Chapter Four – The Dodge Heritage

The Dodge brothers are the two best mechanics in Michigan.
There is no operation in their own shop from drop forging to
machining, from tool-making to micrometic measurement,
that they can't do with their own hands. . . . As a matter of fact,
when the Dodge Bros. new car comes out, there is no question that
it will be the best thing on the market for the money.

Michigan Manufacturer and Financial Record,
August 8, 1914

In June 1928, the Chrysler Corporation, with assets of $90 million, bought Dodge Brothers, Inc., with assets of $119 million. This purchase transformed Chrysler into an automobile giant able to compete against General Motors and Ford and made it the third of the “Big Three” American automakers. The merger brought Chrysler large, efficient manufacturing plants and an extensive, well-established dealer body. Dodge Brothers, Inc., became the Dodge Division of Chrysler and has served as a major manufacturing arm and breeding ground for Chrysler executives for many years. Buying Dodge made Chrysler both a better automobile company and a larger one, and influence of the Dodge heritage is evident within the Company to this day.

The Dodge Brothers as Automotive Suppliers

John Francis Dodge, born in 1864, and Horace Elgin Dodge, born four years later, grew up in Niles, Michigan, the sons of the owner and operator of a machine shop and foundry. In 1882, the Dodge family moved to Port Huron, Michigan, and four years later relocated again, this time to Detroit, where the two red-haired brothers worked eight years for a boiler manufacturer. In 1894, they took jobs as machinists for the Dominion Typograph Company in Windsor, Ontario, directly across the Detroit River. After Horace Dodge patented an improved bicycle ball bearing in late 1896, the brothers formed a partnership with Fred Evans to make a bicycle using Horace’s invention. They leased the Dominion Typograph plant, where they manufactured the Evans & Dodge bicycle from the middle of 1897 through 1900.

The Dodge brothers dissolved their Canadian partnership in 1900, collected about $10,000 for their share in the venture and established a machine shop in Detroit early in 1901. Their business started modestly as a general purpose machine shop in rented space with 12 employees. A September 1, 1901, *Detroit Free Press* article sang the praises of the shop:

> It may be stated in reference to the quality and character of their equipment that no money has been spared to make it complete in every particular. Machines of the latest designs are used intelligently and they employ the highest skilled labor only, for in no other way can they assure themselves the results which have invariably won them the confidence and continued favor of their patrons.

In June 1901, the Dodge brothers began their long history of supplying Detroit's growing auto industry with major components. Ransom E. Olds, Detroit's first automobile maker, awarded the Dodges a contract to manufacture 2,000 engines for his famous curved-dash Olds runabout (made famous in America through the popular song "In My Merry Oldsmobile"). In early 1902, the Dodges moved into a new three-story building, which offered room for expansion. Olds gave them an additional contract in 1902 for 3,000 transmissions, making the Dodge brothers the largest parts suppliers to the auto industry and proprietors of the largest machine shop in Detroit.

Within a year, John and Horace Dodge launched a business relationship with Henry Ford that would change their fortunes and intertwine their futures with Ford for more than 15 years. The brothers signed a contract on February 28, 1903, agreeing to supply the newly formed Ford Motor Company with 650 sets of running gear at $250 each. ("Running gear," also called a "machine," was the entire working automobile minus wheels, tires and the body.)

The Dodges invested around $75,000 to begin production for Ford. They made their first deliveries in early July, but the cash-strapped Ford Motor Company fell behind in its payments to the Dodges, who forgave a past-due payment of $7,000 and handed Henry Ford an additional $3,000 in return for 10 percent of the Ford Motor Company stock. John Dodge became a director and vice president of Ford Motor Company, and the brothers, who remained Henry Ford's primary component suppliers until 1914, kept their stock interest in the company until 1919.

As Ford expanded production, so did the Dodges. Their contract to deliver 150 machines a month in mid-1904 became a contract for 333 machines a month in the first half of 1905. The Dodges provided components for the Ford Models F, H, K, N and — starting in 1908 — the Model T. The Dodge brothers soon found themselves under severe pressure to keep up with Ford's demand for components. They began constructing a new manufacturing complex in Hamtramck, Michigan, with direct railroad links to Ford's new Highland Park plant, which Ford had opened in January 1910 following the enormous success of the Model T. The Dodge brothers moved into their new Hamtramck plant, consisting of five buildings designed by noted Detroit architect Albert Kahn, in November 1910.

By early 1914, the Dodge brothers employed 5,000 men at Hamtramck, manufacturing parts exclusively for the Ford Motor Company. The Dodge brothers annually produced some 250,000 transmissions, drive shafts and rear axles, along with 200,000 front axles and crank shafts, all for the Model T Ford. As the suppliers of every major component except wheels, tires and bodies, they were responsible for 60 percent of the total value of Ford's cars from 1903 to 1913.

Starting in 1906, Henry Ford tried to reduce his dependence on the Dodges by making many of his own engines. The brothers recognized that, in time, Ford would become self-sufficient, and they worried about their total dependence on the company. They also longed to build their own car. Thus, in July 1913, the Dodges gave Henry Ford notice, as required by their contract, that they would stop making components for him in July 1914.

John Dodge resigned as a director and vice president of the Ford Motor Company in August 1913, but the brothers held on to their stock. When Ford, beginning in 1915, refused to pay any significant dividends to his stockholders, the Dodges led a successful stockholders' lawsuit that forced him to start paying dividends again in 1917. The irascible Ford, determined to have complete control of the company that bore his name, bought the Dodge brothers' 10 percent share in July 1919 for $25 million. The brothers had received $5.4 million in dividends over the years and earned another $2 million in profits from their Ford contracts. In total, they received the remarkable return of $32 million on their initial investment of $10,000 in the Ford Motor Company.

Clearly, the Dodges owed much of their enormous financial success to their relationship with Ford. At the same time, much of Henry Ford's success was the result of the Dodge brothers' proven manufacturing capabilities. They gave Henry Ford a reliable, steady supply of high-quality, reasonably priced parts and components and established their own reputation in Detroit for quality workmanship.

The Dodge Brothers as Automobile Manufacturers

John and Horace Dodge spent all of 1914 designing the first Dodge automobile and preparing their factory for production. In June 1912, when their relationship with Ford was beginning to unravel, they had hired Frederick J. Haynes, the manager of the H. H. Franklin Company's automobile factory in Syracuse, New York, to manage production of the new car they had long imagined. Now, on July 1, 1914, the brothers converted their long-standing partnership into a corporation named Dodge Brothers. Capitalized at $5 million (all of which the brothers put up themselves), the new firm issued 50,000 shares of stock, with the brothers owning 24,995 shares each and Alfred L. McMeans holding the remaining 10 shares.

After incorporating in the summer of 1914, Dodge Brothers announced the company would produce a new car within 100 days. One announcement carried in newspapers and magazines read: "Dodge Brothers of Detroit, who have manufactured vital parts for more than 500,000 motor cars, will this fall market a car bearing their own name."

In August 1914, four months before they built any cars, the brothers mounted a clever advertising campaign created by Theodore McManus, the same promotional wizard who years later would orchestrate the introduction of the Chrysler Six. One early Dodge Brothers promotion read, "Think of all the Ford owners who would like to own an automobile." McManus also rented billboards along roads nationwide and on them put nothing more than the words "Dodge Brothers" in white lettering on a blue background. Shortly, McManus added two more words: "Motor Car," then a bit later: "Dependable."

One measure of the excitement created by combined effects of the announcement, the advertising and the brothers' reputation was that, in those first four months alone, 21,181 people applied to become Dodge dealers without seeing the new model. Another measure was that the Dodge Brothers would add a new word to the language: "dependability." Once customers actually began purchasing Dodge cars, many wrote to the company using this word to describe their new purchase. Eventually, the Dodges were placing the newly minted word on billboards around the country.

But mounting that successful advertising campaign was only one of many tasks to be completed during the year before the car was to be produced. The Dodge brothers completed the design of their new car and spent more than $1 million to expand their manufacturing space at the Hamtramck plant from 500,000 square feet to 1.4 million square feet and another $500,000 for new machinery and tools. The sheer scale of the conversion swamped the Dodges' tool-making staff of 180, forcing them to hire four outside suppliers to provide the needed tooling.

Much of the brothers' time during the year before the car's release was spent testing parts and components and selecting suppliers to provide those components they would not make themselves. John Dodge allegedly tested competing tire brands by dropping them, mounted on wheels, from a four-story building to see how they fared. He crashed at least one car into a wall at 20 mph to see how well it survived. At the northern edge of the Hamtramck factory, the Dodges built a test track of creosoted wood planks, six-tenths of a mile long, with a hill climb. They put every Dodge car through severe tests before shipping it to their dealers or to the customer. Dodge Brothers was the first American automaker to build a dedicated test track, while other car companies continued to test their new vehicles on city streets.

The first Dodge car to roll off the assembly line on November 14, 1914, had a four-cylinder engine, producing 35 horsepower versus only 20 horsepower generated by the Model T Ford motor. Available initially only as a touring car, the vehicle featured an all-steel body, supplied by the Edward G. Budd Manufacturing Company of Philadelphia. They added roadster and sedan models in 1915. Dodge Brothers produced 45,003 units in 1915, the first full year of manufacturing, 70,799 in 1916 and 101,270 in 1917.

In October 1917, the company introduced a "screen-side" delivery truck as a 1918 model — the first vehicle in the long Dodge truck heritage. A closed-panel delivery truck, dubbed the "Business Car," followed in March 1918.

The U.S. Army employed Dodge trucks and cars extensively in World War I, but even earlier, in 1916, Dodge had already received an unexpected endorsement for its vehicles during the American Punitive Expedition against Pancho Villa and his rebel forces in Mexico. There, using three Dodge cars, Lieutenant George S. Patton, Jr., led a daring raid against a "bandit" stronghold in what may have been the first mechanized charge in military history. Afterward, Patton's commander, John H. "Black Jack" Pershing, was so taken with the automobile's rugged reliability he notified the U.S. War Department that in future he wanted only Dodges for the Mexican campaign. In all, the Army bought 250 of the touring cars for service in the Mexican Badlands.

Pershing went on to order a Dodge touring car as his personal staff car in Europe during World War I, and the U.S. Army bought more than 15,000 cars and light trucks from Dodge for use on the battlefield. The largest orders were for the Dodge ambulance, a modified half-ton screen-side model.

World War I produced a notable example of the Dodge brothers' aggressive approach to manufacturing challenges. In the fall of 1917, the U.S. government looked for an American company to make delicate recoil mechanisms for two French artillery pieces, the 155-millimeter Schneider Howitzer and the 155-millimeter Filloux "General Purpose" gun. All of French industry could make only five of these mechanisms a day, hand-building them with highly skilled craftspeople. John Dodge met with Secretary of War Newton Baker and promised to start production of the mechanisms using machinery within four months after he received the blueprints. Dodge Brothers would complete the work at cost, plus 10 percent to allow for payment of taxes. They would build and equip the needed factory and promised to deliver 50 recoil mechanisms a day.

The U.S. government agreed to pay for the needed factory, plus machinery, not to exceed a total of $3.5 million. Within a day of signing the agreement, the brothers started building a new plant in Detroit near their Hamtramck factory. Horace Dodge developed an entirely new manufacturing system to make the recoil mechanisms and in the process designed 129 specialpurpose machines to do the work. To the astonishment of the French manufacturers and the U.S. government, Dodge Brothers delivered the first recoil mechanisms, all perfectly finished, exactly four months after signing the contract. Although the Dodges never reached the promised production of 50 units a day, they did manage 30 a day, six times that of all French manufacturers combined.

By any measure, Dodge Brothers was a successful manufacturer of cars and trucks. Production jumped by a third again as many units between 1917 and 1920, when its 145,139 vehicles gave Dodge the second largest volume in the industry. Between 1915 and 1920, the Dodge Brothers' manufacturing complex in Hamtramck more than doubled to 3.3 million square feet. During that same period, the work force, which stood at 7,000 in April 1915, nearly tripled, reaching 20,000 in 1920. Although a large-scale producer by most measures, Dodge was still dwarfed by the Ford Motor Company. In 1917, for example, when Dodge produced slightly more than 100,000 vehicles, Ford Motor Company turned out 720,041 Model T cars at the Highland Park plant.

The Dodges used most of the same specialized machinery and the same production methods Henry Ford used, but they sold a mid-priced car (typically at least $100 above the Model T), and they did not pay Ford's premium pay scale of $5 a day. Despite the lower wages, the Dodges' labor practices contrasted sharply and favorably with those of the puritanical Ford. They did not maintain the intense, rapid pace of work found at Highland Park, and they often provided their forge and foundry workers with sandwiches and cold beer on hot summer afternoons. Like Ford, Dodge Brothers was among the first Detroit automakers to hire significant numbers of African-American workers. Indeed, starting in November 1919, John Dodge worked closely with John Dancy, the head of the Detroit Urban League, to increase black employment at Dodge.

Although John and Horace Dodge had distinct talents, interests and personalities, the two were partners in work, in play and in life, always together as a team. They viewed themselves as a single entity. Their corporate logo — the six-pointed star created by two intertwined triangles — embodied their utter dependence on each other. They insisted that businesses and individuals address all correspondence to “Dodge Brothers” and not to either of them as individuals. Throughout their business lives, they would return as undeliverable any mail sent to only one of them.

But their business success was the result of different — if complementary — talents and their ability to make those differences work in tandem. The brothers, with separate offices at opposite ends of the administration building at the Hamtramck factory, made all of their important decisions together but had a basic division of labor in their work. John Dodge managed the firm’s finances, directed sales, advertising and public relations and the dealership network and negotiated contracts with suppliers. He was also in charge of business dealings with Henry Ford. The shop floor was Horace’s domain. He was a mechanical genius who designed the Dodge Brothers’ cars and trucks, along with many machines used in the Dodge factory. He laid out the location of the machinery and designed many processes they used. He organized the machinery, the men and the flow of materials. In describing Horace Dodge’s mechanical interests, one biographer noted:

> His office was literally a museum of parts, past, present and prospective, for Dodge Brothers cars. He was constantly scheming improved details, new processes, new methods and (was) always building new machinery.
> He never lost the touch of the craftsman, could never leave machinery alone.

At Dodge Brothers, the “outside man” and the “inside man,” the front office “suit” and the shop floor “car guy,” types often — even traditionally — at war with one another in other companies, were equal owners and united by blood.

The Dodge brothers died unexpectedly and prematurely in 1920, John at age 55 and Horace at age 52. Both contracted influenza in early January 1920 while attending the National Automobile Show in New York City. Horace began to recover, but John’s condition worsened, and he died on January 14 at the Ritz-Carlton Hotel, with Horace at his side. Public viewing of his body and his funeral took place at his Boston Boulevard home in Detroit, with burial at nearby Woodlawn Cemetery. Sixteen Dodge factory workers served as pallbearers for John Dodge. His widow Matilda and his brother Horace were both too sick with influenza to attend the funeral. Following John Dodge's death, the *Detroit Free Press* observed:

> This community can ill afford to lose John Dodge. He was a citizen who counted. He was one of the big forces in the making of modern Detroit and there is every reason to believe that if he had lived, the next ten-year period would have been the time of his greatest accomplishment.

Horace Dodge did not survive the year. Psychologically devastated by John's death and chronically weak from his own bout with influenza, Horace seemed to lose his will to live. He spent much of the year in Palm Beach, Florida, hoping that the warm climate might help. Horace remained melancholy and depressed, and when he came to Detroit, he rarely went to the Dodge factory. He died in Florida on December 10, 1920. His funeral featured the Detroit Symphony Orchestra playing a funeral dirge. Reverend Forrer, who delivered the eulogy, described Horace Dodge as "a man with a passion for music . . . a mechanic with the soul of a poet."

Long after the family buried Horace next to his brother John in the Dodge Mausoleum at Woodlawn Cemetery in Detroit, many continued to revere the brothers as two of the most ingenious, dynamic and competent men in the titan age of the automobile industry.

Dodge sans the Dodges

Following the deaths of the brothers in 1920, their company continued to operate successfully under new management. The stream of innovative Dodge cars, a hallmark of the company led by John and Horace Dodge, continued.

John and Horace Dodge had carefully planned for operation of their company after their departure. Because none of their children, mainly John Duval Dodge and Horace E. Dodge, Jr., had either the ability or the interest to manage the business, they groomed Frederick J. Haynes, plant manager since 1912, to become the future president and CEO of Dodge Brothers. Before his death in December 1920, Horace convinced his directors to give Haynes a fiveyear contract paying him $150,000 a year after taxes. Haynes became president in January 1921 and held that post until April 1926.

He had the confidence of the Dodge directors, but more importantly, the confidence of the Dodge widows, who held nearly all the company stock.

Haynes continued the Dodge tradition of incorporating engineering improvements into the company's cars but rarely made cosmetic changes in the vehicles' appearance. For the 1923 model year, Haynes introduced the first all-steel closed car, the Dodge Business Coupe, introduced in the summer of 1922. An all-steel four-door sedan followed in September. The all-steel bodies, manufactured by the Budd Manufacturing Company, replaced previous composite bodies of steel and wood and allowed Dodge Brothers to use baked enamel finishes on all of its closed models.

The company began production of medium and heavy trucks during this period by acquiring the Graham Brothers Company. Established in 1916 to manufacture trucks at a plant in Evansville, Indiana, Graham Brothers had been buying engines and transmissions from Dodge Brothers and selling their trucks exclusively through Dodge dealerships, following the provisions of a 1921 agreement with Haynes. In August 1924, Dodge Brothers secured an option to purchase 51 percent of the Graham Brothers stock and finally exercised that option in October 1925. The three Graham brothers — Robert, Joseph and Ray — took upper management jobs within Dodge Brothers in December 1925. Only four months later, in mid-April 1926, Dodge Brothers bought the remaining Graham Brothers stock.

The Grahams then severed all relations with Dodge. They purchased another Detroit automaker, the Paige-Detroit Car Company, in 1927 and reorganized it as Graham-Paige Motors Corporation, which continued to manufacture cars for the next two decades.

The reasons the Graham brothers left Dodge had to do with changes in the company's ownership and management. Although Dodge Brothers sales usually ran well behind Ford and Chevrolet — they were nevertheless third in the industry in 1922, 1923 and 1924 — the company earned healthy profits every year. Despite this robust bottom line, the Dodge widows — John's wife, Matilda Rauch Dodge and Horace's wife, Anna Thomson Dodge — decided in January 1925 to sell the enterprise. Neither of them offered any public explanation of their decision to put the company on the market. They may have wanted simply to convert their wealth into a more liquid form. Perhaps the time had finally come for them to break with their dead husbands' manufacturing past and move on with their own lives. In any case, more than a dozen proposals came in, and they narrowed the field to two — General Motors and the New York banking house of Dillon, Read &

Company.

GM offered $124 million in cash or a combination of $50 million in cash and $90 million in notes payable over nine years, but Dillon, Read offered $146 million, all in cash. The Dodge widows and the other stockholders accepted Dillon, Read's offer on April 30, 1925, and the banking firm issued a single check for $146 million. Photos of the check were widely published in the press, which claimed it the largest industrial check ever written. Immediately after purchasing Dodge Brothers, Dillon, Read created a new legal entity, Dodge Brothers, Incorporated (a Maryland corporation), and within two weeks, the banking firm had sold $75 million in Dodge bonds and $85 million in non-voting preferred stock. Dillon, Read & Company thus received $160 million for the company they had just bought for $146 million.

The New York bankers ran Dodge for three years, with mixed results. Sales climbed to 259,967 units (cars and trucks) in 1925 and jumped sharply to 331,764 units in 1926. Although, even at their peak in 1926, Dodge sales were less than a quarter of those of Ford and General Motors, these were excellent figures that produced respectable profits, and Dillon, Read had every reason to be satisfied with the purchase. Nevertheless, in April 1926, the investment bank replaced the Dodge brothers' hand-picked successor, Fred Haynes, as president with their own man, Edward G. Wilmer, a former Wisconsin public utility executive who had been chairman of Goodyear Tire and Rubber Company since 1921. Wilmer was not an auto man and did not know what he was doing, a fact evidently not lost on the Graham brothers. They disposed of the last of their Dodge stock the very month Wilmer became responsible for daily operations.

Under Wilmer, Dodge Brothers, Inc., built a new plant and enlarged its existing foundry and forge operations near the Hamtramck plant. To avoid confusion, Dodge executives and employees began calling the Hamtramck factory "Main Plant" or simply "Dodge Main." Dodge Brothers, Inc., also introduced an all-new lineup of models for the 1928 model year beginning in May 1927. The new lineup of Dodge cars included the Fast Four, with an improved five-bearing four-cylinder engine, and three lines of six-cylinder cars — the Senior Six, the Victory Six and the Standard Six.

All of the new car lines were sturdy and well engineered, if not particularly stylish. But they were considerably more costly to make because Wilmer decided to go with a new method of sheet-metal stampings for car bodies pioneered by the Budd Company. The idea involved using outer and inner sheet-metal stampings to make the complete front, sides, and rear of the car. Welded together, these combined panels would need many fewer reinforcements and, in the long run, represent considerable savings because they would cost only slightly more than the rolled sheets from which the stampings were made. It was an industry first and would become an industry standard, but it was disastrous for Dodge because the key words were *in the long run.* More immediately, it meant huge retooling bills. In addition Dodge paid Budd at least $10 million in development money to work out the problems of this new style of body construction. And all of this at a time took place at a time when the company's sales volume was already declining.

The Dodge brothers had built their company by offering good value at modest prices, but such badly timed decisions and poor management in general hurt the company and compromised the quality of its products while raising their costs, further depressing sales. In 1927, Dodge sales fell 38 percent to only 205,260 units, and profits dropped 55 percent. The slide continued into the first half of 1928. A very prosperous year for the industry in general saw Dodge skidding from third place in sales to 13th.

Stock prices dipped along with the decline in sales and profits. Dodge Brothers preferred stock sold for $82 a share on January 1, 1927, but fetched only $74 a share a year later. In April 1928 — having invested more than $15 million on the new six-cylinder lines that simply were not selling — Edward Wilmer approached the Dillon, Read partners and practically begged them to find a buyer for Dodge. By May, Dillon, Read's chairman, Clarence Dillon, was himself anxious to get out of the car business. He first approached GM, but Dodge Brothers had lost most of the luster it had held for the industry leader just three years earlier when GM had competed against Dillon, Read to purchase the company. Thus Dillon turned to the next logical buyer — Walter P. Chrysler.

The Merger

For his part, Walter Chrysler was not just mildly interested in buying Dodge Brothers, he was almost desperate to do so. For one thing, in 1927, the unbelievable had happened when the Model T went out of production, leaving the low-priced automobile market wide open. But Chrysler was in no position to take advantage of such an opportunity. Although Chrysler cars were popular and profitable, the Company was hard-pressed to increase output and to reduce costs. It would need to do that if it wanted to make a low-priced car and, as it turned out, it needed to do that just to survive in an increasingly competitive automobile industry. Chrysler Corporation bought too many components for its finished cars from outside suppliers because the Company lacked foundries and forge shops. Neither of its main plants — the former Maxwell factory in Highland Park nor the former Chalmers plant in Detroit — had significant casting or forging capabilities. Walter Chrysler could build plants with such capabilities, at an estimated cost of some $70 million in cash, or he could buy another car company.

It just so happened that Dodge Brothers, Inc., had large, modern and efficient foundries and forges.

In considering a possible merger with Dodge Brothers, Walter Chrysler did his homework. Early in 1928, he carefully contemplated a takeover of Willys-Overland but rejected the notion. Simple arithmetic explains why Walter Chrysler shied away from Willys-Overland. Chrysler's sales in 1927 (192,083) were slightly higher than Willys sales (187,776), but Chrysler's net profits for 1927 were more than three times those of Willys-Overland ($19.5 million versus $5.5 million). On the other hand, although Dodge Brothers had seen its sales and profits drop from its 1926 levels, the company — even with the costs of bringing out new models figured in — still managed to net some $9.6 million on sales of 205,260 in 1927. And, with better management — his management — a sales rebound in 1928 seemed very likely to Chrysler.

Acquiring Dodge Brothers also fit better with some of Chrysler's short-term plans to expand his automotive offerings. By the spring of 1928, he had already begun production of two new lines of cars — the low-priced Plymouth and the mid-priced DeSoto.

Although the official announcements of these cars came after the merger — Plymouth on July 7 and DeSoto on August 4 — both lines were ready to go into production months earlier. Chrysler had started work on the DeSoto line in 1926 and had a separate DeSoto Division in place by spring 1927. In fact, he announced the DeSoto line to the press in the first week of May 1929 as a threat to force Dillon, Read to sell Dodge, because DeSoto would be a direct competitor in the Dodge price range.

Chrysler's plans required considerably more manufacturing capacity than he had on hand. He estimated that he would need $75 million to build a plant equivalent to the Dodge factories and would have to borrow the money to do so. At best, it would take a year to build and equip the new plant and another year to become proficient at running it. Buying Dodge Brothers would instantly give him the greatly expanded manufacturing capacity he needed.

The Dodge network of dealers and distributors was another of the attractions the merger held for Walter Chrysler. Selling the low-priced Plymouth, intended to compete head-to-head with Ford and Chevrolet, would require a large dealer network to have any hope of success. But building a dealer network from scratch, like building a new plant, was a very expensive and timeconsuming undertaking. In early 1928, Chrysler and Dodge each had about 4,500 dealers in the United States, so the Company would at least double the size of its network. In addition, the merged enterprise — offering several lines of cars — might attract even more dealers. Certainly the *Automotive Daily News,* in reporting on the merger, thought this to be one of its central benefits:

> The most important gain that Chrysler makes is unquestionably increased representation. It costs much time and money to build a dealer organization, and by this merger Chrysler is taking over a full-fledged and powerful merchandising army.

The predicted benefits proved real. By late 1929, after DeSoto and Plymouth were well-established car lines, the new and enlarged Chrysler Corporation had about 12,000 dealers in the United States, 2,600 in Canada and another 3,800 overseas.

It was not, however, these short-term advantages — the expanded dealership network and the relief afforded the Company's manufacturing bottlenecks — that sealed the deal so much as it was strategic planning for the Chrysler Corporation's long-term future. A three-page internal analysis of the merger concluded that Chrysler would gain tremendous advantages by virtue of increased size. It could economically manufacture a larger share of its parts needs, especially electrical components. It could promote overseas sales and operate its own finance company. Larger size would bring economies not just in manufacturing but also in research, engineering and purchasing. Gaining Dodge's truck business was another plus. In brief, Chrysler would become more like General Motors and, thus, better able to compete effectively with GM. According to the internal analysis:

> The combination (of Chrysler and Dodge) will result in a strengthened company, better able to finance its requirements for development and expansion and better able to withstand the competition of the dominant factor in the motor industry, General Motors Corporation.

The story of the Chrysler-Dodge merger negotiations, based entirely on Walter Chrysler's version of events (later published in his autobiography), became legendary within the industry. The story went like this: Clarence Dillon first approached Walter

Chrysler in mid-April 1928 and initiated discussions about Chrysler's buying Dodge Brothers. Chrysler feigned a lack of interest, trying to depress the selling price. After a month of negotiating thrusts and counterthrusts, the two men rented adjoining suites at the Ritz in New York City. Aided by their teams of advisors and attorneys, the two engaged in marathon negotiations for five days. At the end of May, they reached an agreement, which their respective boards of directors approved on May 29.

The beauty of the Chrysler-Dodge merger as it was consummated was that it required no cash; the deal was, in essence, an exchange of stock. The Chrysler Corporation issued new stock with a market value of about $170 million to exchange for the existing Dodge Brothers shares. To receive a share of Chrysler stock, Dodge stockholders had to submit one share of Dodge Preference Stock, or five shares of Dodge Common Class A Stock or 10 shares of Dodge Common Class B stock. Chrysler assumed nearly $60 million in existing Dodge Brothers debt in the transaction.

The key condition for the sale was Dillon, Read's promise to get the owners of 90 percent of all three types of Dodge Brothers stock to agree to the merger by July 1. Walter Chrysler wanted to avoid costly stockholders' suits over the merger like the ones he faced in the early 1920s with the Chalmers shareholders.

The lawsuit came anyway. In late June, Calvin Hooker Goddard, an owner of Dodge Brothers Preference shares sued before the New York State Supreme Court to block the merger. Goddard claimed that he was entitled to the $105 in cash for each share guaranteed to him under the Dodge Brothers charter if the firm were dissolved. The judge allowed Chrysler Corporation to continue with the merger provided it post a bond guaranteeing payment of cash to stockholders who demanded it. The Company "solved" this problem by selling more shares on the market and then used the proceeds to buy out any Dodge stockholders who preferred cash.

Walter Chrysler had to allow Clarence Dillon another 30 days, to July 31, to assemble the required 90 percent of the stock, and Dillon barely made that deadline. Late that afternoon, Chrysler executives moved into the Dodge plants and posted signs that read, "Dodge Division, Chrysler Corporation."

With the merger, Chrysler Corporation emerged as a very large automaker, still behind General Motors and Ford in sales, but well ahead of the rest of the industry. On the heels of the announcement of the merger, *Automotive Daily News* ran an editorial on June 4, 1928, noting:

> With this merger completed, the automobile manufacturing field is now

> dominated by a “big three,” composed of General Motors, Ford, and Chrysler-Dodge. On their present production schedules . . . these three companies will account for nearly 75 percent of the passenger car manufacturing in this country today.

Here, for the first time, the term “Big Three” was used to describe the dominant companies in the American automobile industry.