban public's buying habits—a change that might threaten non-coop businesses.

Attitude Measurement

To study the attitudes of gasoline users in several cities implies a need for some technique of measurement so that comparisons can be made, and so that some quantitative conclusions can be reached. A large number of unquantifiable impressions or feelings would be difficult to evaluate or to use. If people are asked whether they like daytime television programs they might answer: "Sometimes"; "Yes"; or "They're terrible." These comments indicate something about attitudes toward daytime television; but, if they are to be used to measure attitudes, they must be put in measureable categories, ranging from, say, "favorable," to "unfavorable." Some answers like, "They could be better," are hard to classify in either category.

Another major difficulty in attitude measurement is that attitudes are subjective. No one can see, weigh, or otherwise measure them. Direct questioning of respondents about their attitudes is often ineffective because the respondent himself may not be aware of his attitudes or cannot articulate them.[3] Other respondents are aware and articulate, but hesitant to express an unpopular view or one they consider unworthy.

A number of scaling techniques have been developed to overcome these basic problems of communication. The word "scaling" is used because most such measuring devices involve some type of numbered scale. For instance, when a respondent is asked to indicate his acceptance of some product on a scale from one to seven, or to indicate the extent of his agreement with a statement on a scale from one to five, he seems more willing to answer.

The Semantic Differential attitude scale, described in great

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[2]Harper W. Boyd, Jr. and Ralph Westfall, *Marketing Research,* (Homewood, Ill.: Richard D. Irwin, 1964), p. 323.

[3]Chester R. Wassan, *The Strategy of Marketing Research* (New York: Appleton-Century Crofts, 1964), p. 132.

detail by Osgood,[4] was chosen as the basis of this study for two reasons. First, the Semantic Differential is frequently used in marketing research and appears to be the choice of practitioners in this field, perhaps because it permits the development of descriptive profiles that facilitate visual comparisons of competitive items. Second, according to Mindak, "It is a quick, efficient means of getting in readily quantifiable form and for large samples not only the direction but also the intensity of opinions and attitudes toward a concept . . . be it brand, product, or company."[5]

The theoretical usefulness of consumer attitude surveys in economic prediction is to provide data for predicting consumer behavior. While some critics of such surveys claim that they do not always indicate the purchases consumers will make in the future, others like Osgood go on to say that, like most such arguments, this one is overdrawn. Most supporters of attitude measurement agree that attitude scores indicate only what people will probably do and that what they actually do in a real-life situation depends also upon circumstances at the time. Downey *et al* support the predictive value of attitude scales: they report that cooperative members having a strong sense of cooperative awareness and a favorable attitude toward cooperation buy a far larger percentage of their farm supplies from cooperatives than do those members showing definite anti-cooperative feelings.[6] It seems probable therefore, that favorable consumer attitudes toward cooperatives would facilitate their successful entry into the urban gasoline market and that unfavorable attitudes would hinder this entry.

The Sample

Three cities, Missoula, Billings, and Bismarck were used as sites for taking the 240 interviews used in this attitude study. Missoula at the western end of Montana had a 1960 population of 34,200. It is the site of the University of Montana and the principal trade center for a large, but sparsely populated area. The principal industrial activity is tied to the lumber industry. Its probable 1975 population is estimated at 50,900.[7]

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[4]Osgood, Suci, Tannenbaum, *The Measurement of Meaning* (Urbana, Illinois: University of Illinois Press), 1967.
[5]William A. Mindak, "Fitting the Semantic Differential to the Marketing Problem," *Journal of Marketing*, April, 1961.
[6]Downey, Kohls, Wilson, *Purchasing Behavior of Cooperative Members*, Purdue University Research Bulletin No. 797.
[7]Borchert and Adams, *Op. cit.*

Billings, the second largest city in Montana, had a 1960 urban area population of 57,500 and a probable 1975 population of 90,100. It is located in south central Montana and is becoming a major wholesale and retail center, as well as an oil refining center.

Bismarck, the capital of North Dakota, with its neighboring city Mandan, had a 1960 population of 40,100. The combined population in 1975 is estimated at 52,700. Bismarck's economy depends heavily upon state and federal offices and upon retail and service facilities serving a large farming area.

To make more efficient use of interviewer time, an area probability, or "cluster" sampling method, was used to select subjects to be interviewed in each city. After obtaining maps of all three cities, each block shown was numbered. A sample of 50 blocks was chosen using a table of random numbers. These blocks were then numbered from 1 to 50 in the order they were selected. Interviewers attempted to obtain data from the first five heads of households found by starting on the northeast corner of the block and going clockwise. Each residence was taken in order and two call-backs were made to obtain interviews in the event the heads of households were not available the first time. In case of a refusal to cooperate, the household was to be skipped.

The Interview

After gaining admission to the home, the interviewer explained that he was interested in the attitudes of gasoline buyers and described the method of questioning to be used.

The interview required that the subject rate six real or fictitious companies. The interviewer read each of the pairs of descriptive adjectives and phrases listed below to the subject, who rated each company from one to seven:

A. Rather weak gas	1 2 3 4 5 6 7	Powerful gas
B. Somewhat old, dirty gas	1 2 3 4 5 6 7	Really fresh, clean gas
C. Messy station	1 2 3 4 5 6 7	Neat station
D. Ugly	1 2 3 4 5 6 7	Attractive
E. For farmers	1 2 3 4 5 6 7	For city people
F. Inconvenient	1 2 3 4 5 6 7	Convenient
G. No savings	1 2 3 4 5 6 7	Big savings
H. Dishonest	1 2 3 4 5 6 7	Honest
I. Unfair to competitors	1 2 3 4 5 6 7	Fair to competitors
J. Doesn't pay fair share of taxes	1 2 3 4 5 6 7	Pays fair share of taxes

The companies rated consisted of two well-known major oil companies in this region—Enco and Conoco—which were included as controls; the subject's "favorite," which was included to serve as a model of what urban consumers actually accept in the stations they patronize rather than what they may say they want; a composite "cut rate" company for comparison purposes; and two cooperatives—the Farmers Union Co-op Oil Company and a hypothetical "Consumer's Cooperative Association." This last was included to test the attitude toward the word *cooperative* with and without the addition of the Farmers Union name. It was expected that the "favorite" would sometimes coincide with Enco, Conoco, or the Farmers Union Co-op. But, because the research was concerned with attitudes, not buying patterns, no count was made of the these coincidences.

Hypotheses

The testing of hypotheses is an element of most careful research. By pinpointing the exact subjects to be studied and stating the results expected, the researcher can gather data for which he has specific use. He can then determine whether the data prove his expectations right or wrong. In this case the general hypothesis was that:

> *urban gasoline buyers have a less favorable attitude toward farm supply cooperatives than toward well-known major oil companies. This is because:*
>
> 1. Cooperative gasoline is considered to be inferior to that sold by the majors.
> 2. Cooperative service stations are thought to be less neat, attractive, and convenient than those selling major brands.
> 3. Cooperatives are thought to be in business to serve farmers rather than urban residents.
> 4. Cooperative savings are not believed to be substantial.
> 5. Cooperatives are considered less honest and more unfair to competitors than the majors.
> 6. Cooperatives are not thought to pay their fair share of taxes.
> 7. Popular identification of cooperatives with the Farmers Union repels non-farmers.

Pilot Study

A pilot study of 72 Montana State University students was conducted using the same instructions and descriptive words and phrases planned for the field survey. The results confirmed the hypothesis that the students tested had a generally less favorable opinion of cooperatives than of the major oil companies. It also indicated that cooperatives fell far short of equaling the image of the favorite stations. Out of a total possible score of 5,040 points, the total company scores were as follows:

Favorite	3902	77.2%
Conoco	3633	72.1%
Enco	3367	66.8%
Cut Rate	2870	56.9%
Consumers Cooperative	2704	53.6%
Farmers Union Cooperative	2568	50.9%

Field Interview Results

After completing the pilot study, 240 selected consumers were interviewed during the last two weeks of December 1965, and the first two weeks of January 1966. Most interviews were conducted on weekends and evenings so that heads of households could be reached. The field interviewers reported very few refusals to cooperate in the study, although they did report some confusion on the part of the subjects as to the purpose of the interviews. In order to avoid introducing a bias the interviewers themselves were not told the real purpose, only that attitudes toward gasoline sellers were being studied.

Average Scores

The removal of unusable interviews and partial interviews from the data resulted in unequal sample sizes as between cities and between scales. To return the unequal interview data to a comparable basis, average (mean) scores were computed for use in subsequent analysis. These mean scores for each scale and each company for all cities combined are shown in Table 3, which also shows the number of usable interviews included in the data. The composite data by cities is summarized in Table 4.

It can be seen in Table 3 that the Farmers Union Co-op was

given an overall score of 3.96 by the consumers interviewed. Since 4.0 is the middle of the seven point scale this might be interpreted as a satisfactory score. However, such an interpretation would not be justified since Enco and Conoco scored

TABLE 3

AVERAGE SCORES OF OIL COMPANIES, ALL CITIES COMBINED

Scale	Enco N=238	Conoco N=238	Farmers Union Co-op N=238	Consumers Co-op N=219	Cut Rate N=238	Favorite N=230
A	4.76	4.97	4.07	3.96	3.41	5.31
B	4.92	5.05	4.28	4.04	3.63	5.57
C	5.51	5.14	4.11	4.17	4.22	5.81
D	5.46	5.22	4.02	4.01	4.21	5.63
E	4.50	4.71	3.28	3.51	4.55	4.76
F	5.27	5.41	3.80	4.00	4.30	5.85
G	4.31	4.26	4.04	4.39	4.37	4.51
H	5.41	5.13	4.52	4.45	4.27	5.74
I	5.11	4.94	3.85	4.06	3.78	5.47
J	4.82	4.80	3.64	3.85	4.22	5.07
Composite Mean	5.01	4.97	3.96	4.02	4.10	5.38

Note: Actual scores ranged from 1 to 7. See page 42 for scale titles.

5.01 and 4.97 respectively. It is the difference between company scores that shows the relative success of each company in presenting itself to the urban public, and the Farmers Union Cooperative can be seen to have a substantially lower rating than these two major companies.

Company Profiles

A summary of findings as to relative consumer attitudes toward the Farmers Union Cooperative compared with the five other real or hypothetical companies studied is shown pictorially in the "profiles" presented in Figures 1, 2, and 3. Figure 1 shows the Farmers Union Cooperative with its two real competitors, Enco and Conoco. It can be seen that both Enco and Conoco have higher absolute scores on every scale than the Farmers Union Cooperative. This tends to support the first six hypotheses presented on page 42.

Figure 2 compares the Farmers Union Cooperative with the

FIGURE 1

PROFILE OF SCORES, FARMERS UNION, ENCO, AND CONOCO, ALL CITIES COMBINED

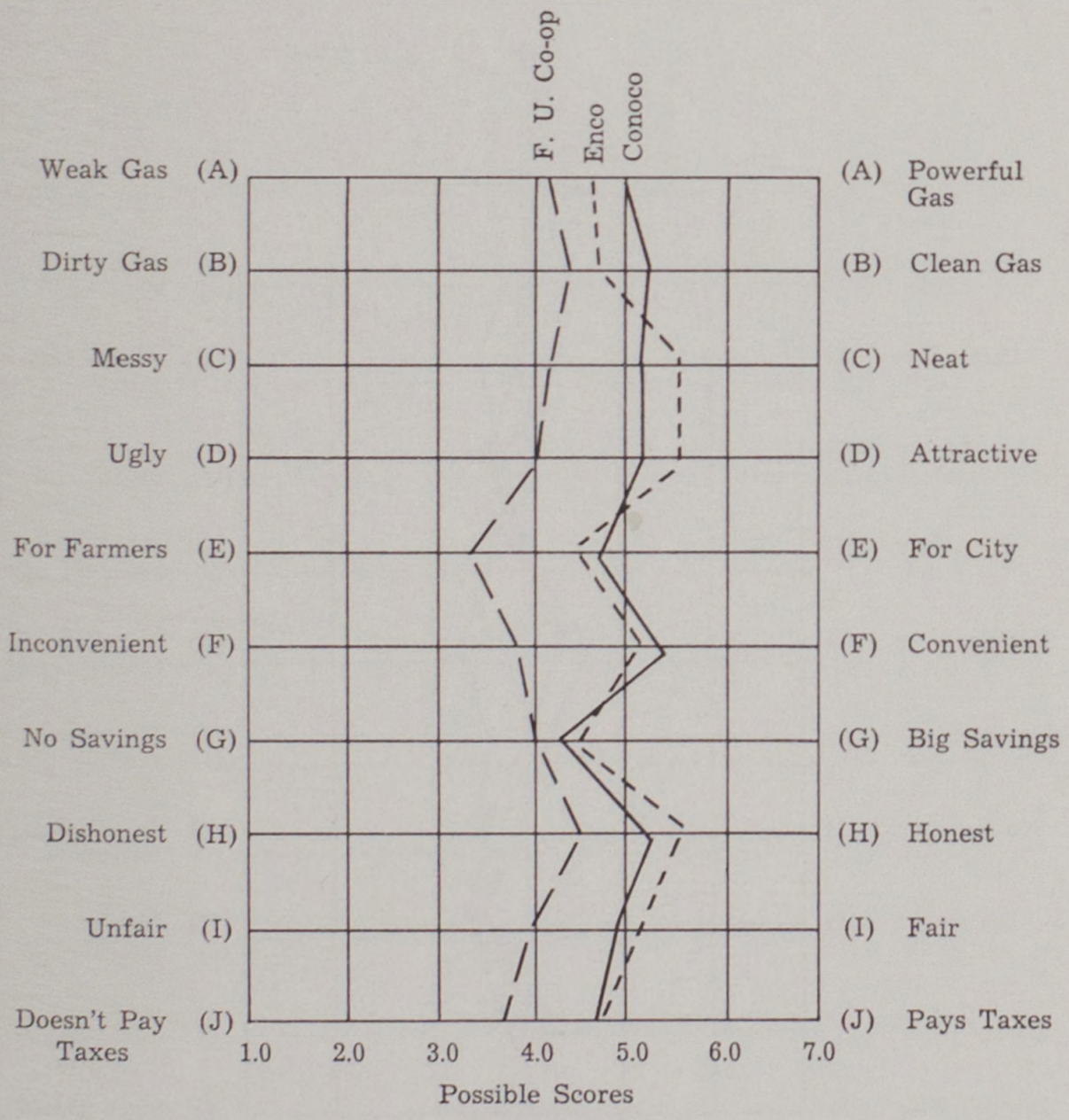


TABLE 4

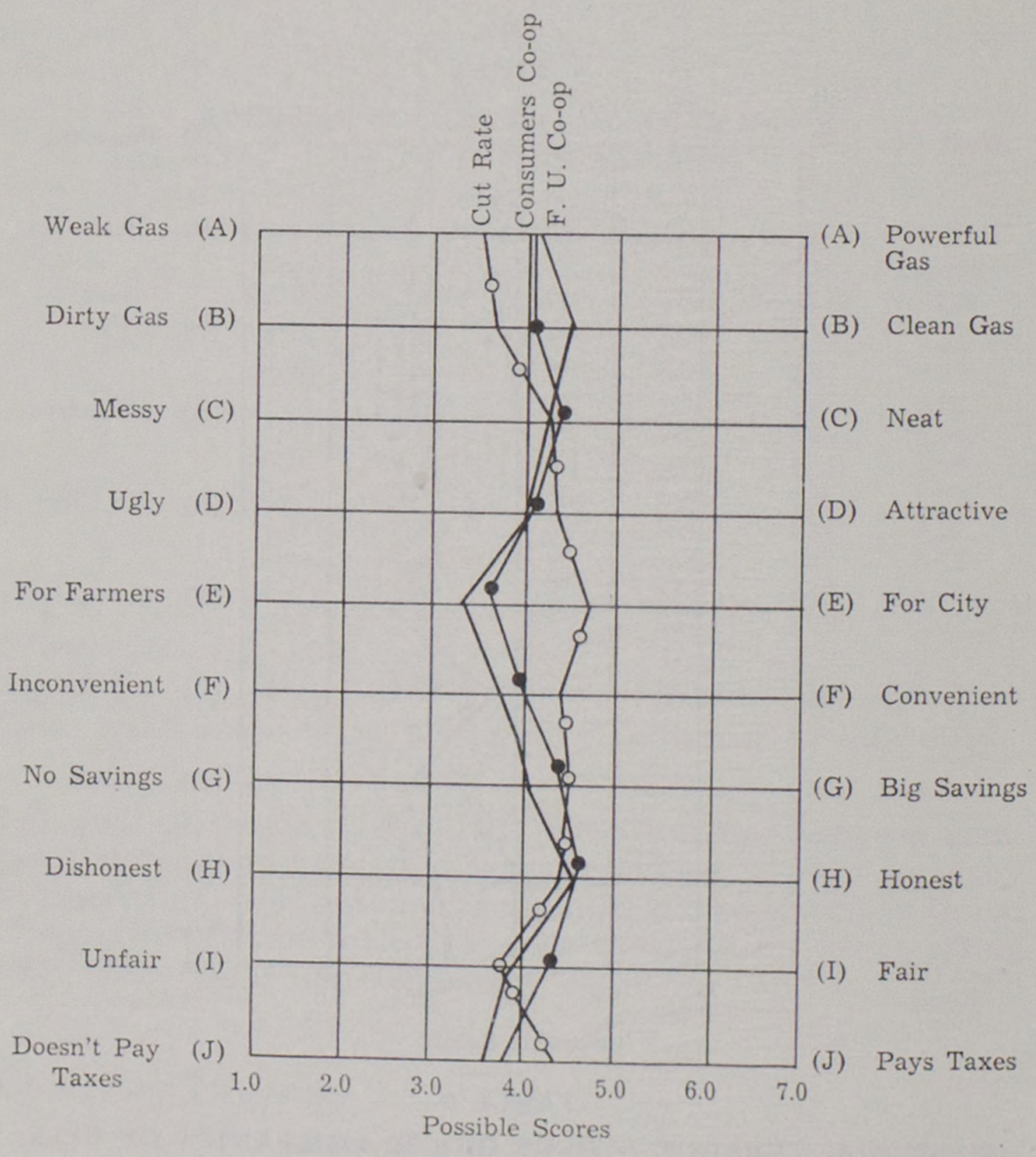
OVER-ALL AVERAGE SCORES OF OIL COMPANIES BY CITY

City	Enco	Conoco	Farmers Union Co-op	Consumers Co-op	Cut Rate	Favorite
Missoula	4.84	5.06	3.95	4.15	4.06	5.40
Billings	5.13	5.18	3.92	3.95	3.89	5.36
Bismarck	5.08	4.66	4.01	3.97	4.34	5.37
Composite Company Mean	5.01	4.97	3.96	4.02	4.10	5.38

Note: (See Table 3)

FIGURE 2

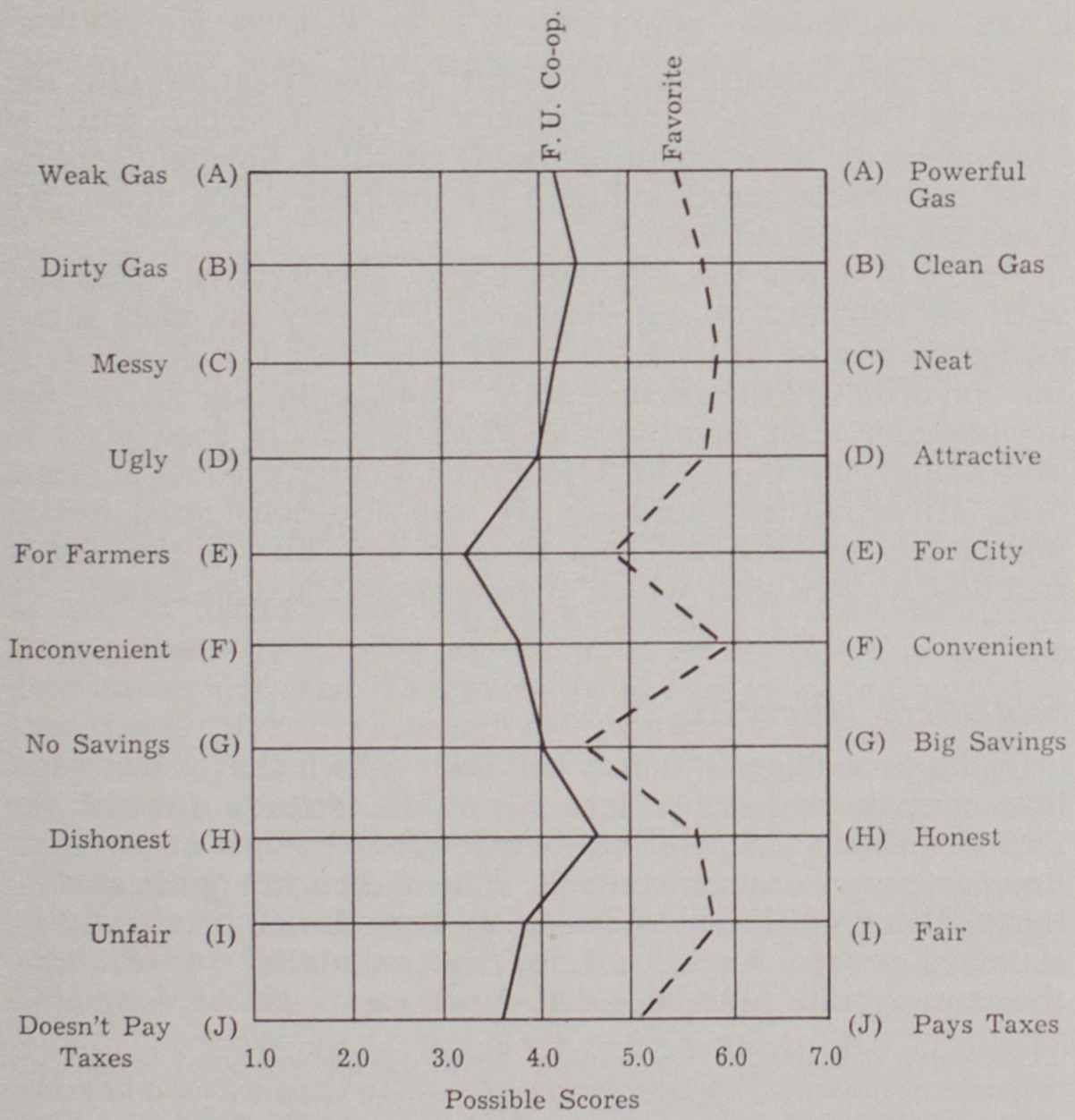
PROFILE OF SCORES, FARMERS UNION, CONSUMERS COOPERATIVE, AND CUT RATE, ALL CITIES COMBINED



hypothetical Consumers Cooperative and the Cut Rate Company. Inspection suggests that the seventh hypothesis (*i.e.*, that the Farmers Union name contributes to a poor urban attitude), should not be accepted, because both cooperatives have very similar scores on most scales. Therefore it is impossible to say whether the Farmers Union name had no effect on results or, whether "Farmers Union" and "cooperative" are so closely identified in urban minds as to be indistinguishable.

FIGURE 3

PROFILE OF SCORES, FARMERS UNION AND RESPONDENTS' FAVORITE GAS COMPANY, ALL CITIES COMBINED



In summary, the first two profiles show that:

1. Urban gasoline users consider co-op gas to be weaker and dirtier than that sold by rival companies.

2. Co-op service stations are thought to be less neat, attractive, and convenient than those of their rivals.

3. Cooperatives are considered more for farmers than for city people.

4. There are no substantial savings thought likely to result from using co-op gas.

5. Cooperatives are considered less honest and more unfair to competitors than their rivals.

6. It is believed that cooperatives do not pay their share of taxes.

There is no evidence that cooperative identification with the Farmers Union repels non-farmers. Overall, urban gasoline consumers do have an unfavorable attitude toward cooperatives, both those associated with the Farmers Union name, and those not associated with it.

Figure 3 shows the Farmers Union Cooperative compared with the subjects' favorite stations. Probably the most interesting feature of this profile is the relatively low score given the "favorite" on the savings scale. The people interviewed did not consider their favorite station an especially good place to save money, but thought it sold a good quality product in clean, neat, attractive surroundings. It was also considered honest and fair to competitors. This, then, is the model of the sort of gasoline station with which these people liked to trade.

Statistical Analysis

In the preceding section it has been shown that urban gasoline consumers have a less favorable attitude toward the Farmers Union Cooperative than toward the two major gasoline companies used as controls. The statistical significance of these attitude differences can be measured mathematically by standard procedures.[8] That is, the probability of obtaining the same results from repeated experiments can be estimated.

[8]Friedman's nonparametric complete block design was used to test the hypotheses presented on page 42. The following steps are used in Friedman's method:

1. Rank the companies' scores on each question from lowest to highest;
2. Obtain the sum of the ranks for each company;
3. Test the null hypothesis of no difference among company average scores by the following equation:

$$\chi^2 = \frac{12}{BT(T+1)} \Sigma R_i^2 - 3B(T+1)$$

Where: 12 and 3 are constants not dependent on the size of the sample,
B = the number of blocks (scales),
T = the number of treatments (companies),
ΣR_i = the sum of the ranks for each company.
This test criterion measures the homogeneity of the company averages and is distributed approximately as chi-square.

Thus, the hypothesis that *cooperative gasoline is considered to be inferior to that sold by the majors* is supported at the 95 percent level by the nonparametric statistics used.[9] This was tested by combining scales A and B, both aspects of product quality. Conoco's "Hottest brand going" and Enco's "Put a tiger in your tank" campaigns seem to have been successful in convincing consumers that these companies sell superior gasolines. It was found during informal discussions that most gasoline users agree that all gas is pretty much the same, all made from the same crude, in the same refineries, and pumped through the same pipelines. But this intellectual assent to equal quality does not carry through to the more basic emotional responses which reflect their attitudes. It is as though they were saying, "Yes, I know gasoline is all the same, but I don't trust the cooperative product."

The data support, at the 99 percent level, the hypothesis that *cooperative service stations are thought by urban consumers to be less neat, attractive, and convenient than those selling major brands.* It can be seen that many cooperatives are housed in unattractive buildings, some have unpaved driveways, others have piles of old tires or oil drums near the gasoline service area. The best of them are clean and neat, but even these give the excessively utilitarian impression of a newly constructed suburban fire hall. It appears that urban consumers are aware of the rather shoddy appearance of most cooperative stations, and are adversely influenced by it.

Each local cooperative is a separate corporate entity with only products and suggestions coming from the regional supply organization. Therefore, each local cooperative is free to follow its own individual predilections as to style and appearance. Major oil companies, on the other hand, control their local outlets very closely, thereby guaranteeing uniformity of appearance and cleanliness from city to city. This results in a continuity that makes positive identification by the traveler easier.

The data support, at the 95 percent level, the hypothesis that *cooperatives are thought to be in business to serve farmers rather than city dwellers.* This conclusion is hardly surprising since most supply cooperatives are affiliated with one or an-

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[9]It should be remembered that in any survey based on random sampling of a population, no results can be stated with absolute certainty. Instead, it is possible to express only a probability. Thus "95 percent level" means that if this particular research were repeated a great many times we would expect the result to be the same 95 times out of a hundred.

other of the national farm organizations and thus many have the word "farmers" in their name.

The data support, at the 95 percent level, the hypothesis that *cooperative savings are not believed to be substantial.* One of the basic purposes of organizing a cooperative is the obtaining of lower prices, yet it seems that urban gasoline consumers do not concede even this advantage to the cooperatives.

The hypothesis that *cooperatives are considered less honest and more unfair to competitors than the majors* is supported at the 99 percent level. This is perhaps the most damaging conclusion to be reached in this report. Urban consumers do not trust cooperatives. It seems unlikely that any substantial number of new members can be attracted to the cooperatives while this attitude prevails. A feeling of trust and confidence seems to be absolutely essential to growth. Possibly respondents did not distrust cooperatives because of any known facts, but rather because of a general aura of doubt and uncertainty surrounding them. If consumer attitudes on any of the scales were improved, a corresponding improvement in all scales, including those relating to honesty and fairness, might result.

The hypothesis that *cooperatives are not thought to pay their fair share of taxes* is supported at the 90 percent level. This finding should not be neglected simply because it is not "significant" at the customary 95 percent level. Any business firm which is even 90 percent sure that its potential customers consider it to be evading taxes has reason for concern. Cooperatives have apparently failed in their educational efforts with the urban public. Their competitors, on the other hand, have successfully told the story of "the investor owned, taxpaying business."

The seventh hypothesis that *identification of cooperatives with the Farmers Union name repels non-farmers* is not supported by the data. Urban consumers do not consider the two cooperatives named to be substantially different. Had there been a significantly lower score given the Farmers Union Co-op, as was expected, the explanation would have been that urban people have a more negative attitude toward the Farmers Union than toward cooperatives. But the negative result actually obtained is open to two possible interpretations: either the Farmers Union name makes no difference, or cooperatives in this area are so closely identified with the Farmers Union that urban gasoline consumers make no distinction between them. In any event, there is no evidence that the association of cooperatives with the Farmers Union name attracts urban

gasoline consumers, while there is evidence (from the third hypothesis) that cooperatives are associated with farmers rather than city people.

To test the general hypothesis that *urban gasoline consumers have a less favorable attitude toward the Farmers Union Co-op than toward the two major oil companies* the total scores received by each company were used. Overall, the total attitude toward the Farmers Union Co-op rates a substantially lower score, at the 99 percent confidence level, than the attitude toward Conoco or Enco. This, of course, was expected inasmuch as all the specific hypotheses individually gave similar results.

One further comparison of interest to this study can be made by testing the average scores obtained on all questions by the Farmers Union Co-op in each of the three cities where the study took place. The results of this computation show no evidence of a difference in attitude toward the Farmers Union Co-op in the three cities studied.

Summary and Conclusions

Farm supply cooperatives have gained a substantial share of the farm petroleum products market: 47 percent in Montana and 43 percent nationally. One virtually untapped market for cooperative gasoline is in the rapidly growing urban centers. This research was conducted to measure the attitudes of urban gasoline consumers in Montana and western North Dakota toward the Farmers Union Cooperative—a typical name for the local cooperative organizations affiliated with the Farmers Union Central Exchange—as an indication of the probable success of any cooperative urban sales expansion effort.

A random sample of 80 gasoline consumers was drawn in each of three of the larger cities of the region: Billings, Montana; Missoula, Montana; and Bismarck, North Dakota. This sample was asked to participate in a Semantic Differential test of their attitudes toward the Farmers Union Cooperative, Enco, Conoco, a fictitious Consumers Cooperative and their favorite gas station. The results of these interviews were analyzed using appropriate statistical methods.

To summarize the findings as to urban attitudes, it can be said that urban gasoline consumers consider the Farmers Union Cooperative to be similar to a cut rate company, except that this cooperative sells primarily to farmers. The findings further show that cooperatives and cut rate stations are consid-

ered to be sellers of substandard gasoline in comparatively unattractive surroundings. In contrast with its major competitors the cooperative is considered a poor citizen; it is suspected of dishonesty and of failing to pay its fair share of taxes. It appears that while members and supporters of the "cooperative movement" have been telling one another of the role of cooperation as a self-help tool for progress, they have largely failed to reach people outside their own group with this message.

From the foregoing evidence it can be seen that non-coop sellers of petroleum products have little to fear, at this time, from cooperatives. It is hard to believe that urban consumers will be eager to save a few cents per gallon by buying what they consider poor quality gasoline from questionable business organizations in unattractive surroundings. While this research was directed exclusively at buyers of gasoline, it seems probable that the results could be extended to cover any organization with the word cooperative in its name.

The Burden Distribution of Certain Montana and Federal Taxes

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As we have pointed out in previous articles about Montana taxes the distribution of the burden of taxes is one of the three basic viewpoints from which taxation can be analyzed. (The other viewpoints are effects on economic behavior and administrative and compliance costs). The most generally accepted criterion for the distribution of tax burden is the economic ability of taxpayers, and income is the most commonly used measure of a person's economic ability. Whether a tax is progressive, proportionate, or regressive (that is, whether it takes an increasing, constant, or decreasing percentage of incomes as incomes rise) is an important criterion in judging the fairness of a tax.

Earlier issues of the *Montana Business Quarterly* have discussed such topics as the comparison of Montana taxes and expenditures with levels in other states, the Montana Tax Study Task Force recommendations, and the estimated burden distribution of most Montana taxes considered in the aggregate. In future *Montana Business Quarterly* articles, we shall investigate the burden distribution of the Montana individual income tax, state and local property taxation, and the Montana inheritance tax. This paper provides estimates of the progressivity or regressivity of most of the remaining components of our state's tax structure and also discusses certain federal taxes. These estimates should provide readers and policy makers more solid grounds on which to evaluate the fairness of the taxes.

Specifically, this paper estimates the average portions of their income that people with various levels of income devote to Montana gasoline, cigarette, alcoholic beverage taxes, elec-

trical energy gross receipts, insurance company gross receipts, natural gas gross receipts, telephone and telegraph gross receipts taxes, and the federal corporation income, gasoline, cigarette, alcoholic beverage, and telephone and telegraph excise taxes. We have estimated burden distribution figures separately for urban dwellers, rural non-farm people (mainly small town occupants), and rural farm dwellers. First, estimates of the burden distribution of each of these taxes are made with the assumption that the total amount of each tax is shifted to consumers in the form of higher prices. There is both empirical and theoretical justification for this assumption, especially with respect to some taxes. Next, the burden distribution of one group of the taxes (mainly corporate income) is calculated on the assumption that none of this group of taxes can be directly shifted forward to consumers or backward to workers or other input owners, but must be borne by the owners of the firms involved.

Most of the data for this study has been obtained from studies of consumer income and expenditures made by the United States Departments of Labor and Agriculture. Consequently, the figures in this article are only as accurate as the data on which they were based. These studies, which are based on financial records kept for these Departments by samples of families, list the average amounts spent for various commodities and services by families in various arbitrarily determined income brackets. The Department of Labor study shows expenditures by urban and by rural non-farm families in the western portion of the nation, which includes Montana. The number of families included in this study appears to be large enough to provide quite accurate results. The Department of Agriculture's study of expenditures is still incomplete, and the published results include relatively few families in low and high income brackets. Thus, the rural farm figures for these brackets may not be completely accurate. The Agriculture Department study as yet includes no figures for the western states, so it was necessary to use national figures for the tax analysis.

To obtain estimates of tax burdens by income bracket from this data, it was first necessary to approximate each tax as a percentage of the average price of the items covered by the tax. This percentage was then multiplied by the amount that the average consumer in an income bracket spent for the taxed items. The result was the average amount of tax included in the price of these items, if we assume the tax to be fully

shifted. Finally, this amount of tax was divided by the average income of people in the income bracket. This quotient was the average percentage of people's income within the income bracket devoted to the tax. Comparing these percentages from bracket to bracket suggested the overall progressivity, proportionality, or regressivity of the tax.

The following section presents the results of these calculations on a tax-by-tax basis. Results are shown separately for urban, rural non-farm, and rural farm dwellers. Because of the nature of the data and theoretical assumptions on which the results are based, it was impossible to perform the statistical tests which would be necessary absolutely to prove progressivity and regressivity. Therefore, the results of the study are estimates which must be used with caution.

RESULTS

Gasoline Excise Taxation

Montana taxes gasoline six cents per gallon, and the federal tax is four cents per gallon. Assuming the average price paid for gasoline in Montana to be 38 cents per gallon, the state tax is about 15.8 percent of the retail price, and the federal tax is about 10.5 percent. Multiplying these percentages by the amount spent on gasoline, and dividing by the income of the average person in each income bracket yields the results shown in Table 1. No figures are shown for rural farm dwell-

TABLE 1

ESTIMATED BURDEN DISTRIBUTION OF GASOLINE EXCISE TAXATION BY INCOME BRACKET ASSUMING COMPLETE TAX SHIFTING

(Percent)

	Montana Tax		Federal Tax	
		Rural		Rural
Income Bracket	Urban	Non-Farm	Urban	Non-Farm
Less than $1,000	.68	.82	.45	.53
$1,000-2,000	.30	.53	.20	.35
$2,000-3,000	.32	.92	.21	.65
$3,000-4,000	.56	.55	.37	.36
$4,000-5,000	.50	.74	.33	.49
$5,000-6,000	.52	.66	.35	.44
$6,000-7,500	.53	.65	.35	.44
$7,500-10,000	.44	.50	.29	.33
$10,000-15,000	.39	.41	.26	.27
$15,000 and above	.17	.27	.11	.18

ers, since data were unavailable for this group. The reader may note the regressivity of the tax on incomes in excess of $7,500, since the tax as a percentage of income decreases as income goes up. On incomes of less than $7,500, there is no distinct pattern of progressivity or regressivity. These conclusions concerning the burden distribution of the gasoline excise depend on the assumption that the tax is shifted, but this assumption is very probably valid for this tax.

Cigarette Excise Taxation

Both Montana and the federal government levy taxes of eight cents per package on twenty cigarettes. Assuming that a package of cigarettes costs thirty cents, if we use the methodology described above, we will achieve the results which Table 2 presents. For all categories of dwellers, the data imply that the tax is regressive. The irregularities in the percentages for rural non-farm dwellers may be due to sampling error. Cigarette excise taxes are very probably shifted to consumers.

TABLE 2

ESTIMATED BURDEN DISTRIBUTION OF CIGARETTE EXCISE TAXATION BY INCOME BRACKET ASSUMING COMPLETE TAX SHIFTING

(Percent)

	Montana Tax			Federal Tax		
Income Bracket	Urban	Rural Non-Farm	Rural Farm	Urban	Rural Non-Farm	Rural Farm
Less than $1,000[1]	2.08	.62	1.06	2.08	.62	1.06
$1,000-2,000	.48	.43		.48	.43	
$2,000-3,000	.45	.32	.53	.45	.32	.53
$3,000-4,000	.49	.18	.55	.49	.18	.55
$4,000-5,000	.42	.55	.39	.42	.55	.39
$5,000-6,000	.40	.37	.33	.40	.37	.33
$6,000-7,500[2]	.38	.39	.25	.38	.39	.25
$7,500-10,000[3]	.33	.29	.24	.33	.29	.24
$10,000-15,000[4]	.17	.35	.12	.17	.35	.12
$15,000 and above	.13	.11		.13	.11	

[1]Less than $2,000 for rural farm.

[2]$6,000-7,000 for rural farm.

[3]$7,000-10,000 for rural farm.

[4]$10,000 and above for rural farm.

Alcoholic Beverage Taxation

Montana levies an excise tax of twenty percent on hard liquor and $1.50 per 31-gallon barrel of beer, while federal alcoholic beverage taxation consists of a tax of $10.50 per proof gallon on distilled spirits and $9.00 per barrel of beer.[1]

TABLE 3

ESTIMATED BURDEN DISTRIBUTION OF ALCOHOLIC BEVERAGE EXCISE TAXATION BY INCOME BRACKET ASSUMING COMPLETE TAX SHIFTING

(Percent)

	Montana Tax			Federal Tax		
Income Bracket	Urban	Rural Non-Farm	Rural Farm	Urban	Rural Non-Farm	Rural Farm
Less than $1,000[1]	.60	.42	.13	1.25	.87	.28
$1,000-2,000	.17	.05		.35	.11	
$2,000-3,000	.17	.10	.09	.36	.21	.19
$3,000-4,000	.14	.11	.07	.27	.23	.14
$4,000-5,000	.15	.15	.05	.32	.32	.12
$5,000-6,000	.20	.06	.05	.41	.13	.10
$6,000-7,500[2]	.17	.17	.05	.36	.35	.11
$7,500-10,000[3]	.14	.12	.04	.30	.25	.08
$10,000-15,000[4]	.15	.13	.03	.31	.28	.06
$15,000 and above	.09	.12		.18	.25	

[1]Less than $2,000 for rural farm.
[2]$6,000-$7,000 for rural farm.
[3]$7,000-10,000 for rural farm.
[4]$10,000 and above for rural farm.

A recent study of alcoholic beverage consumption in Missoula County, Montana, estimated that Montana taxes constituted about 10.5 percent of all spending for alcoholic beverages, and federal taxation about 16.7 percent.[2] The percentages of taxation by income bracket for Montana as a whole were calculated on the basis of these Missoula County figures. Table 3 shows the results.

For both urban and rural dwellers, the percentages are highest in the below $1,000 income bracket. The tax appears to be approximately proportionate between $1,000 and $15,000 for

[1]The $10.50 rate prevailed at the time of the study; it is now $9.00. A proof gallon is one gallon of pure alcohol, which is rated as 200 proof.

[2]Joseph Awad, *The Additional Social Costs and Taxation of Alcoholic Beverages in Missoula County, Montana.* Unpublished Master of Arts Thesis, University of Montana, Missoula, 1965.

urban dwellers, and at all levels of income above $1,000 for rural non-farm dwellers. For urban residents with incomes over $15,000 and for rural farm dwellers at all levels of income, the tax is apparently regressive to the extent that it is shifted. All of the tax on hard liquor is included in its price by the state liquor monopoly, and most of the tax on beer is probably shifted.

Electrical Energy Gross Receipts Taxation

Montana levies a tax of 1.25 percent of the selling price of electricity. Whether the electric producers are public utilities or cooperatives, the tax is very likely to be fully shifted to consumers. Table 4 depicts the burden distribution of the electrical energy tax by income bracket. Rural farm data was omitted because of the unavailability of data. The table indicates the tax is regressive.

TABLE 4

ESTIMATED BURDEN DISTRIBUTION OF THE MONTANA ELECTRICAL ENERGY TAX BY INCOME BRACKET ASSUMING COMPLETE TAX SHIFTING

(Percent)

Income Bracket	Urban	Rural Non-Farm
0-$1,000	.73	.75
$1,000-2,000	.25	.45
$2,000-3,000	.16	.34
$3,000-4,000	.13	.28
$4,000-5,000	.12	.25
$5,000-6,000	.12	.19
$6,000-7,500	.12	.17
$7,500-10,000	.09	.16
$10,000-15,000	.08	.12
$15,000 and above	.04	.05

Insurance Company Gross Receipts Taxation

Insurance companies doing business in Montana pay the state a tax of 2.25 percent of gross premiums collected in the state. The burden distribution for this tax was estimated by the same method used for the preceding taxes, and the results are shown in Table 5. There is no apparent pattern of progressivity or regressivity for this tax.

TABLE 5

BURDEN DISTRIBUTION OF THE MONTANA INSURANCE COMPANY GROSS RECEIPTS TAX BY INCOME BRACKET ASSUMING COMPLETE TAX SHIFTING

(Percent)

Income Bracket	Urban	Rural Non-Farm	Rural Farm
0-$1,000[1]	.31	.10	.17
$1,000-2,000	.05	.04	
$2,000-3,000	.09	.07	.08
$3,000-4,000	.11	.10	.09
$4,000-5,000	.12	.13	.08
$5,000-6,000	.12	.12	.10
$6,000-7,500[2]	.14	.14	.10
$7,500-10,000[3]	.14	.13	.10
$10,000-15,000[4]	.13	.15	.06
$15,000 and above	.11	.10	

[1]Less than $2,000 for rural farm.

[2]$6,000-7,000 for rural farm.

[3]$7,000-10,000 for rural farm.

[4]$10,000 and above for rural farm.

Natural Gas Gross Receipts Taxation

Montana also levies a tax of one-half of one cent per thousand cubic feet of natural gas sold. The average cost of natural gas for family use in Montana is 76.2 cents per thousand cubic feet. Dividing one-half cent by 76.2 cents yields .0061 percent,

TABLE 6

BURDEN DISTRIBUTION OF THE MONTANA NATURAL GAS TAX ASSUMING COMPLETE TAX SHIFTING

(Percent)

Income Bracket	Urban	Rural Non-Farm
Less than $1,000	.04	.02
$1,000-2,000	.01	.01
$2,000-3,000	.008	.006
$3,000-4,000	.005	.005
$4,000-5,000	.005	.005
$5,000-6,000	.005	.006
$6,000-7,500	.004	.004
$7,500-10,000	.003	.003
$10,000-15,000	.003	.001
$15,000 and above	.002	.001

the rate of the tax as a percentage of gas cost. From this percentage, the burden distribution of the tax was computed. Like the electrical energy tax, this tax is probably shifted. No data were available to calculate the burden for rural farm dwellers. Table 6 suggests the burden distribution of the tax to be regressive. However, the amount of the tax is very small.

Telephone and Telegraph Company Gross Receipts Taxation

Telephone and telegraph companies are subject to a tax of 1.5 percent of their gross receipts derived from business in Montana. The federal government levies an excise tax of ten percent on telephone and telegraph service. Like the taxes on electrical energy and natural gas, the telephone and telegraph taxes are very probably shifted. Their regressive burden distributions are shown in Table 7. Data were not available to calculate the burden distribution for rural farm families.

TABLE 7

BURDEN DISTRIBUTION OF TELEPHONE AND TELEGRAPH SERVICE TAXATION BY INCOME BRACKET ASSUMING COMPLETE TAX SHIFTING

(Percent)

Income Bracket	Montana Gross Receipts Tax		Federal Excise Tax	
	Urban	Rural Non-Farm	Urban	Rural Non-Farm
Less than $1,000	.07	.04	.67	.27
$1,000-2,000	.03	.03	.26	.21
$2,000-3,000	.02	.01	.17	.11
$3,000-4,000	.02	.01	.16	.13
$4,000-5,000	.01	.01	.13	.11
$5,000-6,000	.01	.01	.11	.01
$6,000-7,500	.01	.01	.12	.09
$7,500-10,000	.01	.01	.10	.10
$10,000-$15,000	.01	.01	.09	.08
$15,000 and above	.006	.008	.05	.02

Corporate Income Taxation

Montana currently levies a tax of 5.25 percent on the net income of corporations from their operations in Montana. The present rate of the federal tax on corporate income is 48 per-

cent. There is considerable disagreement among economists whether the tax is directly shifted forward to consumers or is borne by corporate stockholders. The results of one of the more recent and sophisticated studies of corporate income tax shifting indicate that the tax is completely shifted to consumers.[3] On the average, Montana corporations have a profit margin of about 8.9 percent on sales.[4] If it is completely shifted, the Montana tax on corporate income amounts to an average of .467 percent of sales by corporations—that is, .089 times .0525. An estimated 40 percent of sales to consumers in Montana are made by corporations. On that basis, we may compute that .177 percent of consumer expenditures represents Montana corporate income tax. By the same type of calculations, we estimated that the federal corporation tax accounts for 1.08 percent of expenditures by the average Montana consumer. The distribution of the burdens of the Montana and federal taxes on corporate income as estimated by these calculations is shown in Table 8. The reader may note the regressive patterns of both taxes.

Burden Distribution of Various Taxes Assuming No Shifting

Up to this point we have assumed that all of the taxes in question are completely shifted. This much shifting may not occur. This last portion of this analysis estimates the average burden distribution by income bracket of the sum of the Montana electrical energy gross receipts, insurance company gross receipts, natural gas gross receipts, and corporation license taxes, assuming that the taxes are not shifted at all and that their burden is borne solely by the firms involved. The actual burden distribution of the taxes probably is somewhere between the figures we computed assuming complete shifting and the figures below which assume no shifting. If we knew the amount of shifting we could make an appropriate average of the two sets of figures to determine the true tax burden pattern. Such figures concerning shifting are not available.

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[3]Marian Krzyzaniak and Richard A. Musgrave, *The Shifting of the Corporation Income Tax* (Baltimore: Johns Hopkins University Press, 1963).

[4]For interstate corporations, the percentage of sales made in Montana provides a good estimate of the percentage of the portion of profits taxed in Montana.

TABLE 8

BURDEN DISTRIBUTION OF MONTANA AND FEDERAL CORPORATE INCOME TAXATION ASSUMING COMPLETE TAX SHIFTING

(Percent)

Income Bracket	Montana Corporate License Tax			Federal Corporate Income Tax		
	Urban	Rural Non-Farm	Rural Farm	Urban	Rural Non-Farm	Rural Farm
Less than $1,000[1]	.75	.31	.35	4.30	1.82	2.04
$1,000-2,000	.23	.22		1.46	1.24	
$2,000-3,000	.19	.20	.18	1.09	1.14	1.48
$3,000-4,000	.19	.17	.17	1.09	1.00	.99
$4,000-5,000	.17	.17	.15	.97	1.01	.85
$5,000-6,000	.16	.17	.14	.92	1.00	.80
$6,000-7,500[2]	.16	.15	.13	.92	.89	.75
$7,500-10,000[3]	.15	.14	.11	.85	.85	.66
$10,000-15,000[4]	.12	.14	.07	.75	.82	.41
$15,000 and above	.09	.10		.55	.62	

[1]Less than $2,000 for rural farm.
[2]$6,000-7,000 for rural farm.
[3]$7,000-10,000 for rural farm.
[4]$10,000 and above for rural farm.

However, knowledge of two possible extremes gives some idea of what may be the case.

Since virtually all of the firms are corporations, it has been assumed that the burden of taxes on their owners is distributed in the same pattern as income from dividends. Under this assumption, the burden distribution of the taxes is apparently very progressive for people with incomes over $10,000, as shown in Table 9. For households with incomes of less than

TABLE 9

BURDEN DISTRIBUTION OF MONTANA ELECTRICAL ENERGY, INSURANCE, NATURAL GAS, AND TELEPHONE AND TELEGRAPH COMPANY GROSS RECEIPTS TAXES AND THE MONTANA CORPORATE LICENSE TAX ASSUMING NO TAX SHIFTING

(Percent)

Income Bracket	Percentage of Income
0-$3,000	.14
$3,000-5,000	.08
$5,000-7,500	.05
$7,500-10,000	.08
$10,000 and above	8.29

$10,000, the burdens show no particular pattern, although they are very low. The data on which the calculations were based were available only on a state-wide basis, so figures could not be computed for different types of dwellers.

SUMMARY AND CONCLUSIONS

The results discussed in this article are based on the alternative assumptions that the taxes under consideration are fully shifted, or that they are not shifted at all by business owners. The numerical figures shown are valid only if the reader takes into consideration the "all or none" assumptions inherent in their computation. The reader will remember that the three patterns of burden distribution are regressivity, proportionality, and progressivity. If a particular tax is regressive if it is shifted but progressive if it is not shifted, then any portion of the tax which is shifted has a regressive burden, and any portion not shifted has a progressive burden. Whether the overall burden of the tax is regressive or progressive will depend on how much of the tax was shifted and just how regressive and progressive the shifted and non-shifted portions of the tax were.

Thus, gasoline excise, cigarette, electrical energy, natural gas, telephone and telegraph, corporate income, and possibly alcoholic beverage taxes are apparently regressive if they are mostly shifted to consumers. The amount of insurance company taxation which is shifted appears to be approximately proportionate. Taxation applying to corporations which is not shifted seems to be considerably progressive for incomes in excess of $10,000; but when this corporation tax is assumed to be shifted, it appears to be regressive.

The majority of taxes on gasoline, alcoholic beverages, cigarettes, and public utility services are probably shifted to consumers, so the burden of these taxes is probably regressive. Since public opinion does not appear to favor regressive taxes, the regressivity of these, and possibly corporation income tax would be an argument against these taxes. Nevertheless, the burden distribution of a tax is not the only viewpoint from which a tax may be evaluated. Other important criteria are its effects on economic behavior and its administrative and compliance costs.[5] Furthermore, not *all* taxes must be pro-

[5]However, some of the taxes under consideration in this paper may also be criticized because of their economic effects.

gressive for a state to have a progressive tax system. The progressivity of an income tax may well be sufficient to outweigh the regressivity of certain excise taxes—for example, alcoholic beverage taxation. And liquor taxation is probably justified to compensate society for the social costs connected with liquor consumption. However, the regressivity, proportionality, or progressivity of a tax is an important point to remember in judging its desirability, and information concerning this point should help legislators and the general public in evaluating their taxes.

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