

## Chapter Eight – Postwar Adjustments

Keller presided over the Chrysler Corporation's transition from an aggressive and innovative corporation under Walter Chrysler, to a company fiscally conservative and slow to update its cars. Chrysler followed trends rather than set them.

— Reginald Stewart

Sixteen million Americans went to war between 1941 and 1946. They, and the world they lived in, were transformed by the experience. On the one hand, the Nazis pawned holocaust and the nuclear annihilation of Hiroshima and Nagasaki cast a somber shadow over the postwar world. On the other, the war had clearly revived the Depression-hobbled industrial might of the United States, promising a prosperity unimaginable before the war. Despite these changes, in 1945 the stuff of dreams for most Americans remained humble enough: a house of their own, an education for them and for their children, a set of good tires, a world without gas rationing and, perhaps, even a new car. Fat wartime payrolls had produced a huge jump in the aggregate personal income of Americans and, with the wartime expansion of American production capability, the pump was primed. The good life, the one for which Americans had fought and sacrificed over the last four years, was just around the corner.

Chrysler Corporation's managers emerged from the Second World War proud of their accomplishments and with a strong sense of confidence about the Company's future, and with good reason. Chrysler was, after all, the second largest car company in the United States, with more than one-quarter of the market. It had enjoyed a long history of engineering leadership, and most of its automotive products had been extremely successful. Additionally, Chrysler's contribution to the war effort had been prodigious. By war's end the Company had produced nearly 600,000 trucks and some 25,000 tanks. Thousands of various aircraft parts and components had been designed, stamped, wired, welded and assembled in Chrysler plants. Some 44,000 single and paired Bofors antiaircraft guns had been produced and assembled, along with hundreds of thousands of incendiary bombs and rockets. Chrysler workers produced several billion large and small bore cartridges and projectiles. Marine engines, gyrocompasses, radar sets, submarine netting and parabolic reflectors for searchlights helped fill out the mix. It had been an organizational and

manufacturing *tour de force*, and K. T. Keller and Chrysler had been inundated with praise and glory for those patriotic contributions.

In late 1945, the United States government lifted the ban on automobile production it had imposed in February of 1942 to force the industry to turn to the war effort. Immediately afterward, Chrysler — along with the rest of the industry — found it difficult to switch from war goods back to cars. A severe shortage of material meant few autos were produced in the final months of 1945, and those that did roll off the lines were warmed-over models with cosmetic changes. Through 1948, Chrysler Corporation continued to sell such reheated leftovers, but it hardly mattered. GIs returning to the states with combat pay to spend and those on the home front who had had nothing new to buy throughout the war snapped up anything the automobile industry offered. The frenzy of postwar consumption kicked off a long wave of economic growth, which early on fed the amazing seller's market and offered automakers a potential unlike anything they had seen in more than two decades.

In this atmosphere, Chrysler had some success with the distinctive Town & Country. A wooden-sided beauty that had been introduced as an estate wagon before the war, the Town & Country returned afterward in sedan and convertible styles to capture the aspirations of prosperous new American suburbanites.

But, even given the panache of the upscale Town & Country, during the five years following the end of the Second World War, the pride and confidence that Chrysler had felt during the war started to wane. The same focus on production that had brought it glory in wartime — coupled with the logistical problems of returning to the civilian market, conservative styling that yielded unimaginative and unappealing products, an aging management and outdated corporate structure and adversarial labor relations — contributed to its inability to adjust to postwar reality. Chrysler Corporation began to suffer serious setbacks as sales plummeted. Despite subsequent efforts to diversify, improve management and modernize vehicle styling, the Company's position continued to decline as it slipped, apparently forever, into distant third place among the Big Three.

#### *Return to Civilian Production*

While Chrysler's conversion in 1941 and 1942 from civilian production to the manufacture of military products had been long and difficult and frustrating for the automaker, the postwar re-conversion to civilian production was equally troublesome and, in many respects, more costly.

The end of hostilities brought abrupt reductions in Chrysler's operations as the

government quickly canceled orders for military equipment. Chrysler's unfilled government orders fell from \$922 million on August 14, 1945, to \$6 million by October 24. Saturday work stopped in late August 1945, and the workweek fell from 48 to 40 hours. Peak employment had reached 125,481 in January 1945 but fell off precipitously in the month following Japan's surrender. Chrysler had only 72,671 employees on September 10 and 62,610 a week later. The average employment of 59,245 for 1945 was half the level of 1944.

Re-conversion was a monumental task. Of the total 20,320 machines needed to resume civilian production, Chrysler rebuilt 18,090 that had sat idle during the war or had been previously modified for war production; the rest, only 2,230, were new machines. In addition, Chrysler's factories needed 70 miles of new conveyors, 3,100 feet of paint spray booths, and 8,500 feet of drying ovens. Because the automaker was simply putting back into production the 1942 models, there were no new tooling costs. In all, the Company spent only about \$75 million on new machinery and equipment.

In the six months following the end of the war, government controls over materials, prices and wages virtually disappeared. Serious supply bottlenecks developed for a variety of materials, but steel shortages especially plagued the auto industry through 1947. Chrysler produced only 39,361 vehicles in 1945 and, like its competitors, faced shortages of components from suppliers, who were also hit with material shortages. Although production rose to nearly 712,000 units in 1946 and then to more than 1 million in 1947, Chrysler management still complained that the firm was operating at only two-thirds capacity because of steel shortages. Rising prices of raw materials, manufactured components and labor also forced the automaker to raise prices.

Yet demand for automobiles remained high. Since no new civilian cars had come out of Detroit for four years, many existing autos had worn out. A new group of drivers had also come on the scene. In July 1948, Chrysler's president K. T. Keller argued that the Company still priced its cars too low, abetting an even higher demand that Chrysler manufacturing could not meet. Chrysler's customers faced delays of between 23 and 27 months between ordering a car and taking delivery.

Chrysler had begun the postwar era by reintroducing the 1942 models, as did other automakers. Given the pent-up demand following the war and the shortages of materials they all faced, none of them felt any urgent need to redesign their cars. In any case, automobile manufacturers routinely required at least three years of lead time to redesign and restyle their car lines. As a result, none of the American car manufacturers had new

products to sell until the 1949 model year.

But the 1949 model introductions seemed to foretell the future. The all-new General Motors and Ford models were longer, lower and sleeker than their prewar designs, but Chrysler's new offerings were none of those. The new Chryslers were four to five inches shorter and two inches taller than the models they replaced, and these 1949 models remained essentially unchanged through the 1953 model year. They continued to sell well, however, largely because the postwar automotive demand was still strong. In fact, the Company sold all the cars it could make until 1954, when Chrysler's boxy designs finally led to a sales disaster.

For the truth was that, once the industry had sufficiently increased production to satisfy the postwar demand, the "seller's market" also ended. That market had swelled the bottom lines of not just the Big Three but most of the "independents" as well, even encouraging newcomers to get into the business. But as the new suburbanites filled their tract homes with all the modern conveniences, from electric can openers to refrigerators to televisions, consumption became conspicuous, and the sellers' market evolved into the kind of heated competition seen in the 1920s. The other major automakers reacted to this transformation more quickly and appropriately than did Chrysler.

### *Dark Clouds on the Horizon*

Certainly by the late 1940s, the more perceptive observers of the automobile industry predicted a rather dim future for Chrysler. In October 1948, for example, the authors of a lengthy *Fortune* article on Chrysler Corporation predicted serious problems on the horizon.

*Fortune* was aware that the Company seemed to be in good shape, with efficient manufacturing operations and excellent engineering. It knew that Chrysler's sales, slightly more than 1 million vehicles in 1947 and 1948, had regained the levels of 1940 and 1941 and were only slightly shy of the 1937 sales high of 1,158,518 units. The article reported that Chrysler's extensive use of interchangeable parts throughout its product lines allowed it to make as much profit per car as General Motors. Yet, in spite of all that, *Fortune* wondered in public print if "Chrysler is playing to its operational strength to such a degree that the creative qualities that made its success are in danger of becoming atrophied." The analysis continued by proclaiming that this Chrysler Corporation was *not* the firm that Walter P. Chrysler had directed.

Keller had partially prompted *Fortune's* views when he declared, in a speech

delivered in July 1948, among other things, that Chrysler was not attempting to develop “revolutionary vehicles and power plants.” *Fortune* remarked that this was clearly not the mentality that had dominated Chrysler Corporation in the 1920s and 1930s — and that the automaker’s memorable innovations seem to have ended with the retirement of Walter P. Chrysler:

It is realized that K. T. (Keller) is Walter (Chrysler)’s legitimate heir in toughness, drive, and shopside skill, but some like to think that if Walter were around today, he’d want to come up with some headlining development, just for the hell of it.

Clearly, part of the problem was Walter Chrysler’s aging lieutenants. As we have seen, during his days at Maxwell and in the early years of the Chrysler Corporation, Walter Chrysler surrounded himself with a group of executives who in many respects were responsible for his success and the success of the corporation that bears his name. The “princes” were intelligent, innovative, hard-working men who were intensely loyal to Walter Chrysler. He had given each of them considerable independence, had rewarded them with position, power and money and had molded them into a smooth-running team. Walter Chrysler himself could hitch this team of independent horses to a single wagon and get them to pull in harmony, but it was a management system that depended on Walter Chrysler’s charisma.

While Chrysler Corporation’s management had worked well with Walter P. Chrysler at the helm, it grew less effective after his retirement in 1935. The presidents who followed simply did not have the dynamic personality of the founder, much less his broad understanding of automotive engineering, manufacturing and marketing. Walter P. Chrysler was a bold, risk-taking visionary. His lieutenants were not. Besides, most of the top Chrysler managers in the early 1950s were men who had worked at Chrysler (or Maxwell) since the 1920s. (Treasurer and vice president B. E. Hutchinson had begun to work for Walter Chrysler as treasurer of Maxwell in August 1921, then became a vice president and director in early 1922. The engineering triumvirate of Owen Skelton, Fred Zeder and Carl Breer had started at work at Maxwell in May 1923. Even the “latecomer,” K. T. Keller had been hired by Walter Chrysler in April 1926.) Most of these men were in their 60s and were no longer in touch with an automobile industry and a broader society that had changed measurably since their youth. The Company suffered from a kind of “hardening of the managerial arteries” in the postwar years.

At the same time, the very longevity of service of Walter Chrysler's lieutenants gave them well-entrenched power within the Chrysler Corporation, and separating the managers from the management system at Chrysler was no easy task. Take the Three Musketeers: Walter Chrysler created a Central Engineering Department controlled by the triumvirate of Zeder, Skelton and Breer, who wielded complete control over automotive engineering and body styling. The three men were a brilliant team, and Chrysler showed them a great deal of deference and seldom interfered with their decisions. Zeder, Skelton and Breer continued to dominate Chrysler engineering and styling during their final working years and beyond.

But, after Keller, Hutchinson was the most powerful of Walter Chrysler's lieutenants and continued to wield great influence until his retirement as an active manager in 1953. Hutchinson served as vice president of Chrysler from 1925 through May 1953 and as chair of the powerful finance committee of the board of directors from 1947 to 1954. While less well known than Keller or the Three Musketeers, Hutchinson had a long and close relationship to Walter Chrysler, in which B. E. sent letters beginning "Dear Boss" and ending simply "Hutch." Hutchinson's large salary also indicated his importance. In 1946, Keller led the salary list with compensation of \$183,300 and Hutchinson was second at \$164,134. The next highest-paid was Fred Zeder at \$144,933, nearly double the pay of Owen Skelton (\$78,633) and Carl Breer (\$78,533).

Hutchinson's fiscal and social conservatism greatly affected Chrysler Corporation operations. He told *Fortune* in a 1948 interview, "The fundamental policy of Chrysler is to engineer good products, provide good facilities with which to make them, pay off our debts, and divide what is left with our stockholders, giving them as much of it as you can." Except for the years from 1928 to 1935, when Chrysler carried the Dodge debts it had inherited, he kept the automaker debt-free until his retirement in 1953. But Hutchinson's policies also held the seed of potential crisis. By paying out most of the profits to the shareholders (Chrysler's \$1.62 per share dividends from 1950 to 1954 were nearly double those paid from 1946 to 1949, when profits and market shares were higher), he also limited resources available for investment in and expansion of Chrysler's design and manufacturing operations. As long as Hutchinson controlled the purse strings, the Company's production facilities remained underfunded, outdated and inefficient.

### *Keller's Company*

The key player in Chrysler's poor performance after the Second World War, however,

was K. T. Keller. Because of his managerial style, interests, mentality and worldview, he was simply not up to the challenges of the postwar era. Reginald Stewart offered a brutal and simplistic assessment:

Keller presided over the Chrysler Corporation's transition from an aggressive and innovative corporation under Walter Chrysler to a company fiscally conservative and slow to update its cars. Chrysler followed trends rather than set them.

Keller remained a "production man" all his life. This was what he knew and loved. When he said, "I am a machinist by trade," he was not being falsely modest — he meant it. He remained deeply rooted in the factory and, unlike Walter Chrysler, never developed broader knowledge and interests in engineering, styling and sales. Walter Chrysler was a visionary; K. T. Keller was not.

Apart from his personal characteristics and limitations, Keller had other impediments when he took the reins at Chrysler. He inherited a managerial structure that discouraged innovation, and he did not have the freedom to choose his own lieutenants. Circumstances saddled him with the aging combination of Zeder, Skelton, Breer, Hutchinson and other long-term associates of Walter Chrysler, including sales manager Joseph Fields and Walter Chrysler's personal and corporate counsel Nicholas Kelley.

As a machinist-turned-corporate leader, Keller seemed most comfortable and content producing weapons and other war products during the Second World War when he did not have to worry about style, customers' preferences, sales campaigns, costs or competition. The problems associated with the production of tanks, aircraft engines or any of the scores of other Chrysler war goods were just that — production problems. The military gave him the tasks and specifications, and his genius was in organizing that work.

"Doing" was what Keller did best, and he did it well. He was honored in 1945 with the Distinguished Service Certificate from the U.S. Army Ordnance Department, a similar certificate that year from the Secretary of the Treasury for his contributions to the War Finance Program and a Medal of Merit from Secretary of War Robert P. Patterson in October 1946. The citation that accompanied the Medal of Merit presented to Keller read:

For distinguished and exceptionally meritorious conduct in the performance of outstanding services to our country at war since June 1942, in a position of great importance as a voluntary and unremunerated advisor to the chief of

ordnance, Army Service Forces, on problems of management, production, and supply.

The U.S. Air Force also gave him an Exceptional Service Award in January 1954, and the U.S. Navy recognized Keller with the Distinguished Public Service Award in August 1956. Even Hollywood paid tribute to Keller's war work. Following the end of the conflict, Metro-Goldwyn-Mayer released a film on the development of the atomic bomb, entitled, "The Beginning of the End," which included the character of K. T. Keller, played by the actor John Litel.

Critics of Keller have attacked his habits of maintaining a rigid, centralized control, "micro-managing" pet operations and interfering with the work of others. Reginald Stewart claimed that Keller insisted that Company directories and office nameplates include only the first initials of the officeholder. A *Forbes* article also reported that Keller personally designed the conference room, including the furniture, where he regularly met with his vice presidents. Sometimes Keller would even personally supervise, and often directly interfere with, the installation of new machinery in Chrysler factories. Once, expensive new machinery was left crated and unused for nine months because Keller had told the plant manager that he wanted to personally supervise its installation and layout. He routinely interfered with the work of Chrysler's body engineers and stylists, offering unwelcome suggestions regarding the new models' appearance. Keller supposedly ordered an extra inch and half height be added to the 1949 lineup of Chrysler Corporation cars.

K. T. Keller did hold very strong views about automobile design and style, views he clearly defined in a speech at Stanford University on July 22, 1948. While conceding that car owners are interested in the car's appearance, Keller pointedly added, "But he bought the car to ride in, and for his wife, and children, and friends to ride in." Chrysler's president then made his famous statement about headroom:

Many of you Californians may have outgrown the habit, but there are parts of the country, containing millions of people where both the men and the ladies are in the habit of getting behind the wheel, or in the back seat, wearing hats. If the last word in millinery is knocked off the little woman's head, and a superb hairdo is disarranged, the standing of the car that does this is impaired.

Therefore, Keller unashamedly admitted, Chrysler designed the all-new 1949 models



with a focus on driver and passenger comfort and the mechanical performance of the cars, not on body styling.

In its report of Keller's comments, *Fortune's* reporters commented that they suspected that the all-new, 1949 models were likely to be dull and stodgy. *Fortune* guessed that "the '49 Chryslers, Plymouths, DeSotos and Dodges may or may not knock your eye out when you look at them, but they will certainly not knock your hat off."

Dodge magazine advertising that ran in April through June of 1950 touted the practical advantages of that design, proclaiming the Dodge as "Bigger Three Ways: LONGER on the inside . . . SHORTER outside! WIDER on the inside . . . NARROWER outside! HIGHER on the inside . . . LOWER outside!" A later advertisement in August explained, "Yes, Dodge is longer, wider, higher on the inside for extra leg room, shoulder room, head room. Yet on the outside, Dodge is shorter, narrower for easier handling and parking . . . lower for road hugging stability."

Keller continued to argue more than a year later that his decisions about styling were sound. At the press introduction of Chrysler's 1950 cars, he could point to sales of 1,331,000 1949 models, surpassing the prewar, 1937 sales high, as proof of the wisdom of not joining "the 'non-functional' styling parade last year." Chrysler's failure to abandon its out-of-date and out-of-touch styling was largely due to Keller's entrenched, conservative ideas that left him ill-equipped to meet the challenges presented by Ford and GM and an altered, postwar environment.

In the section of his written reminiscences of the postwar years entitled, "Dominating Policy Overriding Engineering Department Judgement," Carl Breer was particularly critical of Keller's dictatorial style. Breer believed it had cost Chrysler Corporation dearly. Among other things, Keller had vetoed the longer, wider models Engineering had proposed for the 1949 model year and then blocked the introduction of curved windshields for many years. Breer noted that after the war:

. . . we could sense that the dominant directive atmosphere had changed. There was less open discussion. There seemed to be more running interference and selfish decisions by the so-called headquarters outside of engineering. There seemed to be more of a deliberate "do it my way" policy.

The changed style of management, under which Engineering, including Carl Breer, lost much of its independence, was the direct result of Keller's personality. Breer complained

about the man Walter Chrysler had hand-picked as his successor:

He came from General Motors Canadian Division, new to us and being of a different personality of that of our leader (Chrysler), could not have the same understanding as the man we were so closely and so successfully associated with. These differences in leadership undoubtedly account for a lot of what happened in the motor car business after the war.

Still, a *Forbes Magazine* nationwide poll conducted in 1948 named Keller one of “America’s 50 Foremost Business Leaders,” and the publication honored him with the following citation:

K. T. Keller, President, Chrysler Corp. Head of a great motor-car organization who likes to describe himself as a “mechanic.” Superb master of many varied technical skills and the art of directing corporate human effort towards maximum production. For his priceless services in time of war a grateful nation bestowed on him its supreme honor, the Medal For Merit.

It is notable that the citation mentions neither innovation nor leadership in automobile design or production methods, much less in producing cars that people wanted to own. His merits reside only in his “technical skills and the art of directing.” For many industry insiders as well as automotive historians, it has been difficult to imagine that this technician, given his penchant for dictatorial micromanagement and trivial pursuits, could grasp the “big picture” of Chrysler’s operations, much less understand the broader automotive industry. Certainly Keller’s personality and management philosophy ill prepared him to deal with one of the major developments in the automaking industry. For Keller had never accepted the legitimacy of labor unions, particularly the United Auto Workers, and his intransigence would sour labor relations until his retirement.

#### *Postwar Labor Relations and the Strike of 1950*

By the late 1930s, the UAW-CIO had successfully organized General Motors and Chrysler. But the Ford Motor Company’s strong-arm Service Department had proved an effective barrier to unionization of the Company until 1941, when a United States Supreme Court decision to uphold an National Labor Relations Board ruling forced Ford’s Rouge River plant to reinstate, with back pay, 22 plant workers fired in the organizing drive of 1937. The

decision emboldened the UAW to petition for a NLRB election, and when Ford refused to consent, to strike the company in April of 1941. Ten days later the strike was settled and an election held, which the UAW won handily. By June 20, the union had negotiated the best contract the autoworkers had ever seen, providing for the first union shop and dues check-off agreement in any major company in the auto industry. Ford was the last of the Big Three to be organized, and now the UAW turned to Canada. Before the year was out, it was the one union representing workers in the automobile manufacturing industry in both the United States and Canada.

Then came the war. Most of the UAW's officers and executive board members were on their way to an international board meeting in New York on December 7, 1941, when they heard of the Japanese attack on Pearl Harbor. On Monday morning, December 8, when the meeting began, the UAW board's first action was to adopt, unanimously, a no-strike pledge for the duration of the war. Probably the first union to make such a pledge, the UAW watched as others unions followed suit, as did both the American Federation of Labor and the Congress of Industrial Organizations. While truly patriotic, these pledges were also a shrewd move on labor's part, since strikes during the war would have been disastrous for the union movement and would have alienated the Roosevelt administration, a government more friendly to labor than any in American history.

Instead the UAW specifically was able to play a role comparable to that of American automakers in the war effort. UAW officials held a number of important positions in wartime agencies. UAW President R. K. Thomas became a member of Roosevelt's Labor Victory Committee and the War Labor Board and held a top position on the War Production Advisory Committee. Firebrand Walter Reuther served on the labor committee of the War Manpower Commission and on a comparable committee of the War Production Board. In 1945, Roosevelt appointed him to the Advisory Committee on Post-War Foreign Policy. Thus the UAW — even while yielding the “right” to strike (perhaps because it yielded it voluntarily) — still protected collective bargaining, using the War Labor Board machinery to settle industrial disputes. As a result, the UAW and its members came out of the war as proud of their contributions to the war effort as the industrialists and strong enough to demand they share in postwar prosperity.

Walter Reuther developed a collective bargaining wage proposal to be presented to General Motors as soon as hostilities overseas came to an end. The proposal essentially called for a 30 percent increase in wages and an agreement from GM not to raise the prices

of its products. Called "Purchasing Power for Prosperity: The Case for General Motors Workers for Maintaining Take-Home Pay," Reuther's brief was something new under the sun. Packed with statistics on production, labor costs and productivity, it redefined the goals of labor negotiations from questions about mere hourly wage increases to questions about workers' purchasing power and quality of life. The UAW proposal caused a storm of controversy. GM initially declared that any wage increase would have to be reflected exactly in price increases, but when the union challenged the corporation to open its books and prove it could not pay the increase without increasing prices, GM responded that it was not pleading inability to pay but arguing that the prices it charged were the sole concern of the corporation.

Most American companies, including Chrysler and the other automobile manufacturers, followed approaches similar to GM's in postwar labor relations. Business in general, disturbed by the growth of union power in the late 1930s, and especially during the war, launched a counteroffensive aimed at weakening unions and eliminating the worst of what the business community considered union abuses. With the end of government wartime controls, companies like Chrysler wanted to regain much of the power they had given up since 1937. Criticism of the UAW's demands were not limited to business executives. Other labor leaders attacked Reuther's proposal, and many UAW leaders were more grudging in their support than enthusiastic. But UAW members themselves bought Reuther's arguments about needing an increase in real wages — in purchasing power — which meant not only per-hour raises but cost-of-living protections and, eventually, medical benefits and pension plans.

In 1945, GM fought even the per-hour increases, offering 13.5 cents an hour when the UAW insisted it could afford much more without raising prices. On November 21, the UAW struck General Motors. A month later, citing the serious danger of the strike to the national economy, President Harry S Truman intervened, appointing a special fact-finding board. GM rejected the board's report, issued on January 10, that said the company could afford a 19.5-cents-an-hour increase without raising prices. The strike continued for another month, with GM finally settling at 18.5 cents across the board. But it was not until 1948 that Reuther's new wage policy really bore fruit, when GM agreed to a wage formula providing an annual wage increase based on increased technological productivity and a quarterly adjustment based on the Bureau of Labor Statistics Cost-of-Living Index. A year later, the UAW negotiated with Ford Motor Company the first fully employer funded pension program

in a mass production industry.

Throughout all this, Chrysler's top managers were even more militantly antiunion than their counterparts at General Motors and Ford, resulting in bitter labor relations at Chrysler. The top managers at General Motors and Ford, seeing the way the wind was blowing and taking note of the results of Truman's fact-finding board, became more pragmatic in dealing with labor, while Chrysler's leaders remained more ideological and rigid. K. T. Keller had always been unsympathetic toward labor, but B. E. Hutchinson, even more than Keller, proved to be the principal source of Chrysler's intransigence.

At first Chrysler Corporation's hard-line approach was not all that evident. It signed a new contract with the UAW on January 26, 1946, providing a general pay increase of 18 cents an hour, basically the same increases negotiated with the other auto companies. A second postwar agreement, signed April 26, 1947, provided for six paid holidays. The UAW achieved these agreements without a strike. However, in May 1948, the UAW struck Chrysler for 17 days before reaching a settlement. In many respects, this was a "normal" strike over economic issues. The UAW initially demanded a 30 cents-an-hour pay increase, Chrysler offered six cents, and they settled on 13 cents. But the pay increase included a 10-cent "flat rate" cost-of-living allowance (COLA), plus a three-cents-per-hour general increase. This was in marked contrast to the GM contract around that same time, under which a more tolerant General Motors gave UAW workers an across-the-board raise of 11 cents and a cost-of-living allowance on top of it. Clearly, the UAW had not yet established its policy of "pattern bargaining" with the major auto companies.

The 100-day strike running from January 25 to May 4, 1950, was the best example of the dysfunctional relationship that existed between Chrysler and the UAW. The major disagreements involved a pension plan for Chrysler employees, precisely the same program the UAW had won from Ford in 1949.

In June 1949, the UAW asked for an increase of 38 cents per hour, with much of it earmarked for pensions and hospital-medical insurance. In an 11-page summary of contract negotiations pieced together by Chrysler in February 1950, the automaker claimed that under a contract extension of May 28, 1948, the two parties had agreed that each had the right to renegotiate wage rates only. Chrysler contended that pensions and medical benefits were not subject to the wage re-opener clause but still agreed to discuss pensions with the union. The UAW took a strike vote in late September but did not call a strike until January 25, 1950.

During the strike, both sides issued a constant stream of propaganda, aimed at Chrysler workers and the public at large, supporting their differing positions. Chrysler offered to provide pensions, which, combined with Social Security payments, would total \$100 a month. The UAW called for a fixed \$100 benefit besides Social Security benefits and insisted that Chrysler make contributions to a separate pension fund based on a cents-per-hour-of-work formula. This demand included a separate pension fund that would guarantee the safety of the pensions, despite the automaker's financial condition. It was a demand Chrysler refused to accept, stating, "Trust us: We have always paid our bills in the past and we plan to pay them in the future."

Once the strike began, both sides "dug in" for a protracted battle. There was no movement until late March, when Chrysler management began to abandon its position that it did not need to fund pensions. Walter Reuther, on the other hand, gave up his fixed cents-per-hour idea in early April. A settlement first appeared possible on April 16, 82 days into the strike, when Chrysler agreed to put \$30 million into a separate pension trust fund to cover past and future pension obligations. The automaker also agreed to pay half the costs of a health insurance program. The strike dragged on until May 3, when the two sides settled some other outstanding issues relating to matters such as the powers of shop stewards, grievance procedures and promotions. The UAW came out of the strike with a fully employer-funded pension system and improved health and disability insurance benefits, but the negotiations had been so acrimonious that, at the press conference announcing the settlement, Reuther refused to pose for the traditional handshake with the officials of Chrysler Corporation, setting the tone for UAW-Chrysler's relations for the rest of the decade.

While the 100-day strike had cost Chrysler dearly in the lost sales of 500,000 vehicles in a very robust market, the UAW could trumpet its apparent triumph. The union's full-page newspaper advertisements when the strike ended touted its successes — "Workers' Courage and Solidarity Win Victory over Chrysler Corporation's Blind Selfishness." Included in the advertisements was a detailed "Calendar of Gains Won during Strike," proclaiming to all the major benefits of advances won by the struggle.

*Fortune* ran a feature story on the strike, entitled "Chrysler's 100 Days," in which it laid out the pension and other issues involved in the struggle and discussed the climate of labor relations between Chrysler and the UAW. The article claimed that it had been left to Nicholas Kelley, Chrysler's attorney, to determine the automaker's labor relations policies,

rather than the top management in Detroit, which had nothing to say to the UAW. The *Fortune* writer observed:

During a stormy thirteen-year bargaining history, Chrysler and the union have somehow managed to retain a deep ignorance of each other's operations and a spectacular suspicion of each other's motives.

The intransigence of Keller and his right-hand man B. E. Hutchinson proved completely counterproductive. In early June 1950, within a week of the start of negotiations between the UAW and General Motors on a new contract, GM granted the UAW all that it had gained at Chrysler and more. GM agreed to make pension payments to workers on top of whatever federal benefits they received, starting with a total of \$117 a month versus the \$100 offered at Chrysler. Ford quickly agreed to essentially the same package as General Motors and suffered no work stoppage.

When Lester L. (Tex) Colbert took over as Chrysler president in early November 1950, he reopened negotiations with the UAW, recognizing that Chrysler needed to adopt the same contract provisions as its rivals or face continued labor turmoil. Chrysler and the UAW amended the contract of May 4 on December 11, 1950, to bring it into compliance with the agreements at Ford and General Motors. The UAW had finally managed to establish "pattern bargaining" as the norm in the auto industry.

### *Remaking Chrysler Corporation in the 1950s*

K. T. Keller left the office of president of Chrysler Corporation on November 3, 1950, at the mandatory retirement age of 65. The Chrysler board of directors then appointed him chairman of the board, a position that had disappeared after the death of Walter P. Chrysler. Keller had served as president for 15 years and three months, five years longer than anyone else. He then held the post of chairman of the board for an additional five years and five months. With Keller's final retirement from the Board in 1956 the last tie to Walter P. Chrysler and his original management team ended.