

Chapter Two – Corporate Origins

. . . I believe that (Walter P.) Chrysler is conceded to be the best automobile manufacturer in the industry; at least, that is the reputation he bears everywhere . . .

— Hugh Chalmers, September 30, 1916

Walter Chrysler's career at Buick greatly enhanced the reputation he had earned since his railroad days for taking troubled companies and whipping them into shape. By the time he retired from General Motors, he was widely renowned as the greatest turnaround man in the auto industry. When Ralph Van Vechten and the other bankers who controlled Willys-Overland began looking for a miracle worker to save the nearly bankrupt company, Chrysler was a logical choice.

But the GM years also made Chrysler rich beyond his expectations, perhaps even his imagining. At 44, he no longer had to work for his living or for the support of his family. He certainly did not need the Willys-Overland job, and given the determined way he left GM, he would have shocked no one by turning down a new position in the car business. In fact, the announcement of Chrysler's association with Willys-Overland on January 6, 1920, at least according to the Detroit press, caught the auto industry by surprise.

Maybe he took the offer, as he claimed, because he was restless in retirement and driving Della crazy at home. If so, he also came to the job with dreams of accomplishing something beyond another turnaround of another faltering operation. Walter Chrysler and John North Willys together, predicted one Detroit newspaper, would "make a bid for what will be practically world supremacy in motor car manufacture." More tellingly, the two men quickly came to an understanding that Chrysler could develop a new car bearing his own name. Five years after his return to the industry, he would create from the mass of bad debt, worthless stock and failing automobiles he encountered not merely a new car but also a new company.

Chrysler Corporation was destined to become one of the three pillars of the American automobile industry, but its inauspicious beginnings made the history of the Chrysler nameplate more complicated than most. One set of the Company's roots extended back to the founding of the Willys-Overland Company in 1908. Another went back to the formation of the Maxwell-Briscoe Motor Company in 1904. A third set lay in the E. R. Thomas-Detroit Company, later Chalmers-Detroit, begun in 1906 by a Buffalo,

New York, automaker. Ultimately, the complex (and often less-than-stellar) corporate genealogy made Walter Chrysler's unmatched industrial achievements all the more stunning.

Willys-Overland

The company Chrysler was hired to rescue in 1920 had been managed by John North Willys since 1907. One of the notable pioneers among automobile executives, Willys was a salesman in the mold of Billy Durant, the man who had founded General Motors and with whom Chrysler had tangled during his Buick days. Starting with an Elmira, New York, sporting goods store specializing in the sale of bicycles, Willys had, by 1906, organized an automobile distribution company supplied by two Indianapolis firms: American, producer of the low-to-the-ground Underslung, and Overland, whose total output that year was 47 cars.

Willys liked the Overlands and contracted for 500 more, which he had sold in advance. But in the banking crisis that created the Panic of 1907, Overland grew desperately short of cash and failed to deliver. When even correspondence from the factory ceased, Willys took a train to Indianapolis. He discovered that Overland had paid employees in checks it could not cover and would be forced to file for bankruptcy the following day. Borrowing the \$350 in cash he needed from the hotel at which he was staying that Sunday night, Willys made the checks good on Monday morning and found himself in charge of a car company.

The on-the-spot auto manufacturer weathered the short depression following the Panic by borrowing money where he could and persuading banks to advance funds based on orders for future cars. Having lost Overland's Indianapolis factory, Willys set up shop in a circus tent and built the 465 cars he needed in 1908. The next year, he acquired proper facilities and produced an astonishing (for the time) 4,907 cars, which he sold at \$1 million profit. Then he bought both the Marion Motor Company of Marion, Ohio, and the vast but vacant Pope-Toledo plant in Toledo, where he tripled Willys-Overland's production in 1910. By the mid-1910s, he offered some 30 different models, sold nearly 150,000 cars annually and held the number two spot in the industry, just behind Ford. In 1915, his profits amounted to \$10 million.

As an automobile mogul, Willys had two real shortcomings. First, he knew next to nothing about the automobile itself. Second, like Durant he never saw a deal he did not

long to embrace. The booming sales and inflated prices brought on by the end of World War I only encouraged his wheeler-dealer hubris. The brash salesman announced a \$500 car he had no idea how to produce and expanded into industries he did not understand. By the end of the decade, Willys had moved to New York City to oversee his bloated holding company, which now included entities such as Moline Plow and Curtiss Aviation. In 1918, Willys-Overland bought a newly constructed Elizabeth, New Jersey, plant from the Duesenberg Motor Corporation and then spent \$14 million to expand it the following year. There he planned to create a six-cylinder car based on the four-cylinder Willys-Overland, but the new car was nowhere near ready for production when hard times hit.

Willys was not the only American businessman who failed to foresee the big postwar slowdown, but he was one of the first victims in the auto industry of the “inventory” depression that lasted through 1921. Saddled with debt on the Elizabeth plant and with thousands of auto parts and machine tools yet to be used to turn out salable cars, Willys was caught short by the downturn and owed 127 banks a total of \$46 million. Not many people were buying new cars, and the bankers wanted their money. Like Billy Durant a decade earlier at General Motors, Willys was flying by the seat of his pants. Like Durant, he equated expansion with success and fell victim to overexpansion when the economic climate changed. And like Durant, he lost control of his company to bankers. Headed by Chase Manhattan, the lenders formed a committee to take charge of Willys-Overland.

When committee members such as Ralph Van Vechten and the brothers Nicholas and James Cox Brady suggested the company hire Walter Chrysler to do for Willys-Overland what he had done for Buick, John North Willys enthusiastically supported the idea. He knew Chrysler from Flint and liked him. In fact, Willys had often tried to hire him before Durant promoted Chrysler to president of Buick and paid him an enormous salary Willys could not have matched. Although Willys had little real say in the matter, his strongly voiced support was useful in persuading the reluctant Chrysler to come on board.

Chrysler was apprehensive about taking the job for a couple of reasons. First, he recognized that Willys-Overland was truly in a mess and that, if he failed, he could easily ruin the spectacular reputation he had spent years building. Second, he knew from working with Durant at Buick how difficult it could be to work with someone of Willys' temperament.

Those worries were evident in the demands Chrysler made when he signed on. If

he was going to risk his reputation, at least he would make sure he was well compensated. He insisted on an unheard annual salary of \$1 million a year, which took the bankers aback although they reluctantly agreed to pay the price. In addition, he wanted it understood that his authority was absolute. To save face, Willys was allowed to retain his title of president, while Chrysler became executive vice president and general manager.

After Chrysler took over Willys in January 1920, he lived for a while at the Biltmore Hotel in New York City. He then moved his family into an apartment at the Carlton House, another prestigious New York City address. He later bought an estate, King's Point, at Great Neck on Long Island, which would remain his home for the rest of his life. But before he even considered moving his family to the city, he made sure Willys accepted the new situation.

Immediately after Chrysler took the job, he walked into John North Willys's ornate office in New York City, with its gold humidor holding expensive cigars, and announced that he was cutting Willys's salary from \$150,000 to \$75,000 a year. At first Willys looked puzzled. After all, what kind of savings did that represent from a man who had just demanded a salary many times larger than his own? Then Willys shook his head and smiled. He got the point. Chrysler held the decision-making power now; Willys's job was to get out of his way and let him fix things. Bowing to reality, Willys said, "I guess we've put our problems in the right man's hands."

After that, Chrysler's changes were more sweeping. He disposed of unnecessary, redundant and uneconomical factory equipment, eliminated the company's excess manufacturing capacity, sharply reduced its employment rolls, cut its largely useless office force to the bone and sold off much of its office equipment. Using his experience at Buick, Chrysler reduced or canceled many of the commitments Willys had made to parts suppliers, especially those contracts figured at unrealistically inflated wartime prices. In a matter of months, Chrysler vastly improved Willys-Overland's finances and drastically reduced its debts to the bankers' consortium from \$46 million to \$18 million.

Publicly, Willys not only responded to the changes and cuts with equanimity but also went to great lengths to accommodate Chrysler. When, just eight months after coming to New York, Chrysler was asked if he would also help bail out the troubled Maxwell Motor Company. Willys granted him permission to do so, even though it meant Chrysler would be working for a competitor at the same time he was trying to save

Willys-Overland. Then there was the supposedly revolutionary new six-cylinder car that Willys had earlier announced would be produced at his Elizabeth plant. After Chrysler was on board, the two men agreed that they would indeed add the car to the Willys line but that it would now bear Chrysler's name.

But Willys and Chrysler had their differences, and some of them were fundamental. Willys, ever the salesman, thought the best way to interest the public in buying his cars was to add a few new gadgets and paint them bright new colors. Chrysler disagreed, not least because he had a low opinion of Willys's cars. At the same time, Willys did not enjoy having his company taken away from him, and he wanted it back. For all his graciousness in public and his genuine admiration for Chrysler, Willys had to believe Chrysler stood in the way of his regaining control and to see Chrysler's attempt to launch his own car at Willys-Overland as a long-term threat. Such tensions remained in the background for the moment as both men worked to save the company, but they were present, and they would ultimately play a role in the outcome.

Willys tried to revitalize the company in the way he knew best — by selling cars. He spent months traveling around the country and reselling himself and his cars to his dealers. They stood by him, and Chrysler acknowledged that Willys had turned “the whole situation . . . directly about.” (Willys also evidently worked behind the scenes with Chrysler to get rid of the deadwood in the management ranks.) On the other hand, Chrysler's main focus at Willys became the introduction of the new lightweight six-cylinder car, dubbed the Willys Light Six.

Designed before Chrysler arrived on the scene, the car was — despite Willys's hype — originally nothing more than a modified Willys Four, with a longer wheelbase and a larger engine. Testing of the new model quickly revealed serious design flaws that produced damaged springs and frames. As far as Chrysler was concerned, the problems with Light Six fully discredited Willys's philosophy of cobbling together a new car from existing parts. In truth, Chrysler had long suspected Willys's original plans would prove unsalvageable. He had consequently brought into the company a trio of young engineers and given them permission to work in secret on a fresh design even as they tried to save the old one.

The engineering trio consisted of Fred M. Zeder, Owen R. Skelton and Carl Breer. Zeder, who had a degree in mechanical engineering from the University of Michigan, began working for the Studebaker Corporation in 1912 and became chief

engineer in 1914. He recruited Owen Skelton and Carl Breer, both with engineering degrees, to join him there in 1916. The three men then stayed together for the rest of their working lives.

According to Breer, the three men first got together with Chrysler after a Detroit tailor named A. G. Brown, who knew most of the automobile moguls, first suggested to the engineers that they contact the auto executive. But Donald S. Devor, the Willys general manager at the time, had also known Zeder and Breer from his days at the Allis-Chalmers Company in Milwaukee and strongly recommended them to Chrysler. After the meeting, however it occurred, Chrysler hired them away from Studebaker. It was a key moment in Chrysler history. Chrysler later wrote:

Those three young automotive engineers were wizards. . . . You never would find, hunt high or low, three friends more harmoniously attuned, unless it might be those three men of fiction, the Three Musketeers.

The Zeder-Skelton-Breer (ZSB) partnership would prove to be the foundation for the future Chrysler Corporation's engineering leadership extending for more than a quarter of a century.

Zeder, Skelton and Breer, along with a staff of 28 men, officially went to work for Willys-Overland on July 14, 1920, with the task of designing a "hurried replacement car" for the Willys Light Six to be assembled at the Elizabeth factory by summer 1921. They came up with a new car that featured an inline sixcylinder engine, updraft carburetor and semi-elliptic front and rear springs. In general, the car was far superior to any of the existing Willys models. With these plans taking shape, Chrysler decided to announce he was scrapping the Light Six altogether and starting over with a new design. The problem then became selling the idea to the bankers.

In late 1920 and early 1921, a sharp economic recession sent tremors through the auto industry. Already facing massive layoffs and production shutdowns in Toledo, the financial men at Willys-Overland were stunned by Chrysler's report that production of the Light Six, whose tooling was virtually finished, would complete the ruin of the company. As the bankers were absorbing the blow, Chrysler charged ahead with his plans for building an entirely new car. A series of tests and demonstrations created enthusiasm among car dealers, and Chrysler's personal ambitions soared.

The new model not only was to carry Walter Chrysler's name but also would be

produced by the Chrysler Motor Company, a separate division of the Willys Corporation. The new company was incorporated in Delaware in July 1920 and capitalized at \$50,000. Engineering drawings for the car, labeled "Chrysler Motor Company, Division of Willys Corporation, Elizabeth, N.J.," were prepared in October and November 1920. A huge electric sign reading "CHRYSLER - The Six Cylinder Motor Car" was erected atop the roof of the Elizabeth factory.

By March 1921, business conditions were improving, and John North Willys began to hire back men laid off during the recession. By April, he announced a 30 percent increase in employment, a 50 percent increase in production and a record factory drive-away of 500 cars. By midsummer, production was nearly back to normal. It seemed only a matter of time before the new Chryslers would be rolling off the line.

But the finance men still saw problems. Although the debt had been dramatically reduced, Willys-Overland still owed \$18 million, and creditors were pressing for payment. And here came Walter Chrysler with projections that equipping the Elizabeth plant for production would require an additional investment of \$8 million. As the financiers balked, Chrysler began to seek backing to buy the Elizabeth plant and the designs for the new car so he could produce it himself. By June 1921, he was stitching together a plan to invest \$3 million in the issuance of new shares to underwrite the costs of completing the changes needed in Elizabeth.

At that point, the chairman of the Willys Corporation, J. R. Harbeck, claimed that Chrysler was trying to pull a fast one and blocked the sale to the Chrysler interests. One of those involved in the struggle claimed that Harbeck hated Chrysler and tried to foil him at every turn. Harbeck was also wrangling with Chrysler over the complicated affairs of the Maxwell Motor Corporation. In any case, the deal went sour, and when it went sour the Willys bankers decided not to finance the Elizabeth operation or the new car under any circumstances until they straightened out the company's finances. The bad blood continued at a board meeting in late 1921, where the question of renewing Chrysler's contract was considered. When a number of board members expressed resentment over the size of Chrysler's salary, he told them, in effect, what they might do with the job.

Meanwhile, word had come suddenly that the Willys-Overland plant in Toledo was in dire financial shape and was draining all the money from the Elizabeth operation. Whether or not John North Willys had any hand in Chrysler's troubles with the board, he was certainly aware of them. And with this latest news he saw an opportunity he had no

doubt been long awaiting. In what proved to be a clever stock manipulation to at last regain control of his company, he threw Willys-Overland into receivership on November 30, 1921. Chrysler was finished. "I have more money than I know what to do with," he said. "I want out of this thing." He left for Europe.

In December 1921, Zeder, Skelton and Breer also left the employ of Willys-Overland, although they stayed in New Jersey and set up a consulting firm in hopes, somehow, of yet building the car they and Walter Chrysler had dreamed of building.

Chrysler did have one more chance at pulling it off because of his success in resuscitating Maxwell. The receivers offered the Elizabeth factory and the Zeder-Skelton-Breer blueprints for sale at auction on June 9, 1922. The three main bidders at the auction were General Motors, the Maxwell Motor Corporation and the Durant Motor Corporation, Billy Durant's new company. At the auction, the Maxwell representative made a valiant effort but had to stop bidding at \$5.5 million. Durant won the plant and the plans with a bid of \$5,525,000. Durant Motor Corporation would produce the Star automobile at Elizabeth, and the ZSB plans became the Flint automobile, manufactured in Flint, Michigan. Walter Chrysler's plans to build a car of his own had been put on hold.

John North Willys went on to revive his company. After having failed to bring out a car that competed with Ford's Model T, he ultimately redesigned the Overland, making it bigger and relabeling its various models with names he considered more appealing, such as Blue Bird and Red Bird. Slightly modernized versions of the 1921 models, of which only 48,000 had sold, the "improved" cars allowed him to turn a monthly profit of \$1 million in 1922. By 1925, he had cleared \$20 million on sales of 215,000. Willys's formula of cobbling together new cars from older models, which Chrysler had so hated, turned out to be successful. But he would probably have never had the chance to test it without Chrysler's "doctoring" — his restructurings and economies — of the Willys-Overland corporation back to a semblance of financial health. Regardless of the manner of his leaving, Chrysler received much of the credit in the industry for saving the company during his tenure at Willys-Overland.

Chrysler's own future in the automobile industry now lay exclusively with Maxwell-Chalmers, the other company he had been reviving while he worked at Willys. It would be through Maxwell that Chrysler at last realized his long-held ambition to go into auto manufacturing for himself.

Maxwell-Chalmers

Jonathan Dixon Maxwell and Benjamin Briscoe launched the Maxwell-Briscoe Motor Company in 1904. Another of the automobile industry's pioneers, Maxwell had helped build one of the earliest American automobiles for the Haynes-Apperson Company in Kokomo, Indiana, where he worked from 1894 to 1899. In 1900, he moved to the Olds Motor Works in Detroit. He left in 1902 to form a partnership with Benjamin Briscoe, a successful manufacturer of sheet metal goods before his entry into the auto business. Briscoe was the visionary who first dreamed up General Motors, which he hoped to model on U. S. Steel. He believed only such a great combine of major auto producers would allow them to avoid the dangers of overextension inherent in the industry's habit of financing the construction of cars from advances on future sales, which he called "manufacturing gambling."

When Maxwell-Briscoe began building cars in Tarrytown, New York, Briscoe imagined that this company, together with Billy Durant's Buick and perhaps half a dozen others, would be a part of the new combine. But it was Durant, not Briscoe, who proved to be the man with the personality and skills needed to push the idea through to reality. Maxwell-Briscoe did not become part of General Motors. But the lightweight Maxwell the company produced was so popular that, by 1910, Maxwell-Briscoe had four factories building the vehicle, including one in Detroit. Briscoe decided to create his own giant trust, one to rival Durant's.

Maxwell-Briscoe was one of the key components of Benjamin Briscoe's ill-fated United States Motor Company. From 1910 to 1912, Briscoe assembled a loose alliance of 130 automobile and accessory companies, but the only really strong profit-maker was Maxwell. It alone could not begin to support the rest of the shaky U. S. Motors line. In 1912, U. S. Motors collapsed, and only the well-engineered Maxwell survived. The firm was reorganized in December 1912 as the Maxwell Motor Company.

In 1913, veteran automobile manufacturer Walter E. Flanders was brought in to make sure Maxwell ran smoothly. Sales reached 44,000 in 1915, fourth place in the industry, and peaked in 1917 at 75,000 cars and 25,000 trucks. The company earned respectable profits of \$18 million between 1913 and 1918. But Maxwell's very success, especially in 1917, led to a disastrously destructive new partnership with the Chalmers Motor Company.

Chalmers also had distinguished roots in the early Detroit automobile industry,

stretching back to May 2, 1906, when Erwin R. Thomas, a successful manufacturer of luxury cars in Buffalo, New York, launched the E. R. Thomas-Detroit Company. That was the year the legendary Ransom Olds quit the Olds Motor Works he had founded after losing a fight with the majority stockholders over the company's future car lines. With his departure, several of Olds's chief executives also resigned from the firm, including Chief Engineer Howard E. Coffin, Sales Manager Roy D. Chapin, Purchasing Agent Fred O. Bezner and Traffic Manager James J. Brady. This group of former Olds Motor Works officials convinced Thomas to invest \$100,000 in the production a lightweight, low-priced car.

In late 1907, Chapin and his allies brought in Hugh Chalmers, who had quit as Sales Manager of the National Cash Register Company in Dayton, Ohio, where he earned \$72,000 a year, to head up Thomas-Detroit. They renamed the firm "Chalmers-Detroit Motor Company" after the new president in June 1908. Chalmers was an accomplished salesman. His friend Eugene Lewis wrote of him, "If Hugh had been as fine a manufacturer as he was a salesman, his car would probably be well-known today." Both the Chalmers car and the company did well until Hugh Chalmers began pushing for the production of larger, more expensive cars. Coffin, Chapin and Bezner remained committed to the lower-priced model, and the three men left Chalmers-Detroit in 1909 to establish the Hudson Motor Car Company. Their departure marked the beginning of a decline for the Chalmers firm.

In 1910, the company's name was changed one last time to Chalmers Motor Company. For a few years, Chalmers' brilliant salesmanship kept the operation afloat. In a November 1915 meeting, for example, he showed his 1916 models to a group of his dealers and sold 13,000 cars worth \$22 million in less than an hour. But he lacked the engineering and manufacturing know-how of the three men who left him for Hudson, and the Chalmers cars were expensive but technically backward vehicles that never sold in sufficient volume. The company's peak production was 21,408 cars in 1916.

To his credit, Hugh Chalmers recognized that he lacked manufacturing expertise. When the board developed a plan to reorganize the automakers' ailing production in summer 1916, he suggested that the company might hire Walter P. Chrysler from Buick to review it. In a memo to one of his lieutenants on September 30, 1916, Chalmers remarked:

Personally, I think we ought to utilize this opportunity because I believe that Chrysler is conceded to be the best automobile manufacturer in the industry;

at least, that is the reputation he bears everywhere, and I know you told me the same thing the other day.

Chalmers even discussed the matter with Chrysler, who planned to come to Detroit soon and agreed to look over the plans. Nothing seems to have come from the meeting, if it ever happened. Until 1917, the Chalmers Motor Company remained a struggling low-volume, high-cost automaker with excess factory capacity.

Enter the Maxwell Motor Company, which agreed to a five-year partnership with Chalmers starting on September 1, 1917. Chalmers provided Maxwell with its factory space, the existing inventories of parts and raw materials and \$3 million in working capital. Maxwell agreed to keep the Chalmers car in production and to pay the Chalmers company half of all the profits earned on its entire automobile production. Walter Flanders became president of both companies. Hugh Chalmers was “bumped upstairs” to become the ceremonial chairman of the Chalmers Motor Company.

When the sales of Chalmers cars precipitously declined after 1917 and Maxwell's sales improved, the partnership proved a drain on Maxwell resources and a losing proposition for the Maxwell stockholders. On August 30, 1919, the two companies agreed to merge, but unhappy Chalmers stockholders held up the deal. By the summer of 1920, the Maxwell Motor Company was in serious financial trouble of its own. The company owed its bankers \$26 million and was stuck with an inventory of 26,000 cars that nobody wanted because they had defective axles. Sales of the Maxwell car for all of 1920 came to only 34,168 vehicles. The five-year operating agreement with Chalmers now loomed as a huge mistake.

The same group of bankers who controlled Willys-Overland also had lent Maxwell large sums to keep it afloat. Some, such as Van Vechten and the Brady brothers, had long admired Chrysler, and all of them knew him from his work to date at Willys. Now they asked him to rescue Maxwell too. Once again he was reluctant, and not merely because he was still under contract to save Willys-Overland. He was also troubled by the deep divisions within the Maxwell-Chalmers firm between the officers, stockholders and bankers from Maxwell and those from Chalmers. Still Chrysler took up the challenge in August 1920, when he became chairman of the Maxwell-Chalmers Reorganization Committee. He agreed to stay on and revive the company only after the stockholders provided him with \$15 million in new working capital.

Chrysler did not run into the kind of troubles at Maxwell that marred his last days at Willys-Overland. There, John North Willys was still actively managing his company as Chrysler came on board, but none of the founders — Maxwell, Briscoe or Chalmers — was involved in the day-to-day operations of Maxwell-Chalmers when Chrysler took charge. Chrysler was more successful with his boardroom struggles. After taking over as chair of the Maxwell-Chalmers Reorganization Committee, he presented a revised merger deal to both sets of stockholders on September 1, 1920. When minority stockholders from both companies derailed the merger through legal challenges, he and the bankers who hired him finally “solved” this problem by throwing Maxwell into receivership in April 1921, buying the property at auction on May 24, 1921, and then conveying the assets to the newly chartered Maxwell Motor Corporation.

On June 1, 1921, the Maxwell and Chalmers companies elected identical officers for both firms, including Walter Chrysler as chairman of the board and William Robert Wilson as president. Chrysler and the bankers similarly forced Chalmers into receivership in early November 1922, and Maxwell bought the property at auction on December 7, 1922. But none of these financial reorganizations would have been possible without Chrysler’s rapid turnaround of Maxwell’s fortunes as an automobile manufacturer.

The 26,000 unsold Maxwells that Chrysler inherited suffered from defective axles, which broke when driven on rough roads. He strengthened the axles with braces and then reduced the selling price to the point where profits amounted to only \$5 per car. The Maxwell cars had entirely new axles for the 1921 model year, and Chrysler dubbed these cars the Good Maxwell to distinguish them from the discredited 1920 models.

Walter Chrysler ran full-page advertisements for the Good Maxwell in 1921 and 1922 and succeeded in rebuilding public confidence in the car. One ad proclaimed:

The friendly feeling which the public is displaying toward the “Good Maxwell” is no doubt prompted by, in part, its great beauty. But the deeper, more significant phase is the profound admiration shown everywhere, for the substantial qualities demonstrated by the reliable and notable fine performance of the “Good Maxwell.”

A later ad described the Maxwell’s new and improved “semi-floating” rear axle, complete with an illustration. The axle was “quiet, strong, long-lived — built in the Maxwell plant — an axle as fine in construction, as modern in design, as any axle can be

made for any car today.” Although Chrysler himself later said he hated even the words “Good Maxwell,” his brilliant advertising campaign helped reverse the company’s declining fortunes. Chrysler also made sure he kept improving the car — the New Series Maxwell appeared in July 1922 and the New Good Maxwell in July 1924 — but the kind of advertising savvy that introduced the Good Maxwell became a trademark of Chrysler’s future efforts in the auto industry.

In summary, by improving the quality and lowering the prices of Maxwell cars, while extensively advertising their virtues in the print media, Chrysler made the Maxwell company profitable again. Combined Maxwell and Chalmers sales, which had sunk to a low of about 19,000 vehicles in 1921, rebounded to almost 55,000 units in 1922 and to 83,000 units in 1923. For the calendar year 1922, the Maxwell side of the business earned profits of \$2 million, but losses of \$1.3 million at Chalmers reduced net profits to only \$700,000. The picture improved once Maxwell had full control over Chalmers. The Maxwell Motor Corporation earned profits of \$2.7 million in 1923 and \$4.1 million in 1924.

More importantly, a profitable Maxwell company provided Chrysler with the platform from which he finally launched the first car bearing his name. To at last realize his dream, Chrysler again turned to the talented trio of engineers he had originally brought to Willys-Overland.

Zeder, Skelton and Breer and the Chrysler Six

After Zeder, Skelton and Breer left Willys-Overland in December 1921 and established their own consulting firm in rented space in nearby Newark, New Jersey, they struggled to survive over the next 18 months. ZSB Engineering took any automotive engineering work that came its way, including a \$150,000 contract to design a new engine for the Durant Motor Car Company’s Flint automobile and a later contract for a new engine for the Locomobile, Durant’s luxury car. But they remained committed to one day producing a car like the one they had designed in secret for Chrysler at Willys-Overland. After June 1922, however, when Chrysler lost his bid to buy the Elizabeth factory, he personally seemed to lose interest in their work. For most of 1922, ZSB had little contact with him, though the trio continued to test experimental engines on the dynamometers at the Elizabeth factory now owned by Durant.

Chrysler’s interest in a ZSB-designed car was certainly rekindled on November 11, 1922, when he received a phone call from Owen Skelton, then living in the Robert Trent

Hotel in Newark. Skelton wanted him to view plans for a new six-cylinder car ZSB Engineering was designing for him. Chrysler was so impressed that he signed a contract with the trio that same day. ZSB Engineering would build and test a new high-compression engine, refine the plans and have a prototype ready to test by September 1, 1923.

Little more than a month after the first meeting with ZSB in 1922, Walter Chrysler had estimated the production costs, prices and profits for four body styles for the Series B cars, which would become the Chrysler Six line. (The Series A Chryslers were the cars that he originally planned to build at the New Jersey factory under Willys-Overland). After Chrysler viewed tests of the new engine on the Elizabeth dynamometer on April 11, 1923, he was so impressed that he ordered five prototype cars by September 1. The six-cylinder high-compression engine, the critical component of the new car, was mostly the work of Fred Zeder. To recognize Zeder's contributions to the Chrysler Six, Walter Chrysler included stylized Zs, designed to resemble lightning bolts, above and below the Chrysler name in the "blue ribbon" logo that appeared on the new car.

To guarantee that he could actually produce this car, Walter Chrysler knew — based on his experience at Willys — that he had to be absolutely sure of his position at Maxwell. The board of directors at Maxwell gave him an employment contract on June 1, 1923, that stipulated he would manage Maxwell for four years and could do so from New York City. He took over the post of president from William Robert Wilson and continued as chairman of the board. Chrysler would earn a salary of \$100,000 per year but, more important, would receive a bonus of 5 percent of the net profits of Maxwell. With this provision, he earned bonuses of \$206,000 in 1924 and \$856,000 in 1925. He also received options to buy 10,000 shares of Class A stock, which had no par value, at \$1 a share and 40,000 shares of Class B stock at \$12 a share at a time when it was selling at \$55 on the market. Maxwell also agreed to pay him \$100,000 for the plans for a new car.

It was no coincidence that, within a week of signing his new contract, Chrysler moved the entire ZSB Engineering staff from New Jersey to Detroit and placed them in the old Chalmers plant on Jefferson Avenue, where the Chrysler Six would be built. They operated independently of the Maxwell engineering department located in the Maxwell plant in Highland Park, Michigan. By September 1, they finished the first prototype, which had two-wheel mechanical brakes. In mid-November, the ZSB Engineering test driver, Allen B. (Tobe) Couture, along with Zeder and Skelton, drove a prototype with four-wheel hydraulic brakes from Detroit to Washington, D.C., and then to Chrysler's home on Long

Island. All of the men, especially Chrysler, were impressed by the car's performance and handling. In fact, they were gleeful, like kids.

Then Chrysler's car almost stalled again in late November 1923. One of the Brady brothers, James C. — who had been an early supporter of Chrysler at Willys-Overland and a longtime, major investor in Maxwell — was suffering from failing health in fall 1923 and wanted to sell the company. The Studebaker Corporation, led by Albert R. Erskine, offered \$26 million for Maxwell. Erskine and his top executives had taken test drives in a Chrysler Six prototype and were favorably impressed. They wanted the new car and the services of ZSB Engineering as part of a purchase agreement. Chrysler recognized that he would have to leave Maxwell if the sale took place because, in his words, “there would hardly be room for Erskine and Chrysler in one pasture lot.” Fred Zeder in effect vetoed the deal and threatened to have Breer destroy all the blueprints for the Chrysler Six if the sale went through. This threat killed the deal, and Walter Chrysler was free to push ahead with the manufacture and sale of his new car.

The original Chrysler car was to have been built by the Willys-Overland Company in its large, modern facility at Elizabeth in July 1921. Instead, the first car bearing the Chrysler nameplate was assembled two-and-a-half years later in Detroit at a factory originally built for the Chalmers-Detroit Company and sold through the Maxwell Motor Company. Who knows how well the car would have fared had the original plans for it materialized? The remarkable Chrysler Six, which the public was to view for the first time at the New York Automobile Show in January 1924, bore the imprint of the engineering trio of Fred Zeder, Owen Skelton and Carl Breer and showed just what they were capable of when they did not have to produce a “hurried replacement car.” Its engineering excellence would become a trademark of all the Chryslers to follow and of the corporation that would grow from its creation.

Once again, Walter Chrysler — following his dreams despite the risks — had achieved gratifying results. And, once again, those results only served to fuel his ambition, to spur him on to try something bigger, something more daring. He had built a car with his name on it; now he would found his own company.