

## Chapter Five – Surviving the Great Depression

Progress made by the Chrysler organization in the last six years constitutes an outstanding success among industrial corporations. No other company in the automobile industry exceeds Chrysler's record of accomplishment in this period. Few companies in other industries have attained a comparable position.

—*Six Years' Progress of Chrysler Motors*,  
November 20, 1929

In late 1929, Walter P. Chrysler could be proud of his achievements of the past six years. Against all odds, he had successfully built a new and vibrant corporation out of the remnants of the ailing Maxwell Motor Company. With the triumphant launch of the first Chrysler car in 1924, followed in 1928 by the introduction of two new nameplates, Plymouth and DeSoto, and the acquisition of Dodge Brothers line in that same year, the new Chrysler Corporation had proven skeptics wrong. It was beginning to challenge both Ford and General Motors.

But Walter P. Chrysler would have little time to celebrate those successes. Between the writing of the glowing report in *Six Years' Progress of Chrysler Motors* and its publication, the United States began a slide into its darkest days since the Civil War some 60 years before.

The stock market crash of October 29, 1929 — “Black Tuesday” it was called — was the opening salvo of the Great Depression. As industries shut down plants and workers lost their jobs, banks across the country failed. In 1930, the first full year of the Depression, more than 1,000 banks closed their doors. During the next two years, nearly 4,000 more followed suit. American businesses and the American public had access to neither credit nor cash. No sector of the economy was spared, and people, as well as markets and companies, simply starved without money.

Chrysler and his lieutenants would have to work hard to save the Company, but Chrysler Corporation was in a better position to weather the storm than it had been two years earlier. The real work had begun in earnest in 1928.

Having bought Dodge, Walter Chrysler revived the moribund Dodge nameplate and quashed rumors that he had planned to drop the line. Through several magazine articles and in advertisements, Walter Chrysler and Fred Zeder offered testimonials to the quality of

Dodge vehicles. In September 1928, the Dodge Division of Chrysler Corporation introduced a new Senior line of Dodge cars and announced plans to upgrade the Victory Six and Standard Six lines. Dodge also introduced a new, improved one-ton truck in August 1929, with a base price of \$745, some \$250 less than the model it replaced.

Walter Chrysler's strategy also included the continued use of the "Dodge Brothers" nameplate and the geometric Dodge symbol on the radiators and elsewhere on the cars. The new Victory Six line introduced in January 1929 bore the name Dodge Brothers Six, and the new eight-cylinder cars introduced in 1930 were called the Dodge Brothers Eight. Chrysler consistently used both the name and the symbol until 1932 and then sporadically until 1938. Meanwhile, Fred Zeder decided that Dodge needed a symbol that was "distinctive, attractive, and totally American." The head of the American Rocky Mountain Big Horn Ram, known for its strength and agility, seemed the perfect symbol for Dodge. A stylized ram's head made its first appearance as a hood ornament on the 1931 models.

The newly enlarged Chrysler Corporation had to sort out some problems of model duplication involving trucks. Before the Dodge purchase, Chrysler developed a new Fargo line of commercial cars and light trucks. The Fargo Packet had a half-ton capacity and used a Plymouth chassis and a four-cylinder engine, while the larger Fargo Clipper, with a three-quarter-ton capacity, was built on a Chrysler 65 chassis and had a six-cylinder motor. Both were sold in two versions — as a "commercial car" with removable seats and as a panel delivery truck. When Chrysler officially introduced the Fargo truck line in September 1928, Fargo vehicles were carried by Chrysler and Dodge dealers.

Once Chrysler acquired Dodge Brothers, with its full line of Graham Brothers trucks, the Fargo line was no longer needed, at least in the United States. Chrysler dropped Graham Brothers heavy-duty trucks in 1929 and put the Dodge nameplate on all the rest. The Fargo Motor Company division produced trucks for export to Canada and for sale overseas, while handling Chrysler's automobile fleet and military truck sales. In Canada, the automaker maintained a "dual dealership" system, in which Chrysler dealers sold Chrysler and Plymouth cars and Fargo trucks, while Dodge dealers sold Dodge and Plymouth cars and Dodge trucks. Fargo Motor Company produced trucks for overseas markets into the mid-1970s.

Wanting to increase substantially the production of the Chrysler and Dodge lines, while introducing the all-new DeSoto and Plymouth lines at the same time, the Company faced an enormous manufacturing challenge in 1928. Part of the solution was the expansion of the existing Jefferson Avenue and Highland Park plants with additional buildings. The only new

facility that went on line was a massive Plymouth assembly plant at Lynch Road and Mt. Elliot in Detroit, brought into full production in January 1929. The most important gain in capacity came from reorganizing production at the Dodge Main plant in Hamtramck.

There, K. T. Keller, whom Walter Chrysler had hired away from General Motors to become Chrysler's vice president of manufacturing in 1926, showed his engineering and organizational genius. By restructuring the flow of work within the plant, he freed half the floor space, and by rearranging machinery, he doubled production from existing departments, including the foundry and stamping plant. He did all of this without significantly increasing the work force.

The new DeSoto and Plymouth lines that Chrysler Corporation introduced in mid-1928 were closely intertwined. They had an identical wheelbase and shared many parts, including body panels. However, they had distinctive engines — the Plymouth had a four and the DeSoto a six. They were both built for a short time at the former Maxwell plant in Highland Park, Michigan. Although it was a risky decision, the Plymouth was officially introduced on July 7, only a month before the unveiling of the DeSoto on August 4.

### *Introducing the DeSoto*

The precise history of the DeSoto is not entirely clear. K. T. Keller claimed in an interview he gave *The Detroit News* on September 23, 1958, that Walter Chrysler began developing the DeSoto as a mid-priced car soon after Keller joined Chrysler in April 1926. Chrysler's intent was for the DeSoto line to compete directly with Dodge, and he hoped he could convince Dodge dealers to carry DeSoto as well. Introducing the DeSoto was also a not-so-subtle threat to the Dodge owners, Dillon, Read & Company, giving the banking firm additional reason to sell Dodge Brothers, Inc., to Chrysler Corporation. Even after he acquired Dodge, Walter Chrysler went ahead and introduced DeSoto. Initially, Dodge and DeSoto were almost identical in price, but in the early 1930s, Chrysler increased DeSoto prices, placing the line between the Chrysler and Dodge brands.

Chrysler chose the name for its new car line carefully and then exploited the name fully in its promotions. Named after Hernando DeSoto, the 16th-century Spaniard who conquered Florida, discovered the Mississippi River and served as Spain's governor of Cuba, the DeSoto car would embody its namesake's courage, daring and integrity. Chrysler's advertising emphasized that, just as DeSoto the man opened up new territories while standing head and shoulders above most of his contemporaries, "so does the DeSoto Six open new vistas of motoring enjoyment, establish new conceptions of automobile

quality, and create new standards of value.”

Accompanying the DeSoto logo was the maxim, “*Multum pro Parvum*,” meaning “much for little,” suggesting that this car offered its owner remarkable value. In many respects, it did. DeSoto came equipped with a Chrysler-designed engine with a heavy-duty crankshaft, as well as rubber engine insulation, Lovejoy hydraulic shock absorbers, Lockheed hydraulic brakes, special engine manifolds to reduce engine warm-up time and a very rigid frame. With a base price of \$845, the DeSoto offered many features found only on the more expensive Chrysler 65, which had a base price of \$1,045. The auto-buying public saw DeSoto as a car offering real value. The sales record was impressive — 34,518 cars shipped in calendar year 1928 and 81,065 over the first 12 months of production. DeSoto’s first-year sales record for a new model would not be topped until the 1960 introduction of the Ford Falcon.

What first appeared to be an enormous challenge — the need to create a DeSoto dealer network from scratch — was easily overcome. Once Chrysler Corporation announced the new car, 500 dealers took franchise options without seeing the vehicle. Chrysler gave them a private showing of the DeSoto on July 7, 1928, in the Engineering Building in Highland Park. Upon viewing the models, 95 percent immediately signed contracts to become dealers. J. E. Fields, Chrysler’s sales manager, placed advertisements in *Automobile Topics* to lure existing dealers into considering DeSoto, and the appeal worked. The DeSoto line had 1,500 exclusive dealers by January 1929 and 2,300 by late November of that year.

### *Introducing the Plymouth*

As successful as the DeSoto was, the low-priced Plymouth introduced on July 7, 1928, had far more importance for Chrysler over a longer period.

Walter Chrysler and his staff chose to link the car to the early American pioneers and emphasized in Plymouth advertising that the new model typified “the endurance and strength, the rugged honesty, and determination of the Pilgrim band who were the first American colonists.” Their flawed recollection of the details of American history, especially the Jamestown settlement, must be overlooked. Illustrations of the *Mayflower* dominated the early product literature, and a few Chrysler dealers dressed as Pilgrims for the introduction.

The new model was initially called the Chrysler Plymouth, and the early print advertising and brochures emphasized the fact that Plymouth was “Chryslerdesigned” and “Chrysler-built.” Walter Chrysler personally endorsed the Plymouth at every opportunity,

bringing his personal prestige to bear. One of the earliest print advertisements, which appeared in the *Saturday Evening Post* on July 7, 1928, described the Chrysler Plymouth as "A New Car . . . A New Car Style, A New Zenith of Low Priced Car-Luxury and Performance."

Initially, some 5,000 Chrysler dealerships sold Plymouth. Chrysler management hoped to create a network of exclusive Plymouth dealerships as well, but few dealers outside of the existing Chrysler outlets took on the new car line.

The first Plymouth (Model Q) was simply a redesigned version of the fourcylinder Chrysler 52, which was discontinued in May 1928. Plymouth offered features not available from its low-priced competitors — aluminum alloy pistons, full-pressure lubrication (versus the "splash system" commonly found in low-priced models), four-wheel hydraulic brakes and a hand brake. At first, the new model was not priced competitively in the low-priced field. A 1929 model Plymouth four-door sedan, for example, listed at \$725, versus a comparable Chevrolet at \$675 and the Model A Ford at \$600. Plymouth production of 58,031 units for the 1929 model year was promising but tiny when compared to sales of Fords (481,000 units) and Chevrolets (767,000) for the same period.

#### *Years of Plenty, Years of Lean*

By any measure, Chrysler Corporation changed radically in 1928. As a reflection of these changes, the Company's annual report for 1928 included a new logo for Chrysler Motors, the sales arm of Chrysler Corporation. This circular logo had a tree with branches and roots in the middle, with "Chrysler Motors" and "Standardized Quality" around the circumference. Appearing under the logo was the statement, "All branches on the same tree; all growing out of the Chrysler root principle of standardized quality." A list of Chrysler products followed: Chrysler Imperial; Chrysler 75; Chrysler 65; Dodge Brothers Senior; Dodge Brothers Six; DeSoto Six; Plymouth; Dodge Brothers Trucks, Buses and Motor Coaches; Fargo Trucks and Commercial Cars and Chrysler Marine Engines. What a difference a year made!

In November 1929, Chrysler celebrated its meteoric growth since January 1924 by publishing a 12-page booklet, *Six Years' Progress of Chrysler Motors* (the six years being, presumably, through the end of 1929). During those years, by purchasing and reviving a weakened Dodge Brothers and launching two new car lines, the strengthened and expanded Chrysler Corporation was much larger and offered a full range of car lines, from Imperial to Plymouth. It had also become a far more efficient organization in terms of automotive design, manufacturing, marketing and sales.

In late 1929, Chrysler could build 3,750 cars per day and had a dealer network of 18,400 retail outlets — 12,000 in the United States, 2,600 in Canada and 3,800 overseas.

This was a corporation that had earned substantial profits and had rewarded its shareholders accordingly. To prove the point, the booklet included a calculation of hypothetical investor returns. If an investor had purchased \$100 in Maxwell Motor Corporation shares in January 1923, that investment would be worth \$1,353 on October 31, 1929, including the share price and all dividends paid out. The same investment in Studebaker would be worth only \$184, while shares in General Motors would be worth a more respectable \$799. Only the shares of Packard Motor Company performed better, giving the investor \$1,468 in value.

The onset of the Great Depression meant that none of the American automakers, including Chrysler, would enjoy much prosperity for many years. But Chrysler, because of its strong advances in the pre-Black Tuesday years, would weather the trials of the Great Depression better than its competitors.

Chrysler experienced the same sharp declines in sales and profits as the other American automobile manufacturers starting in 1930. Sales in both 1930 and 1931 were down by 40 percent from the 450,543 units sold in 1929. Sales bottomed out in 1932 at 222,512 units, less than half the level of 1929.

During the Depression, almost all nations sought to protect their domestic production by imposing tariffs or raising existing ones and setting quotas on imports. The effect of these restrictive measures was to greatly reduce the volume of international trade, and they sharply curtailed Chrysler's overseas sales, which had been one of its early strengths. In 1929, for example, overseas sales accounted for 13.6 percent of total sales, but by 1933 the share had fallen below 6 percent.

Still, Chrysler Corporation earned profits, albeit small profits, in every year of the Depression except for 1932, the low point in sales. But the Company took bold steps to counter its losses, sharply cutting costs and reducing the work force in response to falling sales. In one apocryphal story, Walter P. Chrysler met with his chief lieutenants, probably in the early months of 1930, and asked that each reduce spending in his department by 10 percent. Much to Chrysler's dismay, his executives proposed budget increases for their respective departments. He asked B. E. Hutchinson, Chrysler's treasurer, to bring him the Company payroll book, which listed all of the employees alphabetically. Walter Chrysler proposed in a half-serious way that he would solve the budget problem by laying off everyone listed in the last one-third of the payroll book. His executives returned the next day with

concrete proposals for the budget cuts Chrysler demanded.

### *Fighting the Depression with Plymouth, 1930–1933*

Walter Chrysler began a series of moves in early 1930 that made Plymouth a genuine threat to Ford and Chevrolet and in doing so positioned Plymouth as the main pillar supporting Chrysler Corporation. Most importantly, in March 1930, Walter Chrysler reduced Plymouth prices by \$65 to \$75 per car, making the line more competitive with Ford and Chevrolet. The base four-door sedan, for example, sold for \$625, some \$100 less than when Plymouth first appeared. Chrysler simultaneously announced that Dodge and DeSoto dealers would also carry the Plymouth line, instantly adding 7,000 retail outlets to the 4,000 Chrysler dealerships previously selling Plymouth. Corporate advertising emphasized the availability of Plymouth at all the dealerships.

One month later, in April 1930, Chrysler introduced a refined version of its low-end car, the New Finer Plymouth (Series 30-U). The model came with a larger four-cylinder engine than its predecessor and several features not found in the other “low-priced” cars, including all-steel bodies for the closed models, an electrical fuel gauge, mechanical fuel pump and hydraulic shock absorbers. Although Plymouth remained slightly more expensive than Ford and Chevrolet, Walter Chrysler argued that it was a far better value than the competition because it had features only found on mid-priced cars.

With the introduction of the Model PA in July 1931, Plymouth became the best-engineered low-priced car on the market. This new Plymouth featured a radically new engine mounting system (dubbed “Floating Power” by Fred Zeder), “free-wheeling” and four-wheel hydraulic brakes, all as standard equipment. Neither Ford nor Chevrolet had any of those features. Although the least-expensive Plymouth (\$535) remained more costly than a comparable Chevrolet (\$475) or Ford (\$430), the superior design boosted its sales and cut into the sales of the competition. In advertising the Floating Power Plymouth, Chrysler Corporation described the new model as having “the smoothness of an eight, the economy of a four.”

Walter Chrysler’s decision to make the heavy investment needed to produce the Floating Power Plymouth illustrates his unfailing optimism in the face of the worst economic downturn of the 20th century. The Company earned profits of only \$1.7 million for 1930 and 1931 combined. Chrysler nevertheless spent about \$2.5 million for research, engineering and tooling costs to bring the new Floating Power Plymouth into production.

In June 1931, Walter Chrysler drove the third new Plymouth to come off the line to

the Ford Rouge plant in Dearborn. Accompanied by Zeder, Skelton and Breer, Chrysler met with Henry Ford, who gave them a tour of his laboratories. Walter Chrysler presented the car to Henry Ford as a gift and took a taxi back to his office. In the words of *Fortune* a few months later, “The gentleman with the tireless brown eyes (Walter Chrysler) certainly left the man with the snappy blue eyes (Henry Ford) something to think about.”

Despite the risks, Chrysler rehired 1,200 laid-off workers to bring the Plymouth Lynch Road assembly plant into full production in mid-July 1931. By the end of July, Lynch Road was turning out 800 cars per day, with plans to increase output to 1,000 per day within a few months.

Chrysler Corporation used Floating Power engine mounts on the Plymouth, Dodge, DeSoto and Chrysler lines for the 1932 models. The innovation was so successful that André Citroën, Europe’s largest automaker, signed a licensing agreement with Chrysler in April 1932 to use the Floating Power design in his cars.

The Company promoted the Floating Power model with traditional print advertising and through some untraditional methods as well. The Plymouth Division outfitted one Model PA with one-way glass, so nobody could see inside, and painted “The Mystery Car — What Is It?” on the roof and doors. They also painted “Floating Power and Free Wheeling” on the roof, hood and doors and parked the car on New York City streets.

Further publicity was gained when, in August 1932, professional drivers Louis B. Miller and Louis Pribeck established a nonstop transcontinental record in a Plymouth Model PA sedan. They drove from San Francisco to New York City and back in a little more than 132 hours, breaking Miller’s own record set in 1926 with a Chrysler Imperial by 36 hours.

Walter Chrysler broke new ground by appearing in a path-breaking advertisement for the Floating Power Plymouth. In late March 1932, 31-year-old J. Sterling Getchell, whose advertising firm handled the DeSoto account, convinced Byron Foy, the head of DeSoto and Walter Chrysler’s son-in-law, to let him develop a new campaign for Plymouth. DeSoto’s sales manager Ray Peed then interrupted Walter Chrysler at his home on Long Island and convinced him to return to the Chrysler Building in New York City to pose with the new Plymouth model on display in the Chrysler showroom there. Walter Chrysler, looking quite informal, stood with one foot on the front bumper and his hand on the hood ornament. The headline read, “Look at All Three! But Don’t Buy Any Low-Priced Car Until You’ve Driven the New Plymouth With Floating Power.” Another Walter Chrysler quote appeared in a sidebar: “It is my opinion that any new car without Patented Floating Power is obsolete.” The combination of Walter Chrysler’s informal pose and the accompanying text resulted in an advertising

classic. The day the ads appeared in newspapers, droves of customers appeared at dealerships to view the Plymouth.

But buying a new car was still beyond the reach of most Americans. Bank failures reached a climax in 1932, creating a credit crisis in 1933 that severely damaged an automobile industry whose market depended almost entirely on credit purchasing. Rather than buy new models on time, many car owners suddenly seemed to realize that their automobiles were indeed durable goods and hung on to them instead of trading them in. Yet the new Plymouths, excellently engineered, boasting many innovations and selling at a reasonable price, proved exactly the right product for such hard times.

As a result of Chrysler's policies to promote the Plymouth brand — selling it through all of the corporation's dealers, reducing the price and stressing its innovative engineering — Plymouth enjoyed spectacular growth and was the basis for Chrysler Corporation's outstanding performance in the early 1930s. Plymouth production for calendar year 1929, the first full year on the market, was 93,613 units or nearly 21 percent of Chrysler's total production. For 1933, Plymouth production was 255,566 cars, nearly 57 percent of the corporate total. More important was the growth in Plymouth's share of the low-priced field from 1929 (3.9 percent) to 1933 (22.8 percent). Chrysler's 1933 sales were slightly higher than sales in 1929, a remarkable recovery. General Motors did not accomplish that feat until 1937, and Ford was unable to do so until 1950.

Following the national banking crisis of March 1933, Chrysler's sales moved sharply upward and touched off a new wave of confidence. In March 1933, the Company employed 27,000 workers, who averaged only 24 hours of work a week. By September, the payroll had climbed to 46,676 employees, who worked on average 38 to 40 hours a week. That same month, the Company began construction of a new building in Detroit at the Jefferson Plant to house showrooms and sales offices for the Chrysler and DeSoto divisions. Walter Chrysler personally operated the giant steam shovel that broke ground for the building. In the ceremonies that followed, he spoke in optimistic terms about the rosy future he saw for the auto industry and especially for Chrysler Corporation.

### *Celebrating Success*

At the end of 1933, *Automobile Topics* devoted its entire weekly issue of December 30 to a celebration of Chrysler's 10th anniversary as an automaker. The issue carried the title, "A Century of Progress in Ten Years: Celebrating the Tenth Anniversary of Chrysler Motors." This was a clear allusion to the Century of Progress Exposition held in Chicago from

1933 to 1934, which in part commemorated Chicago's first 100 years and, more importantly, celebrated modern technology and the progress it brought to humanity. The special issue reflected Chrysler's own self-image, but it also revealed a good deal about the auto industry's view of Chrysler's past, its current strengths and its future.

A total of 33 articles made up this special issue of *Automobile Topics*. Six examined Chrysler's leaders, with two on Walter Chrysler, one each on Owen Skelton and Carl Breer, one article on the general engineering staff and another dealing with the central administration. Including the articles on individual engineers, Chrysler's general research programs, the Chrysler Engineering Institute and various engineering breakthroughs, automotive engineering was covered in nine articles, the most on any topic.

Most of this special issue focused on the history or products of individual divisions, with six articles on Dodge and three on the Chrysler division, while Plymouth and DeSoto each had two. Every division had its "place in the sun," including Chrysler Motors Parts Corporation (later, MOPAR), Fargo Motor Corporation and the Chrysler Export Corporation. Three contributions considered dealerships.

The articles traced the Company from its beginnings, through the giddy successes of 1928 and 1929, into the difficult early years of the Great Depression. Through those difficult years, the trio of Zeder-Skelton-Breer had continued to produce important innovations in automotive design, with Floating Power leading the way. Chrysler's leaders had practically "bet the company" on Plymouth and had won the gamble. Plymouth had emerged as a serious competitor in the low-priced field, and Plymouth's success catapulted Chrysler ahead of Ford to the number two position in the industry. In 1933, Chrysler sales in North America exceeded Ford Motor Company's sales for the first time in the history of the companies — a truly remarkable achievement. But perhaps the best was yet to come.

The new Airflow cars were also a major focus of the issue. The cover of the magazine portrayed two engineers in white coats, with one commenting, "Chrysler sure has them lashed to the mast with this new *Airflow* Chrysler." Four articles dealt entirely with the Airflow cars, and they were mentioned in about a dozen others. This special issue of *Automobile Topics* included a full-page portrait of Walter P. Chrysler, with the caption "I give you Walter P. Chrysler — Progressive, and his Airflow car," with him holding a large model of the Airflow. Chrysler's hope for the future, this all new and revolutionary vehicle would appear in 1934.