

Chrysler Buys Dodge, 1928

Gene Weiss, retired Chrysler Engineer, Oral History Interview:

In the mid-1920s, Walter Chrysler wanted Dodge so badly he could taste it. He had a serious problem in 1926 and 1927 in that he only had two assembly plants – at Jefferson Avenue and at Highland Park. He could build roughly 190,000 cars in the two plants, and that was it. He had to break out of this constraint of 190,000 cars.

Apparently he had tried to buy Dodge in 1926, but the offer was rebuffed. Back then, he had nowhere near the resources needed to buy Dodge, which at that time was about three times the size of Chrysler.

But when the bankers approached Chrysler in 1928 with an offer to sell Dodge to him, it was a different story.

In the intervening years, Chrysler had come out with the DeSoto, a low-priced six-cylinder to compete head on with the four-cylinder Dodge. In fact, Chrysler had hired the Dodge general sales manager, national sales manager, and sent him out to recruit Dodge dealers to carry the new DeSoto. It was to be a dual deal. You could keep your Dodge franchise and add DeSoto to it. By

January of 1928, he had been so successful that half the Dodge dealers had signed up to sell DeSoto.

And Dodge had suffered financially in the meantime. First of all, the company had come out with the Victory Six, a six-cylinder car that was priced at about \$1500, about \$700 higher than the old Dodge Four. In addition, Dodge had paid a huge amount of money – \$10 million – to the Budd Company for devising a new way to stamp steel bodies.

So through combination of Dodge management's making a blunder by almost doubling the price of its new offering and by spending so much on tooling, Dodge had used up a tremendous amount of cash, and it was losing money.

Walter Chrysler had been magic on Wall Street. He had been so successful with Willys and Maxwell. With his own company, stock had risen from \$15 to about \$75. So now, Chrysler says, "I want to buy Dodge. Would you all like to buy some stock?" Wall Street bought it. That's the reason he was able to negotiate the deal and pull it off with no cash. What he did was assume Dodge debts and put forth a new stock issue. The new stock disappeared in a snap. So he spent \$170 million of everybody else's money to pull off the purchase.