

THE AUTOMOTIVE CAREER OF  
RANSOM E. OLDS

Thesis for the Degree of Ph. D.  
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**THE AUTOMOTIVE CAREER OF RANSOM E. OLDS**  
**AN ABSTRACT**  
**by Glenn Alan Niemeyer**

Ransom Eli Olds (1864-1950), one of the pioneers in the development of automotive transportation, first constructed a horseless carriage in 1887 as a side-line to the business of manufacturing steam engines in which he was engaged with his father. Due to the deficiencies of the machine, Olds began to work on improving it and in the subsequent years made further efforts to perfect a self-propelled vehicle. In 1892 he completed a second steam-driven carriage and in 1896 constructed a gasoline automobile which led to the formation of the Olds Motor Vehicle Company.

Within a short time after the company was organized, Olds became desirous of producing automobiles on a larger scale and requested additional financial support from his stockholders. When this was refused, he turned for assistance to Samuel L. Smith and in 1899 the Olds Motor Works was organized in Detroit. Several models were produced, all of which were failures, and it was not until the plant was destroyed by fire that Olds decided to concentrate on the production of the curved dash and to subcontract the parts from other manufacturers until the factory could be rebuilt. Through this method and the success of the curved dash, Olds became the foremost automobile manufacturer in this country at that time.

Differences over policy with Smith's sons, however, eventually led to a separation and Olds was forced to resign. But less than eight months after his resignation he was



approached to re-enter the automobile business and in August, 1904 he organized the REO Motor Car Company. In 1910 he also formed the REO Motor Truck Company which was later merged with the parent firm and like its predecessor was highly successful.

This marked the high point of Olds' automotive career since after 1915 he gradually withdrew from the active supervision and direction of REO. He resigned as general manager and devoted his attention almost entirely to his private business affairs. His position at REO was largely an honorary one, particularly after 1923 when he resigned as president and the actual management of the company was left to his successor, Richard H. Scott.

Under Scott's direction REO embarked on a broad program of expansion and throughout the 1920's experienced the prosperity that was typical of the nation generally. But when the American economy came under the grip of the Depression, the over-extension of REO's resources caused dissension within the management. Dissatisfied with company policies, a group of directors headed by Olds removed Scott as general manager and in a bitter proxy struggle in 1934 were able to defeat him in a contest for control.

After Scott's removal the management of REO was placed under an Executive Committee. As chairman of the Committee, Olds proposed several recommendations to improve the company's financial and competitive position. When these were rejected and automobile production was abandoned in 1936, Olds resigned from the company and spent the remainder of his life in retirement.



THE AUTOMOTIVE CAREER OF RANSOM E. OLDS

By

GLENN ALAN NIEMEYER

A THESIS

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## PREFACE

In the development of the automotive industry in the United States certain figures have played a prominent role. Among these have been the Duryeas, Winton, Haynes, Olds, Ford, and others, all of whom have contributed significantly to the invention, production, or perfection of the automobile. Through their efforts an industry arose which promoted the establishment of numerous other businesses, gave employment to millions of men, altered the concepts of distance, and even changed civilization itself. Perhaps in the twentieth century modern society has witnessed no more transforming phenomenon than the automobile.

Although the development of the automotive industry has been a collective effort, much about its rise and success can be revealed through a biography of one man. The outstanding example of the merits of such a study is Allan Nevins' two-volume work, Ford: The Times, The Man, The Company and Ford: Expansion and Challenge, 1915-1933. By concentrating on Ford, Nevins has not only brought into sharp focus the events in Ford's life but has also placed in proper perspective the position of the Ford Motor Company in relation to the other manufacturers. Too often survey accounts have failed to do this. In an effort to summarize the history of the entire industry, research has been diffused, the emphasis has been

on general information rather than the specific or unknown, and only events of outstanding significance and highlights in the careers of the automobile makers have been covered. The result has been that continuity has been lost and little actual insight has been provided into the men, companies, and times which constitute a history of the automotive industry.

To a considerable extent this has been true of the literature on Ransom E. Olds. His early experiments with a horseless carriage which led to the establishment of the Olds Motor Works are common knowledge. Likewise, his success with the curved dash Oldsmobile, introduction of assembly production, and initial leadership among the automobile manufacturers are matters of general information as are also his retirement from the Olds Motor Works and formation of the REO Motor Car Company. But after that little is known about Olds' career. His organization of the REO Motor Truck Company, promotion of Oldsmar, resignation as general manager and president, and subsequent struggle to regain control of REO are almost completely ignored because by this time his importance had diminished. Nevertheless, these were prominent events in his life which are significant both for an understanding of Olds and a realization of the problems confronted by the small automobile manufacturers in their efforts to meet competition from the larger companies.

In the past scholars have not written widely of the automobile industry or the men who made it. The only biography

of Olds is one written by Duane Varnell entitled Auto Pioneering, The Remarkable Story of R.E. Olds published in 1949 by the Franklin DeKleine Company of Lansing. Neither have there been any scholarly biographies of the other prominent automobile figures outside of Nevins' work on Ford which served as a model for this dissertation although in no sense can the two be considered equivalent. Following Nevins' example, the attempt in this study has been to present the career of Olds and to properly place him in the stream of automotive history.

During the course of my research and writing many people have contributed their assistance to this enterprise and to all of them I would acknowledge my appreciation. A few, however, deserve particular mention because without their generous aid the result would be something less than it is and to each of them I would extend a special word of gratitude: to Professor Madison Kuhn for his patience and wise counsel throughout the direction of this dissertation; to Professor Marvin Cain for his efforts in gathering source material and arranging interviews; to Mrs. Gladys Olds Anderson who permitted me to examine a collection of her father's papers and other useful data at the R.E. Olds Company; and, to Mr. Allan Wright who gave me permission to inspect the records of the REO Motor Car Company now in the possession of the White Motor Company. Finally, my last and greatest debt is to my wife whose encouragement and forbearance have been unfailing and should this work have

a dedication, it could only be inscribed to her.

None of these people, however, should be held accountable for errors or omissions for which I assume full responsibility. Neither should they be held liable for the interpretations which appear and to which some of them, no doubt, will take exception.

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## CHAPTER I

### DEVELOPMENT OF A GASOLINE AUTOMOBILE

Ransom E. Olds' test run of his first self-propelled vehicle is perhaps the single event in his life that has been written about more than any other. While there are many accounts of his inauspicious beginning, they all follow a similar pattern and the only difference among them is the degree of imagination possessed by each writer. In view of this, it seems appropriate to begin this biography by relating the story as it has often been told.

One spring morning in 1886, Duane Yarnell, Olds' biographer states, R.E. Olds arose at three o'clock and with "flagging confidence" prepared to test his first horseless carriage. As he eased the machine into gear, "the immediate vicinity suddenly reverberated with the inhuman sounds of metal parts grinding and clashing together." Almost instantly he "was aware of windows banging open, of people staring at him through the gloom ... and somehow, above the chugging of the lumbering carriage," he heard them saying, "'It ... it's that crazy Olds kid!'" Fortunately, "R.E.'s horseless carriage chose that moment to run out of steam," after an "initial voyage" of "less than two blocks." As he waited "ingloriously" while his "neighbors huddled around him," the engine again

built up steam and once more he put the carriage into gear for the return home. "For the second time that morning, the machine shook itself out of a cloud of steam, and the neighbors leaped for shelter in the face of the horrendous noise." By the time the steam was exhausted, he had reached the yard outside the shop. While he had hoped for better results, "R.E. Olds knew at that moment ... that he would keep on trying," and that "before he finished, there would be a new space in the stable ... space that once had been occupied by a horse."<sup>1</sup>

Although such accounts are interesting and highly dramatic, it becomes apparent upon closer investigation that they are not entirely accurate. First of all, it is certain that Olds did not make the first test ride of his horseless carriage in 1886. While he may have conceived of the idea of building a self-propelled vehicle at that time, the evidence shows that one year of experimentation was needed to complete the vehicle,<sup>2</sup> which would mean that his first horseless carriage could not have been ready for testing until 1887. Support for this date was given by Olds in 1904 when he testified that he did not complete the vehicle until 1887.<sup>3</sup>

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<sup>1</sup>Duane Yarnell, Auto Pioneering, The Remarkable Story of R.E. Olds (Lansing, Mich., 1949), pp. 16-22.

<sup>2</sup>Horseless Age, XXXVIII (Sept. 15, 1916), 210.

<sup>3</sup>U.S. Circuit Court, Southern District of New York: Electric Vehicle Company and George B. Selden vs. C.A. Duerr & CO. and the Ford Motor Company, et al, IX, 641. Hereafter cited as "Selden Case Record."

On another occasion he stated that the vehicle was "operated on the streets of Lansing during the latter part of 1887...."<sup>4</sup>

From this statement it can be inferred that not one but several tests were made. It is also probable that the first experiments were conducted within the confines of the shop before taking the vehicle out on the street. At the same time, however, it seems likely that the first early morning ride was taken sometime in the summer of 1887 and must have made quite an impression on the young inventor. A few years later Olds was still able to recount with considerable accuracy the experience of his first road test:

... when the clock struck three (it being in summer), I was on hand, and got up steam ready for a start; at 4:30 the doors were opened and the road was clear; I mounted to the seat and pulled the lever; she moved slowly, but speed was increased as it went down the platform out of the shop; there was a slight raise, however, before crossing the sidewalk and she refused to ascend the grade, so I at once dismounted, and going behind, gave it a push to be remembered, which did the business, and it reached the sidewalk in safety; I again mounted to the seat; there was yet a descent to the street in my favor, so that I had but little trouble in reaching the road and running a block without a stop; at this point the efforts of the machine were exhausted; and an assistant was necessary, as it was getting quite light and there was no time to be lost; I secured two pushers behind, and, together with the engine, got it back without an accident, which ended my first trip in a horseless carriage.<sup>5</sup>

Olds' first self-propelled vehicle was a cumbersome

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<sup>4</sup>Ibid., XVIII, 1476.

<sup>5</sup>Ransom E. Olds, "The Horseless Carriage," Michigan Engineers' Annual, 1898, p. 93.



carriage of crude design. It was a three-wheeled affair and weighed about 1500 pounds. There was one wheel in front and two behind in order that it could be steered easily. The front wheel was mounted in a fork similar to a bicycle and was steered by a tiller while the back two wheels were for traction. All three were about four feet in diameter and were fitted with steel rims. The body which resembled a crude box, was mounted over the rear wheels and was eighteen inches deep to provide room for the machinery. The seat was perched on the front of the box and could accommodate three persons.

Power to propel the vehicle was supplied by a steam engine of two horsepower. The engine was heated by several gasoline burners which produced a speed of from four to ten miles per hour. The transmission first consisted of a series of levers and clutches but this arrangement proved unsatisfactory and gears and chains were later used with a ratio of from six to twelve turns of the engine to one of the axle.<sup>6</sup> The main drive wheel had half-inch pointed pins screwed into the face of it to form a sprocket. The driving chain was made from rollers on pins to hold the links together and was operated by a set of lathe gears which, according to Olds, were purchased from Providence, R.I. and were the "finest cut gears made" in order to "avoid the noise."<sup>7</sup>

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<sup>6</sup>Selden Case Record, XVIII, 1474-1475.

<sup>7</sup>Olds, Michigan Engineers' Annual, 1898, pp. 92-93.

Most of Olds' experiments with his horseless carriage were made between the hours of three and four in the morning. This was the only time during the day when the streets were clear and he was free to conduct his tests without interruption or fear of creating a hazard. Besides, most people were still in bed and so not able to witness his difficulties, which seems to have been of some importance to him because on one occasion he stated, "I realized that I had a colt on my hands, and did not care to have any spectators...."<sup>8</sup> Furthermore, while the construction of a horseless carriage might have been of primary interest to him, it was of necessity of secondary importance as he was busy during the working hours of the day and the only time he could devote to building a horseless carriage was both before and after he had attended to the task of earning a living since he was at this time a partner in business with his father, Pliny Fisk Olds.

Pliny Olds was a native of Ohio. His father, Jason Olds, had been a Congregationalist minister in Goshen, Massachusetts. Sensitive to the needs of those people living on the frontier, he had migrated to Ohio as a home missionary to the Western Reserve. There on the periphery of civilization Pliny Fisk Olds was born in 1828. By the time he had grown into manhood, he had developed an attachment to the region and in 1848 when he married Sarah Whipple, a native of New York, the young

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<sup>8</sup>Ibid., p. 93.

couple had settled down in Geneva where Ransom Eli, the youngest of five children, was born to them on June 3, 1864.<sup>9</sup>

During their residence at Geneva, Pliny set up a blacksmith and machine shop in which he engaged in general repair work. While there is no indication that it was a large business, it does seem that the Olds family lived comfortably. Pliny operated the small concern for sixteen years and in that time became an accomplished machinist. Skilled workmen were in great demand and in 1870 he was offered the position as superintendent of the Variety Iron Works in Cleveland.

Pliny devoted his best efforts to his new position but soon discovered that it was far different from having his own business. Under the pressure and strain of his work, his health began to fail and it became necessary for him to look for something else. Thinking that perhaps his strength could be quickly recovered in the open air, he resigned his position at the iron works in 1874. The home in Cleveland was now traded for a farm nine miles to the south at Parma, Ohio, and for a second time the Olds family headed for a new location and way of life.<sup>10</sup>

While rural life was what Pliny needed to recover his

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<sup>9</sup>Edson B. Olds, ed., The Olds (Old, Ould) Family in England and America (Washington, D.C., 1915), p. 149. Copies are in the possession of various members of the Olds family.

<sup>10</sup>Ibid., p. 172.

health, it seems that he did not have the skill to become a successful farmer. Within four years he was again ready to move his family back to Cleveland. Unable to dispose of the farm, however, it was decided that part of the family would remain behind while Pliny and Ransom left for Cleveland, the father to work as a pattern maker at the Garden & Price Printing Press Company, and the son to continue his education in the Cleveland schools.

This arrangement was continued until 1880 when an opportunity came to dispose of the farm and reunite the family. A deal was made to exchange the farm for a house and lot on Cherry Street and a lot on the northwest corner of Allegan and Grand Avenue in Lansing, Michigan. Although Pliny was not anxious to move his family from Ohio, he saw this as another chance for him to have a business of his own and passage was booked for the family on a freighter out of Cleveland at one dollar per person.<sup>11</sup>

Soon after arriving in Lansing in September of 1880, Pliny established another machine and repair shop. His son Wallace was taken in as a partner and the extra lot on Grand and Allegan was sold. With the money they received, a small shop, 18 by 26 feet, was built on River Street. A boiler and engine, lathe, plainer, drill press, and other small tools were acquired and the new firm, P.F. Olds & Son was opened

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<sup>11</sup>R.E. Olds, "Olds Blazed Trail to Fame With Car," Old Timers News (Jan., 1946), p. 10.

for business.<sup>12</sup>

Ransom Olds was sixteen years of age when the family moved to Lansing. Since his education had been interrupted on several occasions, he had not yet finished the eighth grade but soon after their arrival he was once more enrolled in school. Both before and after school, however, he was expected to help in the machine shop. Every morning he had to arise at five o'clock, light the fires at home, and then hurry over to the shop to get up steam so there would be heat and power when his father and older brother arrived for the day's work. After that it was time for breakfast and then off to school. By four o'clock in the afternoon he was back working in the machine shop or at some odd jobs he happened to pick up on the outside.<sup>13</sup> Most of his spare time, Saturdays and vacations included, was spent working in the shop. At first he was given fifty cents per day during vacation periods for his labors. After a few years of what was the equivalent of an apprenticeship, he was given advanced work and his pay was increased to two dollars per day.<sup>14</sup>

By the time he had finished the tenth grade, Ransom Olds

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<sup>12</sup>"Olds Company's Career," Motor Age, V (Nov. 21, 1901), 14.

<sup>13</sup>Detroit News, August 27, 1950.

<sup>14</sup>Bertie C. Forbes and O.D. Foster, Automobile Giants of America (New York, 1926), p. 227.



was ready to take his place full time in the shop with his father and brother. But the business of P.F. Olds & Son had been increasing steadily and as it did the bookkeeping became more involved and complicated. Neither his father nor brother had any training in accountancy so it was decided that Ransom should take a six months course at Bartlett's Business College to prepare him for this work.<sup>15</sup> Early in 1883 he completed the course requirements and a short time later went to work as a machinist and bookkeeper at P.F. Olds & Son.<sup>16</sup>

After working at the company for two years, a situation arose which enabled Olds to become a partner with his father in the company. His brother Wallace who held a half interest, decided to sell his share so Olds took advantage of the opportunity. With \$300 he had saved and a promissory note for \$800, he was able to buy out his brother's share and at the age of twenty-one became his father's partner in the small concern.<sup>17</sup>

P.F. Olds & Son in 1885 had an annual income of about \$7,000 from a business which was devoted almost entirely to general repair work, although small steam engines heated by coal or wood were also produced. Soon after Olds became a

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<sup>15</sup>REO Echo, 1910, p. 382. Copy in Automotive History Collection, Detroit Public Library.

<sup>16</sup>Lansing City Directory, 1883-1884, p. 103.

<sup>17</sup>Olds to R. Shettler, August 5, 1904, Olds papers, Michigan State University Museum, East Lansing, Michigan.





partner, however, the emphasis was changed. Observing the increasing demand for small engines in businesses which needed power only infrequently, Pliny and Ransom Olds set to work designing and making patterns for little one and two horsepower steam engines in which the heat was generated by ordinary gasoline stove burners. A one gallon gasoline tank was elevated at one end of the boiler causing the fuel to run down and when power was needed, all the operator had to do was light the burners. Within five to ten minutes there was sufficient steam to generate the engine.<sup>18</sup>

The Olds engine became an immediate success because of the advantages of cheap fuel and faster firing it offered to users of intermittent power. Between 1887 and 1892, it has been estimated, P.F. Olds & Son sold over 2,000 of its gasoline-heated steam engines.<sup>19</sup> By 1887 it became necessary for them to purchase a new site on the east side of River Street and a larger building, 25 by 110 feet, was erected. In the same year, the payroll of the company was increased to twelve men and the capital stock was raised to \$12,000.<sup>20</sup>

Under these circumstances, Ransom Olds began to consider other ways to adapt their engine as a source of power which

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<sup>18</sup>Olds, Old Timers News (Jan., 1946), p. 11.

<sup>19</sup>Ibid.

<sup>20</sup>Lansing State Republican, Nov. 7, 1887.

led him in 1887 to the idea of building a horseless carriage. After his initial tests, he continued to experiment with the vehicle for another "three or four years" trying to solve all of the problems but unable to overcome the difficulties, he dismantled it in 1891. A year later, however, he made another attempt to construct a successful horseless carriage.<sup>21</sup>

Early in 1892 Olds began to work on his second vehicle, incorporating some improvements which he had learned from his previous experiments. Several of the parts from the first carriage were used in constructing the second model, including the rear wheels and axle.<sup>22</sup> But the big difference from the first carriage was that it steered from the rear, the back wheels instead of the front ones being pivoted which gave it the appearance of going backward.<sup>23</sup> The steering principle was the same, however, with the exception that the 1887 carriage had only one turning wheel and this model had two but the wheels were set close together and angled slightly in a manner similar to certain modern tractors. This gave the carriage greater stability and did not limit its maneuverability.

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<sup>21</sup>Olds, Michigan Engineers' Annual, 1898, p. 93.

<sup>22</sup>David Beecroft, "The History of the American Automobile," Automobile, XXXIII (Dec. 9, 1915), 1055.

<sup>23</sup>Peter Clark MacFarlane, "The Beginnings of the Automobile," Collier's, LIV (Jan. 9, 1915), 52.

One of the most serious shortcomings of the first carriage had been its lack of power. Olds rectified this drawback by using two engines instead of one which combined gave him a total of four horsepower. The two engines along with the boiler were mounted on a platform over the rear wheels about fifteen inches off the ground. Placed at this height, the engines were low enough to make connections with the main axle in front on which cranks were attached at each end,<sup>24</sup> an idea he probably adopted from the steam locomotive. Both engines were connected and functioned as one.

Like the 1887 vehicle, this carriage was driven by steam power using gasoline for fuel. The regulation of the fire in the burners was automatic. More or less gasoline was consumed depending upon the power required by the grade of the road. When the vehicle was stopped, the gasoline was closed off, preventing the steam from rising above a given level. As the engines were directly attached to the driving wheels, no transmission or gearing was necessary. "Steam from the engines," a report stated, was "entirely done away with by an ingenious contrivance of the inventor" and in operation the rig ran "as quietly as an ordinary carriage." It had power to climb any average grade and on good roads the usual speed was fifteen miles per hour.

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<sup>24</sup>"A Gasoline Steam Carriage," Scientific American, LXVI (May 21, 1892), 329.

In general appearance the vehicle was "like an ordinary surrey." The seat was placed up front and behind it were the water and gasoline tanks. The water tank was sufficient for a ten or fifteen mile run while the fuel supply was adequate for a forty mile trip. The boiler and engines at the rear were enclosed by curtains which shut off all view of the machinery and there was nothing "about it to scare horses," nor did they "seem to mind it any more than an ordinary carriage." It carried two passengers besides the driver and if there were additional riders, another vehicle could be attached behind.<sup>25</sup>

The impression has frequently been given that Olds built this carriage, like his first, only for his own amusement. That he liked to tinker with mechanical things is not open to question but he was first of all a businessman who was trying to develop a product that would sell. When the Scientific American sent a man to Lansing in 1892 to investigate the rig, Olds saw this as an opportunity to publicize his vehicle which is revealed by the report of the representative:

Mr. Olds states that its great advantages are that it never kicks or bites, never tires out on long runs, and during hot weather he can ride fast enough to make a breeze without sweating the horse. It does not require care in the stable, and only eats while it is on the road, which is no more than at the rate of 1 cent per mile.<sup>26</sup>

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<sup>25</sup>Ibid.

<sup>26</sup>Ibid.

This was the statement of a man who was trying to advertise his invention, not of one who was simply amused by the novelty of his contrivance.

A short time after the Scientific American published the article describing his carriage, Olds received an offer to buy it from the Francis Times Company, a patent medicine firm in London. He replied that if he decided to sell it, he would want \$400. They in turn informed him they had deposited that amount in the German American Bank and that when he was ready to sell, he was to exchange the bill of lading for the check as they wanted it shipped to their branch house in Bombay, India. After driving the car a few months longer, Olds accepted the offer, shipped the vehicle, and drew out the \$400.<sup>27</sup>

Two contradictory accounts have been given of what happened to the vehicle after Olds sold it. One states that the ship on which the car was being carried to India went down at sea and that Olds' "reputation was saved."<sup>28</sup> The other account contends that the car was shipped to Bombay "where it saw service for a number of years."<sup>29</sup> With the evidence at

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<sup>27</sup>Olds, Old Timers News (Jan., 1946), p. 11; Questionnaire completed by Olds, Jan. 19, 1924, Olds Collection, R.E. Olds Co., Lansing, Michigan.

<sup>28</sup>Automobile Trade Journal, XXIX (Dec. 1, 1924), 36.

<sup>29</sup>Thurlow Pope, "Why Michigan Became Home of the Automobile," Michigan Manufacturer and Financial Record, XXVI (Nov. 20, 1920), 9.

hand, it is impossible to reconcile this conflict; the only definite statement that can be made is that the car was actually shipped in the spring of 1893.<sup>30</sup> Yet, this fact in itself is significant in automotive history because Olds' car was the first American horseless carriage sold for export and perhaps the first American-made self-propelled vehicle sold anywhere, including the United States, as the transaction antedates by almost three years the sale of Frank Duryea's car to George H. Morrill, Jr., of Norwood, Massachusetts, sometime in February, 1898, which Allan Nevins states, "seems to have been the first sale of an American-built car in the United States,"<sup>31</sup> and by at least five years the sale of a Winton car to Robert Allison on April 1, 1898, which is usually given as the first sale of an American automobile.<sup>32</sup> In view of these facts, the question can properly be asked why Olds did not continue to build this type of vehicle for sale. The answer seems to lie in the developments that were taking place at the engine plant.

Ever since Gottlieb Daimler had perfected the internal combustion engine in 1885, there had been an increasing awareness in America of the importance of his invention. Millions

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<sup>30</sup>Selden Case Record, XVIII, 1501.

<sup>31</sup>Allan Nevins with the collaboration of Frank Ernest Hill, Ford: The Times, The Man, The Company (New York, 1954), p. 162.

<sup>32</sup>Ralph C. Epstein, The Automobile Industry (Chicago, 1928), pp. 95-96.

of farmers and thousands of small shops and factories were hungry for a handy source of small power. The gasoline engine satisfied their demands because all it took was a can of gasoline, a turn of the flywheel, and they had the power they needed at a moment's notice.<sup>33</sup> While the steam engine fired by gasoline had been an improvement over coal or wood, there were still too many difficulties for it to be classified as a practical source of power. Constant boiler troubles and the inability of the steam engine to produce instant power eliminated it as a popular favorite once the gasoline engine came into general use.

Olds had been aware of the limitations of the steam engine prior to 1887 and when the internal combustion engine was developed to a point where it could be operated safely and economically, he, along with several others in the plant, began to concentrate on producing one of their own.<sup>34</sup> The idea has been held that the gasoline engine which resulted from their experiments was one that Olds alone designed.<sup>35</sup> While there is no doubt that he was in favor of producing

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<sup>33</sup>George Cormack, "Pioneering Days in the Gas Engine," Gas Engine, XXI (July, 1919), 224.

<sup>34</sup>Selden Case Record, XVIII, 1476.

<sup>35</sup>James P. Edmonds, Gasoline Age. Development of the Automobile and Gasoline Engine in Michigan (Lansing, Mich., 1946), p. 8; Detroit Free Press, March 19, 1950.

one, the available evidence suggests that he did not do it without assistance. At this time he was still the junior partner in P.F. Olds & Son which included his father and brother Wallace who had remained with the company. In addition, Madison Bates, a skilled and imaginative machinist, was employed by the firm and there is reason to believe that he was responsible for designing the gasoline engine produced by the company,<sup>36</sup> although it was probably the result of combined effort rather than the work of any single individual.

The unique feature of the internal combustion engine developed at the Olds plant in 1892 was that the gasoline was burned directly in the cylinder. The charge was ignited by means of a hot tube made out of one-eighth inch pipe. A torch was used to heat the pipe red hot and as the combustion took place it would ignite the charge. When the engine was producing power, earlier firing was made possible by turning the burner on high and slower firing by setting the burner on low.<sup>37</sup>

In order to begin manufacturing these engines, the company needed new patterns, tools, and machines. Equipment of this type was expensive and although the concern had been successful during the past few years, the outlay of money required to finance such a large expenditure was out of their

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<sup>36</sup>Lansing State Republican, May 8, 1899.

<sup>37</sup>Olds, Old Timers News (Jan., 1946), pp. 11-12.



reach. Besides, it meant that the size of the plant had to be enlarged to handle the new machinery and if the orders continued to come in the way they had been, additional space would be needed solely for manufacturing operations. Rather than proceed on a limited basis, the decision was made to incorporate the firm and increase the capitalization to \$30,000.<sup>38</sup>

A great deal of confusion has surrounded this particular event. First of all there is a misunderstanding of when it took place. Dates varying from 1890 to 1894 have been given. While it is impossible to be precise, it seems clear that the move was tied to the development of the gasoline engine. Furthermore, a likely action taken in connection with incorporation is the appointment of officers. The first reference of this that can be found is in 1894 when P.F. Olds was listed as president and R.E. Olds as secretary and treasurer,<sup>39</sup> which also obviates the notion that Ransom was president and general manager of the company at this time. This would in all probability place the date of incorporation sometime in 1893.

A second misconception is that when incorporation took place a new company was formed under the name of the Olds Gasoline Engine Works. Actually, the Olds Gasoline Engine Works did not come into existence until 1897 and before that

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<sup>38</sup>Arthur Pound, The Turning Wheel (New York, 1937), p. 46.

<sup>39</sup>Lansing City Directory, 1894, p. 197.



time the firm continued to be known as P.F. Olds & Son.<sup>40</sup>

A few of the men who helped to finance the incorporation of P.F. Olds & Son were Eugene F. Cooley, Edward W. Sparrow, and Samuel L. Smith who had made a fortune in Northern Michigan copper and lumber. The Smiths had lived in Lansing until 1890 and knew of the progress of Olds and his father. They were now living in Detroit but S.L. Smith still maintained a Lansing office for the Michigan Land and Lumber Company<sup>41</sup> in which both he and Sparrow had large interests. Through Sparrow, Smith was asked to participate in the incorporation of P.F. Olds & Son and became a considerable stockholder in the company, the first time he was to invest in an Olds' enterprise.<sup>42</sup>

Since Olds was occupied for a few years with getting the enlarged company well established, he did not turn his attention to constructing another motor vehicle until 1896. By that time, there were several other individuals who had developed horseless carriages propelled by an internal combustion engine. Charles and Frank Duryea had started working on a car of their own design in 1890 and three years later made the first successful run of an American gasoline automobile at Springfield,

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<sup>40</sup>Ibid., 1896, p. 200; 1898, p. 215.

<sup>41</sup>Ibid., 1892, p. 256.

<sup>42</sup>Edward D. Kennedy, The Automobile Industry (New York, 1941), p. 19; Pound, The Turning Wheel, p. 46.

Massachusetts.<sup>43</sup> At Kokomo, Indiana, Elwood Haynes had arranged with the Apperson Riverside Machine Works in 1893 to build a self-propelled carriage and at Cleveland, the Scottish-born Alexander Winton successfully operated a five passenger car in 1896.<sup>44</sup> In Europe, Karl Benz, Gottlieb Daimler, Panhard & Levassor, Peugeot, and Emile Roger were other inventors speeding the progress of the gasoline automobile.

It seems likely that Olds must have had some knowledge of the activities of these men with gasoline-powered vehicles and perhaps their work stimulated him to construct a third horseless carriage which would take advantage of the internal combustion engine which the company had recently developed. Conceivably, however, this idea might even have been in the back of his mind when he sold the second steamer in 1893. As far as the deficiencies of that machine were concerned, Olds knew better than anyone else its limitations. It did not have adequate climbing power nor did it have a reverse movement.<sup>45</sup> Olds, in describing the carriage, said, "it was not back geared for hill climbing, and I dreaded the sight of a hill...."<sup>46</sup> At another time he stated that when they came to a steep incline, "my wife followed behind the car with a large

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<sup>43</sup>Nevins, Ford: Times, Man, Company, pp. 136-137.

<sup>44</sup>Ibid., pp. 132, 164.

<sup>45</sup>Cycle and Automobile Trade Journal, VIII (Dec. 1, 1903), 33.

<sup>46</sup>Olds, Michigan Engineers' Annual, 1898, pp. 93-94.

stock of wood, so as to prevent the car from rolling back down hill if it stopned."<sup>47</sup> These problems could be overcome by building a vehicle propelled by an internal combustion engine having a transmission of varying speeds as well as reverse which was his intention when he began the construction of his third automobile.<sup>48</sup>

By the time he started work on this vehicle, Olds already had considerable experience with the internal combustion engine. The Olds' property extended to the Grand River and several members of the family owned small boats or launches. The gasoline engines were first used on these boats, mainly for pleasure, but after "two or three years" they shifted from the marine business to stationary engine work.<sup>49</sup> By 1896 Olds had worked with the engines for four years using them for various purposes. They had proven reliable and were such an improvement over the steam engine that he decided to adapt it to the horseless carriage.

Unlike his other two cars which he had built by himself, Olds had the assistance of Frank G. Clark and others in the construction of his third vehicle. Frank Clark had graduated

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<sup>47</sup>R.E. Olds, description of vehicle, n.d., Olds Collection.

<sup>48</sup>Selden Case Record, XVIII, 1476.

<sup>49</sup>Ibid., IX, 631-632.

at what is now Michigan State University in 1890 with a degree in engineering. After that he had gone to work for Clark & Company, a concern managed by his father which manufactured carriages, wagons, and cutters. Because of this connection, Clark agreed to build the body and Charles Blades, foreman of the blacksmith shop at Clark & Company was given the job of hammering out the front axle.<sup>50</sup> Olds was to supply the engine and transmission and when each had finished his part of the operation, the horseless carriage was to be finally assembled.

There were two reasons, in particular, why Olds enlisted the assistance of Frank Clark. If the production of automobiles was to be a successful operation, he knew that he had to have a vehicle that was reliable and ordinary in appearance. Both of his other carriages had bodies of makeshift design which had been adapted to the machinery that went into them and as a consequence were rather odd looking contrivances. The carriage was the most common and acceptable conveyance of that time. If he could adapt the machinery of the automobile to the carriage without materially changing its design, Olds thought he would have a product that would sell and for that reason turned to Frank Clark, assistant superintendent of Clark & Son, the largest carriage company in town.

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<sup>50</sup>George W. Stark, City of Destiny: the Story of Detroit (Detroit, 1943), p. 449; Interview with Harold Blades, son of Charles Blades, Feb. 1, 1962.

A second reason why Olds brought Clark into the picture was because of his inexperience with carriage manufacture. While he was familiar with the principles of powering and propelling a horseless vehicle, he had very little knowledge of the construction of carriages. Besides, it was his intention to reproduce self-propelled vehicles from this model if it was successful and he needed someone who could supply them. Frank Clark was in a position where he could do that for him and it was on this basis that a partnership was formed.

Construction of the vehicle was begun sometime in the late spring of 1896 and it was completed in the summer of the same year. When it was finished, Olds felt confident he had a vehicle that was "noiseless and light running, yet perfect in every detail as regards wear, stability and carrying capacity." He was so assured of his success that he invited a representative of the local paper to examine the carriage. This gentleman then reported the following description of the vehicle and his conversation with Olds:

At the invitation of Mr. Olds a Republican representative visited the Olds' Engine works yesterday and carefully inspected the new machine, afterwards being given a ride in the vehicle by Mr. Olds, hill climbing and other severe tests being successfully met by the motive power. The first thing that strikes the visitor is the beauty of the vehicle. Mr. Olds enlisted the services of Frank G. Clark in the construction of the machine and his concern furnished the wheels, which are ball bearing and cushion tire, and the body, a handsomely painted trap, with leather furnishings of the latest pattern. The whole is painted a dark green with dainty red trimmings, finished in the highest style of the

carriage builder's art.

The propelling machinery is all under the vehicle and consists of a compact gasoline motor of five horse capacity, with gasoline tank capacity for a 25 mile run. A double chain gear and sprocket, similar to that of a bicycle only of larger pattern, connects the motor with the rear axle and a lever controls the motor from the driver's seat, the steering gear also being in the front of the vehicle, consisting of a light lever controlled by the left hand. The equipment, complete, weighs about 1,000 pounds and Mr. Olds is confident this weight can be reduced at least 200 pounds. The vehicle is on exhibition at Olds & Son's factory. There is no doubt that the much mooted question of the horseless carriage has been successfully solved by Messrs. Olds & Clark.

After the trip yesterday, Mr. Olds sat in his office and discussing his latest pet said: 'I have made this subject of the horseless carriage a study for several years and with eight men have been at work on the present vehicle for about six weeks. Mr. Clark and I have tested it thoroughly in the past few days and we are confident we have a vehicle in every way suited to the demands. I am thoroughly convinced that had we placed our vehicle in the Times-Herald contest at Chicago we could have captured the first prize easily. The motor is capable of developing a running power of eighteen miles an hour, or can be run as low as four miles an hour, and your experience on the seat with me this afternoon will best convince you as to the ability of the vehicle to perform what I claim for it.'

'Is it your intention to manufacture this vehicle for the market?' the reporter asked.

'Certainly,' was the reply. 'We hardly expect they will be a ready seller in the ordinary carriage repository, but a great many persons in this country and Europe are waiting for some one to make a vehicle of this character that is a success. There is no trouble about selling them after you once get the article that class of customers want.'<sup>51</sup>

Some discussion has also centered on the type of ignition

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<sup>51</sup>Lansing State Republican, August 12, 1896.



Olds used on this vehicle. The hot tube ignition system was first adapted to the gasoline engines manufactured by the company but whether it was employed on this automobile is not known. Duane Yarnell, however, has said that Olds definitely used it on this machine and found it unreliable. In his account he states:

R.E. went over with members of his shop force the problem of simplifying this system. But nothing better came from the discussions. Shortly thereafter, another representative from the Scientific American came to Lansing to evaluate R.E.'s progress. And when he wrote an article about the vehicle, the limitations of the hot tube ignition system were thoroughly canvassed.

Following publication of the article, R.E. was somewhat startled to receive a letter bearing the return address of Sing Sing prison. The letter was from the electrician at the prison, who in addition to keeping the electric chair in working order, had done considerable experimenting with electricity. He forwarded to R.E. a small device which he claimed would provide the necessary spark for the combustion process.

It consisted of a battery coil and a spark plug made from a water glass. After exhaustive tests, R.E. realized that here was the answer to the problem. He advised the electrician that his product should have a good future. And before long a spark plug manufacturer came into existence, with many of the features of that first crude plug incorporated in the new design.<sup>52</sup>

One would think that a revelation of such amazing proportions would certainly have made an impression on Olds, but this evidently was not the case. In fact, it is not even certain whether he used hot tube ignition on this vehicle when it

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<sup>52</sup>Yarnell, Auto Pioneering, pp. 52-53.

was first constructed or whether by that time he had adapted the electric spark to his gasoline engines. In 1898, but two years after the carriage was built, Olds was asked to describe how the electricity was supplied for exploding the charge in the motor cylinder. He answered that "an ordinary battery, similar to those used on doorbells" was used to ignite the charge.<sup>53</sup> Again in 1905 he was asked when he had first heard of the electric spark form of ignition and replied, "I do not remember the date."<sup>54</sup> These statements would seem to imply that Olds at sometime heard of the electric spark idea and at a later date began to utilize it on his own engines. This would account for his failure to recall when he first heard of the idea or started to use it himself. Any other explanation would appear to be apocryphal.

Still another matter concerning this 1896 vehicle that needs clarification is the question of whether or not this is the carriage that resides in the Smithsonian Institution. For some years it has been assumed that the one there is Olds' first gasoline-propelled vehicle. In the light of the evidence, this assumption is erroneous. When Olds was asked in 1904 if he still had this machine in his possession, he said no, that it had been burned in a fire.<sup>55</sup> The people at the Smithsonian Institution

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<sup>53</sup>Olds, Michigan Engineers' Annual, 1898, p. 96.

<sup>54</sup>Selden Case Record, XVIII, 1505.

<sup>55</sup>Ibid., IX, 656.

also suspected that the vehicle they were offered in 1914 was not the original because after considerable investigation, they finally labelled the automobile an 1897 model.<sup>56</sup> This date is probably correct since Olds, soon after completing the model, began to produce others and this vehicle in both design and appearance is almost identical to the original.

This automobile was the first Olds had built that was duplicated. Production was not set up on a large scale but a start was made. Advertisements soon began to appear which reveal that Olds seems to have had some difficulty in determining a name for it. He finally wound up by simply calling it a "motor-cycle or trap." The object of this invention, he stated,

is to produce a practical Motor-Cycle, one which will combine simplicity, economy and durability, with as little confusion to the operator as possible. To operate the carriage, the operator has only to oil and start the engine, which then runs continuously without further attention--the operator having nothing to occupy his attention but to steer the vehicle with his left hand, and start, stop, back or change the speed at will, as desired --from four to fifteen miles per hour, which is all done by the lever at his right, so that the carriage is controlled with as much ease as a horse.

The price of the vehicle was given as \$1,000 and the claim was made that it could be operated at a cost of one-fourth

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<sup>56</sup>D.F. Edwards to Smithsonian Institute, Oct. 26, 1914; Nov. 12, 1914; Olds to Smithsonian Institute, May 10, 1915; Accession papers, Smithsonian Institution, Washington, D.C.

cent per mile. Those who were interested were invited to make a call at the engine plant.<sup>57</sup>

By fall they had received their first orders but were not prepared to make deliveries. Plans had been made to build three carriages but construction work had gone on spasmodically. One of these vehicles was to be shipped to Florida. When it was not finished on time, the buyer came to Lansing to find out why he had not received it.<sup>58</sup> The reason for the delay was that they were receiving more orders for engines than they could deliver and did not have time to build horseless carriages. In fact, they were so busy that Olds found it necessary to place a notice in Horseless Age to that effect:

P.F. Olds & Son, Lansing, Mich., state that owing to pressure of business in their gas engine department, they have been unable to build any motor carriages for the market. They intend to do so soon, however.<sup>59</sup>

This situation continued until the summer of 1897 when steps were taken to enlarge and expand the company through reorganization.

There were two reasons why Olds came to look upon reorganization as the solution to his problems. The first of

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<sup>57</sup>Advertisement, n.d., reproduction in Roy D. Chapin papers, Michigan Historical Collection, University of Michigan, Ann Arbor, Michigan.

<sup>58</sup>Selden Case Record, XVIII, 1501.

<sup>59</sup>Horseless Age, II (Jan., 1897), 13.

these is obvious. With orders coming in for horseless carriages and the firm unable to build them because of the pressure of the engine business, he felt he had to expand in order to take advantage of the automobile market. This could only be done adequately if additional capital was brought in since Olds lacked sufficient surplus to finance the project himself. The second reason for his interest in reorganization was the intention of his father to retire. Pliny, who was almost sixty-nine years of age, wanted to withdraw from the business and move to California. Olds was now confronted with both a desire for further expansion and the ambition to purchase his father's interests. Unable to do both on his own, he reasoned that reorganization was the best course to follow.

P.F. Olds & Son had been incorporated in 1893 and among the investors were some of the wealthiest citizens of Lansing. These men had seen the business grow from a little machine shop to one of the leading manufacturers of gasoline engines in central Michigan in scarcely more than fifteen years. They were also aware of Olds' work with self-propelled vehicles and the orders which were not filled due to the lack of manpower and facilities. Therefore, when Olds presented them with the idea of forming a company to manufacture automobiles, it seems that he had little difficulty convincing them such a move would be profitable and on Saturday afternoon, August 21, 1897, a new company was formed in the office of Edward W.

Sparrow. The first order of business was the election of officers. Sparrow was named president; Eugene F. Cooley, vice-president; Arthur C. Stebbins, secretary; and Olds, treasurer and manager.<sup>60</sup> After this was done, the Articles of Association were approved. The name assumed by the corporation was the Olds Motor Vehicle Company and the stated objective for which it was established was "manufacturing and selling motor vehicles,"<sup>61</sup> the first company in Michigan organized for that purpose. The following resolution was then adopted:

Moved by Mr. Stebbins that the Manager be authorized to build one carriage in as nearly perfect a manner as possible and complete it at the earliest possible moment.<sup>62</sup>

Although the company was formed on August 21, the capital stock was not issued until September 7. Total capitalization was set at \$50,000 which was divided into 5,000 shares at a par value of \$10 each. The amount of cash actually subscribed to get the business started was \$10,000 or 20 per cent of the company's capitalization. Of the total number of shares, Olds

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<sup>60</sup>Lansing State Republican, August 23, 1897.

<sup>61</sup>Articles of Association, August 21, 1897, Olds Motor Vehicle Co., Olds Collection.

<sup>62</sup>Minutes of first Directors' Meeting, August 21, 1897, Olds Motor Vehicle Co., reproduction in Edmonds, Gasoline Age, pp. 10, 12; Yarnell, Auto Pioneering, pp. 60-61; Oldsmobile Co., Division of General Motors, Lansing, Michigan.



controlled 2500 shares or half the stock, both in his own name and as trustee for P.F. Olds & Son.<sup>63</sup> The remainder was held by the following men in the designated amounts: Edward W. Sparrow, 500 shares; Arthur C. Stebbins, 500 shares; Fred W. Seibly, 500 shares; Samuel L. Smith, 500 shares; Alfred Beamer, 374 shares; Frank G. Clark, 125 shares; and Eugene F. Cooley, 1 share.<sup>64</sup>

Plans were announced two days after the company was organized that the carriages would be manufactured at the factory of P.F. Olds & Son until a building was erected or one already built could be secured. Also for the present, the company was going to manufacture only the motor and running gear and contract the bodies and wheels. As soon as a suitable location could be found it was their intention to manufacture all parts of the carriages except the wheels. A number of men were to be put to work at once assembling the vehicles and it was expected the cars would be on the market within sixty days as a number of orders had been received and every indication pointed to a good demand for them.<sup>65</sup>

By the time the company was formed, Olds had formulated what he thought were the principles of building a successful

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<sup>63</sup>Stock certificate, Sept. 7, 1897, Olds Collection.

<sup>64</sup>Articles of Association, August 21, 1897, Olds Motor Vehicle Co., ibid.

<sup>65</sup>Lansing State Republican, August 23, 1897.



automobile. In comparison with other horseless carriages, he thought there were three advantages which made his vehicle superior. The first of these was its weight. Olds claimed that the lightest vehicle made by any other manufacturer weighed 1,950 pounds while his weighed only 1,000 pounds. The second advantage was economy of operation and the third was that it would accommodate four people.<sup>66</sup> In each of these respects, Olds felt that he had the best road carriage on the market and began to take steps to protect his invention against infringement by other manufacturers. Soon after he had completed his carriage, he took out letters patent on the motor and on November 28, 1897, shortly after the formation of the Olds Motor Vehicle Company, he obtained a patent on the vehicle.<sup>67</sup>

Concomitant with the formation of the automobile company, some changes were also made in the organization and management of the engine plant. In November of 1897, the name of the company was changed from P.F. Olds & Son to the Olds Gasoline Engine Works. Olds became the president, replacing his father who retired, Eugene F. Cooley was named vice-president, and James P. Edmonds, secretary.<sup>68</sup> The actual management of the

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<sup>66</sup>Ibid.

<sup>67</sup>Selden Case Record, XVIII, 1482.

<sup>68</sup>Lansing City Directory, 1898, p. 215.

plant, however, was handled by Wallace Olds since most of R.E. Olds' time was spent getting the vehicle company started.

By 1898 the Olds Gasoline Engine Works had expanded to a plant of considerable size, occupying several acres of ground. Twelve different times in the previous ten years the company had enlarged its capacity and during the past year had increased the productivity of the plant fully fifty per cent. The machine shops and foundries had the very latest equipment and additional facilities and new machinery were constantly added. Their line of products had been gradually expanded and included one-half to fifty horsepower gas and gasoline engines which were sold throughout the United States and some foreign countries.<sup>69</sup>

Olds had placed Wallace as shop superintendent in charge of this large operation but early in 1898 difficulties developed between them which appear to have been caused by differences over labor policies. Among the employees at the plant there were a number of mechanics who belonged to the machinists' union. They succeeded in influencing many of the other workers to join them and then proceeded to make demands as to wages and working conditions. Some of the requests were granted, others were denied. The responsibility for carrying out the decisions was left to the factory superintendent. When it

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<sup>69</sup>Lansing Journal, May 21, 1898.

was discovered that Wallace would not support the management in these matters and had taken the side of the workers, Olds removed him from all connection with the company.<sup>70</sup> The \$2,000 worth of stock in the engine company which Wallace owned was transferred to Olds on April 18, 1898,<sup>71</sup> the second time this kind of transaction had occurred.

The man whom Olds secured to replace Wallace was Richard H. Scott. Scott had been born on a farm near Beachburg, Ontario, on May 18, 1869. At the age of seventeen he left home and after spending a year in Ottawa, went to Warren, Ohio, where he obtained work as a machinist with the Paige Tube Company. Following the completion of his three-year apprenticeship, Scott had worked successively for the Packard Electrical Company, the Harris Automatic Press Company, the Bucyrus Steam Shovel Works, the Todd Engine Works, and when Olds was looking for someone to run his plant, Scott was employed as factory manager of the Toledo Machine and Tool Company.<sup>72</sup> He was persuaded by Olds to take a similar position with the Olds Gasoline Engine Works and in March of 1898, Scott arrived in Lansing to assume his new duties.

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<sup>70</sup>Yarnell, Auto Pioneering, pp. 65-68; Interview with Mrs. Richard H. Scott, wife, Dec. 6, 1961.

<sup>71</sup>Stock certificate transfer, April 18, 1898, Olds Collection.

<sup>72</sup>Detroit Motor News (Sept., 1929), p. 10.



The situation that confronted Scott at the engine plant was extremely difficult. After the dismissal of Wallace, the men at the factory demanded that he be reinstated and Scott fired. When this was refused, some of them went on strike. The others remained at their work but for several months production was slowed down by the obstructionist tactics of the strikers. The role Wallace played in all of this is not clear but it is known that about a year after he was released, he formed a partnership with C.M. Hough who had worked as a pattern maker at the Olds Gasoline Engine Works for eight years, and the two of them left for St. Louis, Michigan, where they set up a machine shop.<sup>73</sup>

Eventually the strike was broken and the plant was quickly brought back into full production. Under Scott's direction the engines were turned out in increasing numbers and additional machinery and equipment was purchased. Business became so good that on October 3, 1898, the capital stock of the company was raised to \$150,000, of which amount Olds held 2,500 shares or \$25,000 worth of stock.<sup>74</sup> Even though the strike had set the company back, business expanded after it was settled beyond former levels and investors did not hesitate to put additional money into it.

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<sup>73</sup>Lansing State Republican, May 8, 1899.

<sup>74</sup>Stock certificate, Oct. 3, 1898, Olds Collection.

The same circumstances, however, did not apply to the motor vehicle company. The stock of the concern had steadily declined since its formation and some of the investors, including Frank Clark, were starting to sell out. Others who had been enthusiastic originally were less so now. Since the formation of the company only six vehicles had been built.<sup>75</sup> Yet Olds seemed convinced that if the automobile once caught on there would be a vast market for those who were already in the business. Therefore, as the answer to their difficulties he proposed that additional capital should be raised to promote and enlarge the operations of the company. In making this suggestion, however, he did not win the approval of the other stockholders. While most of these men had been willing to invest more of their money in the engine works, they were not ready to take another risk on the motor vehicle company. Past experience had been disappointing and if it was an indication of the future, they could not see that added confidence in the automobile business was warranted. Under these circumstances, Olds began to look outside of Lansing for the financial support which he thought was necessary to manufacture horseless carriages on the scale he envisioned.

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<sup>75</sup>REO Echo, 1910, p. 383; George N. Fuller, Michigan, A Centennial History of the State and Its People (5 vols., Chicago, 1939), V, p. 10. Edmonds, Gasoline Age, p. 12, and Hi Sibley, Merry Old Mobiles on Parade (Chicago, 1951), p. 13, state that it was four.

## CHAPTER II

### THE CURVED DASH OLDSMOBILE

The confidence and determination Olds displayed in asking his stockholders for additional financial support was borne from a knowledge that other interests were desirous of backing him since he had been approached six months previous with an offer from Detroit capital to recapitalize the vehicle company. In the summer of 1898, John T. Holmes and John M. Nicol came to Lansing and presented a plan to Olds who gave evidence of some interest. On that occasion they assured him they would have no trouble securing financial support for the company and an agreement was reached among them to proceed with the necessary steps for reorganization. A short time later they informed Olds that the arrangements had been made and asked him to come to Detroit to attend to the final details.

On July 28, 1898, Olds entered into a contract with the other two parties which stated the conditions under which the new company was to be formed. The principal office and place of business was to be located in Detroit. Both the Olds Gasoline Engine Works and the Olds Motor Vehicle Company were to be combined in the new corporation with an authorized capital stock of \$1,000,000. The engine company was to receive

\$75,000 in cash and \$125,000 in stock of the new concern while the motor vehicle company was to be paid \$15,000 in cash and \$25,000 in stock. In order to finance this arrangement, a mortgage to the amount of \$500,000 was to be executed against the property of the company in exchange for negotiable bonds. These bonds were to be payable in ten years with an interest rate of six per cent per annum. All of the stock and bonds of the new company were to go to the three contracting parties, in consideration of which they were to pay for the property of the engine and vehicle companies. In addition, they were also to deliver to the new corporation the sum of \$350,000 in cash.<sup>1</sup>

It is not known why Olds soon after withdrew from the contract with Holmes and Nicol but it may have been due to his desire to limit the number of stockholders. The significant point of the abortive contract, however, was the effect it had on his subsequent behavior. When he went before his associates early in 1899 to ask for their continued support, he was confident that he was not dependent on local financing and at the same time it appears that he already had a second offer pending. When his request was refused, he simply went ahead with negotiations with outside interests.

Eastern capitalists had approached him with a proposal

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<sup>1</sup>Original draft of contract, July 28, 1898, Olds Collection, R.E. Olds Co., Lansing, Michigan.



to build a factory for large scale production in the East where it would be close to the centers of the largest population. This idea corresponded with Olds' views on the manufacture and marketing of automobiles and he informed them of his interest in going ahead with the arrangements. At the invitation of the Easterners, Olds went to Newark, New Jersey, where he picked out a suitable location for a factory but after waiting ten days for his backers to make good their promises, he despaired of their sincerity in the venture and returned home.<sup>2</sup>

On his way back to Lansing, Olds had to change trains at Detroit. While waiting at the Michigan Central depot, he met John T. Holmes. After recounting his disappointing experience in the East, Holmes again made him a proposition similar to the one he had offered him the previous summer but, for a second time, Olds declined.<sup>3</sup>

A certain amount of confusion has also surrounded this chance meeting. Instead of Holmes, it has been stated that Olds met Samuel L. Smith, one of the stockholders in both the Olds Gasoline Engine Works and the Olds Motor Vehicle

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<sup>2</sup>Pope, Michigan Manufacturer and Financial Record, XXVI (Nov. 20, 1920), 38; Herbert O. Duncan, The World On Wheels (Paris, privately printed, 1926), p. 932.

<sup>3</sup>Questionnaire completed by Olds, Jan. 19, 1924, Olds Collection.

Company, who, after listening to Olds' account of his frustrating ordeal, offered to finance his reorganization plans.<sup>4</sup> In reality, Olds did not turn to Smith for assistance until sometime later.<sup>5</sup> When he did, Smith agreed that a large amount of capital was needed to put the Olds vehicle into production on a large scale and consented to invest substantially in the enterprise himself, a decision which may have been influenced in part by his desire to provide business careers for his two sons, Frederick L. and Angus, who had recently graduated from college.<sup>6</sup>

A more valid reason for Smith's action, however, was his confidence in the future of the Olds companies based on his association with them. As a former resident of Lansing and through acquaintance with Olds,<sup>7</sup> Smith had knowledge of the former's experiments since he had started in 1887 and when the Olds Motor Vehicle Company had been formed, he was among the stockholders. Furthermore, he had been one of the leading

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<sup>4</sup>John K. Barnes, "The Romance of Our Automobile Makers," World's Work, XLI (April, 1921), 561-562; Carl B. Glasscock, The Gasoline Age (Indianapolis, 1937), p. 41; Morris M. Musselman, Get A Horse (Philadelphia, 1950), p. 68.

<sup>5</sup>Questionnaire completed by Olds, Jan. 19, 1924, Olds Collection.

<sup>6</sup>Pound, The Turning Wheel, p. 51; Lawrence H. Seltzer, Financial History of the American Automobile Industry (Boston, 1928), p. 22. Seltzer's information was based on an interview with Olds in Lansing, Mich. on Dec. 24, 1924.

<sup>7</sup>Frederick L. Smith, Motoring Down A Quarter of A Century (Detroit, 1928), p. 15.



investors in the Olds Gasoline Engine Works since 1893. From his financial involvement he knew the fiscal condition of the companies and something of their prospects for the future. If he had not known this, it would seem like sheer foolishness for him to have undertaken such a purely speculative operation when there certainly must have been businesses of a more conservative nature in which he could have started his sons on their careers. On the other hand, it would not be accurate to state there were no risks involved. There were, particularly in the automobile industry, but the same could not be said about the gasoline engine business. The engine works had undergone tremendous growth over the past few years and every indication was that it would continue to be profitable. While the main purpose of reorganization was to place greater emphasis on the manufacture of automobiles,<sup>8</sup> it was largely on the basis of the excellent record of the engine company that Smith consented to become involved in the motor vehicle business. It was also the reason why he was able to attract other men in Detroit to invest in the company. This is evident from a statement made by his son Frederick who assisted him in securing the financial arrangements:

When we presented to Detroit capital the suggestion of taking over and expanding the engine company at Lansing, it was the dividend record and the sure field for the gas engine that induced the new

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<sup>8</sup>Lansing State Republican, May 8, 1899.

money to sign on the dotted line. The horseless carriage -- in 1899 -- had few proponents among the cold-nosed wealthy.<sup>9</sup>

Final arrangements for the incorporation of the new concern which was known as the Olds Motor Works were made on May 8, 1899.<sup>10</sup> The purpose for organizing the company was given as 'the manufacture and sale of all kinds of machinery, engines, motors, carriages and all kinds of appliances therewith.' The capital stock which was divided into 50,000 shares at a par value of \$10 each was set at \$500,000, of which the actual amount paid in was \$350,000. Of this sum, \$50,000 in cash went to the original stockholders, \$150,000 cash went into the treasury, and \$150,000 was represented in the assets purchased from the old companies. Originally 20,000 shares of stock were issued of which S.L. Smith held 19,960, while the other four shareholders, Olds and Edward W. Sparrow of Lansing, James Seager of Hancock, Michigan, and F.L. Smith of Detroit, each had ten shares. Later distributions of stock to the shareholders of the original companies increased Olds' holdings but he remained a minority stockholder. All the assets of the Olds Motor Vehicle Company and the Olds Gasoline Engine Works were acquired by the new concern<sup>11</sup> and both were to

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<sup>9</sup>F.L. Smith, Motoring Down A Quarter of A Century, p. 16.

<sup>10</sup>Lansing State Republican, May 8, 1899.

<sup>11</sup>Pound, The Turning Wheel, p. 51; F.L. Smith, Motoring Down A Quarter of A Century, p. 16.

continue their operations in Lansing until a factory could be built. In the new organization, S.L. Smith was named president and his son Fred, secretary and treasurer. Olds became vice-president and general manager.

Several liberal propositions were received from Chicago, Toledo, Cleveland, Indianapolis, and Buffalo as possible locations for the new plant but these were turned down in favor of Detroit. The reasons given for this decision were that Detroit was an excellent distribution center, it had a "superior class of both skilled and common labor," and there would be "many small economies assured" to the company.<sup>12</sup> The same things could have been said to a lesser or greater degree about any of the other cities which made bids for the company and they probably should have added that Detroit was chosen simply because two of the three officers lived there. In fact, it does not seem that any investigation was made of the other locations. Already in April meetings were held with Edward I. Stimson, a real estate agent, and Secretary Campbell of the Merchants & Manufacturers' Exchange, with the intention of acquiring property in Detroit on which to build a new factory.<sup>13</sup>

In May the company purchased four and one-half acres of

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<sup>12</sup>Detroit Free Press, May 14, 1899.

<sup>13</sup>Detroit Journal, May 13, 1899.

land on Jefferson Avenue near Belle Isle and construction work began immediately. Plans for the buildings to be erected consisted of a machine shop of two stories, 70 by 300 feet; a foundry, 70 by 140 feet; a blacksmith shop, 31 by 100 feet; and a double building, 50 by 170 feet, one half of which was to be used as a show room and the other half for offices. Space along the river was to be left for the erection in the near future of a plant for the manufacture of marine engines. It was expected that the buildings would be completed by August 1 and that on the 15th the works would begin operations with a force of 150 men, which over the next year was to be increased to 300.<sup>14</sup>

Soon after the buildings were completed the main business of the company was transferred from Lansing to Detroit. The engine works continued to operate in Lansing but the Olds Motor Vehicle Company went out of existence on February 29, 1900<sup>15</sup> and the manufacture of horseless carriages was shifted to Detroit. There production centered on an 'improved model' which sold for \$1,250 and had a "pneumatic clutch"<sup>16</sup> and "semi-cushion" or hard rubber tires with cushion treads.<sup>17</sup>

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<sup>14</sup>Detroit Free Press, May 14, 1899.

<sup>15</sup>Pound, The Turning Wheel, p. 51.

<sup>16</sup>Epstein, The Automobile Industry, pp. 29-30.

<sup>17</sup>Horseless Age, V (Jan. 24, 1900), 20.

David L. Cohn and Morris M. Musselman have stated that Olds also had an electric push button starter on this model,<sup>18</sup> information which no doubt has come from an interview B.C. Forbes had with Olds in 1926 in which he stated that he had "fitted" the car "up with some very up-to-the-minute improvements -- including ... electric push button starter."<sup>19</sup> While it may have been possible for Olds to have developed a "self-starter" since he was working with motors, batteries, and electric automobiles during this period, no evidence has been found to substantiate Olds' statement and until such time, it seems desirable to leave the distinction for inventing the electric starter to Charles F. Kettering.<sup>20</sup>

Nevertheless, it was true that the very things on which Olds had prided himself when he built his first gasoline vehicle he had now thrown aside. Simplicity and economy were the points he had emphasized but was to overlook for more than a year. By his own admission he was later to recognize his failings at this time. "We thought we had quite a car," he said, "but we soon found that it was too complicated

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<sup>18</sup>David L. Cohn, Combustion On Wheels (Boston, 1944), p. 84; Musselman, Get A Horse, p. 69.

<sup>19</sup>Forbes and Foster, Automobile Giants of America, p. 230.

<sup>20</sup>Epstein, The Automobile Industry, p. 106; Nevins, Ford: Times, Man, Company, pp. 481-482; Pound, The Turning Wheel, p. 108.



for the public."<sup>21</sup> And that was not the only difficulty. In a day when the public regarded the horseless carriage as impractical and thought it would be a thing of the past in a year or two, an automobile priced at \$1,250 was not likely to stimulate many sales or break down prejudices. Nor was anything else that Olds produced for some months to come.

Following a disappointing beginning, Olds began to develop other types and models in an effort to find one that would have public appeal. Purely as an experiment he designed a one cylinder runabout that ran on bicycle wheels and was priced to sell at \$500.<sup>22</sup> Even a line of electric runabouts was developed which were test driven up and down Jefferson Avenue and traveled from 34 to 35 miles on each battery charge.<sup>23</sup> In all, Olds

produced something like eleven different models of wagons in 1899 and 1900, none of which was entirely satisfactory, though an expenditure of \$80,000 cash was made in this attempt to find the wagon of the future. Some of these eleven new models were fine wagons, but were too expensive in construction, and those which cost less were not altogether durable, so that none were considered commercially available.<sup>24</sup>

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<sup>21</sup>Forbes and Foster, Automobile Giants of America, p. 230; Pound, The Turning Wheel, p. 52.

<sup>22</sup>Merrill Denison, The Power To Go (Garden City, N.Y., 1956), p. 110.

<sup>23</sup>Detroit Free Press, Sept. 23, 1956; Interview with Mrs. Horace F. Loomis, wife of an engineer at the Olds Motor Works, July 31, 1962.

<sup>24</sup>Cycle and Automobile Trade Journal, VIII (Dec. 1, 1903), 34.

The net result of more than a year of experimentation was that nothing very favorable had happened. The stationary engine business had been profitable but as far as the automobile was concerned, prospects for the future did not give much encouragement and there was nothing on the drawing board that looked promising. Olds' comment later that, "The prospects of the industry were not very bright,"<sup>25</sup> was perhaps an understatement of just how bad the situation actually was. He must have realized that if the company was to continue to manufacture automobiles at all, he had to come up with a car that would sell. Under these adverse circumstances, he was driven back to the principles of simplicity and economy in automobile construction that he had held formerly.

In his search for a vehicle that would have public appeal, Olds began to concentrate his efforts on models that were low in price, simple to operate, and the owner could fix himself or have repaired in local bicycle or general repair shops. The story is told that the idea first occurred to him one night and that he was so enthused he climbed out of bed and immediately began to make sketches of what eventually became the curved dash.<sup>26</sup> Whether this is the way it actually happened or not is difficult to verify. The only information

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<sup>25</sup>Forbes and Foster, Automobile Giants of America, p. 230.

<sup>26</sup>Yarnell, Auto Pioneering, p. 77.

that can be substantiated of how Olds arrived at the plans for the curved dash comes from a description by Horace F. Loomis, a graduate engineer who only a short time before had been given employment at the Olds Motor Works. He recalled that,

One Monday morning in the fall of 1900 Mr. Olds came to the office and declared to me that 'What we want to build is a small low down runabout that will have a shop cost around \$300.00 and will sell for \$650.00.' He made a sketch of a body similar to the one finally used with the curved dash. He also showed by sketch the long flat springs which were to act as reaches and also the elliptic spring thru which steering was accomplished. I cleared my board and laid out the general plan including body, running gear and frame. M. Beck, stationary engine designer developed the engine. I developed the planetary transmission, getting the idea from a small water meter mechanism which I had picked up. Maxwell developed without drawings the cam mechanism for controlling the transmission.<sup>27</sup>

This account, of course, does not preclude the possibility of Olds' nocturnal inspiration, but it does seem to give a more realistic picture of how the curved dash was actually developed.

The design of the curved dash, the unique feature of the vehicle, may not have been the original idea of Olds. Most cutters and some carriages were designed with a toboggan front which might have given Olds the idea but W.S. Tidswell, a carriage designer, suspected after the curved dash had become famous that he had originally recommended the design

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<sup>27</sup>H.F. Loomis to n.n., n.d., Olds Collection.

to him. In a letter to Olds in 1904, Tidswell stated:

... one day I paid a visit to the shop on River St., before you left for Detroit; thinking possibly there might be an opening for me to become overseer of a large wood-working plant. I said I knew little or nothing of the iron mechanism, yet had devoted considerable attention to the body; and could see no reason why the carriage idea with leather dash, was at all desirable. Then too why not lower the body, and make it a receptacle for some of the machinery? You said then, what about the dash? what instead of that? I answered, curve up the front. Well, your new body was built very nearly as I said, except in my designs the ventilating slats were on the sides, instead of the rear. But the curved front proved to be the great distinguishing feature of the Oldsmobile; you can tell it at quite a distance, and I can see myself in every one which passes by. No one is prouder of your success than I; and you were entirely welcome to any suggestions of mine.<sup>28</sup>

The first curved dash was built and tested in October, 1900. It was run for some time without a transmission but after that two more were built which had a planetary transmission that had recently been developed at the factory.<sup>29</sup> In appearance the vehicle closely resembled a shaftless carriage but yet its style was trim and attractive. It had a single cylinder, four cycle horizontal engine which was started by a crank at the driver's side. The transmission provided the machine with two speeds forward and one reverse. A single chain carried power to the center of the rear axle which housed the differential. A tiller, curving up from the floor-

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<sup>28</sup>W.S. Tidswell to Olds, August 8, 1904, ibid.

<sup>29</sup>H.F. Loomis to n.n., n.d., ibid.



An 1899 Oldsmobile in front of the Olds plant in Detroit.  
R. E. Olds is the driver.



R. E. Olds driving a curved dash Oldsmobile on Belle Isle, Detroit.

board to the seat, provided the steering control. The wheels had wire spokes and were fitted with pneumatic tires. The body, mounted only two feet off the ground, was independent of the running gear to eliminate vibration. A seat for two was on the front of the body and on the back was a low box which contained the engine and gasoline tank. Alongside of the seat the side-boards were cut away and the floor was rolled up in front to form the curved dash.<sup>30</sup>

But it took a catastrophe before Olds appreciated the valuable product he had and only then did he realize it out of necessity. In the meantime, the main business of the company was making engines and automobiles were considered no more than a sideline. A number of models had been built, none of which was the answer to the market. In fact, in an effort to find the solution, they had shifted the emphasis from gasoline to electric vehicles. Most of the new models the Olds Motor Works was planning to display for the spring showing in 1901 were electrics and some curved dash models also had been equipped with electric motors. Even the testing and experimenting that was done seemed to center on increasing the distance an electric could travel before it needed another battery charge. And meanwhile, the curved dash was considered

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<sup>30</sup>Detroit Free Press, Oct. 20, 1901; Automobile and Motor Review, June 28, 1902, pp. 2-4; Scientific American, LXXX (Jan. 9, 1904), 29-30.

no more than a prospect along with several other models.<sup>31</sup>

This situation was abruptly changed by the fire which struck the Olds Motor Works plant on Saturday, March 9, 1901. 'Rush for your lives, the building is all on fire!' yelled one of the employes about 1:35 in the afternoon. This was followed by a scene of wild excitement. Men dashed for the exits; on the second and third floors, windows were thrown open and the frantic men either climbed out or deliberately jumped to the ground.

Within minutes after the first alarm was sounded at 1:37 o'clock by James J. Brady, a young timekeeper who was working in the office, the main building was enveloped in flames. It was said there were few in Detroit who could recall such a rapid fire in a factory of that kind. Starting near the wash room on the west side, the blaze quickly spread to the other parts of the building. A conductor on an east bound Jefferson Avenue line car was passing the scene when the fire broke out. Sixteen minutes later when he returned on his trip westward, the walls had crumbled. According to statements of persons in the neighborhood at the time, the cause of the blaze was the explosion of gasoline and apparently, the building was not of the strongest construction. The brick walls of the first story appeared to be about fourteen inches

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<sup>31</sup>F.L. Smith, Motoring Down A Quarter of A Century, p. 16.





thick but the upper walls were considerably narrower which, along with the explosions, seemed to account for the rapidity of the fire.

Almost the first words spoken by Olds who had just returned from a five weeks trip to California when he was informed of the fire, were that the business must not be delayed:

'We shall take immediate steps to open up again, and in two or three weeks time we shall be running as though nothing had happened.

'While the material loss is great, we do not care half so much about that as we do for the set-back it has given our business. We had contracted orders to keep us working full time for over a year, and a more inopportune time for such a calamity could not be. The automobile season is just opening up, and we expected to put machines on the market in a few days. However, we shall immediately look for a building, where we shall resume work temporarily, and as soon as possible we shall rebuild in the old location. In the course of two or three weeks we shall be running as usual, in temporary quarters.'<sup>32</sup>

As close as could be figured the total damage of the fire was about \$72,000. Of that amount, \$65,000 worth of property was destroyed at the Olds Motor Works which included the buildings, machinery, equipment, and personal possessions of the employees. Olds estimated that the company was carrying \$45,000 of insurance at the time but later stated that after all the claims had been processed, the company re-

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<sup>32</sup>Detroit Free Press, March 10, 1901.

ceived only \$33,000 in payments.<sup>33</sup> In addition, there was damage amounting to more than \$7,000 to the buildings of the Detroit Stove Works, the Peninsula Iron Company, and the Detroit United Railway which were located in the vicinity.

Although the Olds Motor Works hired approximately 300 men, most of whom were employed in the gasoline engine division, not more than twenty-four people were in the factory at the time of the fire owing to the fact that the shop closed at noon on Saturdays. One of the men that was in the factory was W.G. Murray, manager of the automobile department, who was able to give a description of the work that was being done:

'We do not run at all on Saturday afternoons although there were a few men in my department getting out work that was imperative. They, with a few in the finishing department, and the regular office force constitutes all that were in the building, and I believe all got out safely. My department will no doubt suffer the greatest loss, as there were any number of machines nearly completed. We have been experimenting with electrical automobiles for the past two years and this year we were getting ready to put them on the market. We had orders for several months ahead, many of which were started and others nearing completion. The automobile department was stocked with all parts of the machine, and we were running a full force of men assembling them. But one machine was saved, and that is one that the company has been running. In one portion of the building there were twenty or more machines almost ready for the market that are totally destroyed.'<sup>34</sup>

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<sup>33</sup>Olds to A.C. Bement, April 28, 1904, Olds papers, Michigan State University Museum, East Lansing, Michigan.

<sup>34</sup>Detroit Free Press, March 10, 1901.

Several years later, Fred Smith stated that,

The fire was beyond question the best move ever made by the management, in that it put an end to the experimenting and chasing after strange electric gods on the part of our mechanical geniuses. The last of our 'Stanhope' two-seaters came crashing down from an upper floor and landed a-sprawl on top of the steel safe in my office. The safe was empty and the Stanhope a charred skeleton. Somehow the combination seemed chock-full of significance -- emblematic, prophetic.<sup>35</sup>

The foundry was the only building that remained that had not been seriously damaged. Within forty-eight hours after the fire, work was going on to hastily convert it into a machine shop. "On the following Monday," F.L. Smith wrote, "the line-shafts were in place, power installed, and lathes and drill presses doing their best to keep the pace."<sup>36</sup> All efforts were now directed towards reproducing the one machine that had been saved, a model of the curved dash.

The common explanation that has been given to account for the fact that after the fire the Olds Motor Works concentrated on producing the curved dash is that they had no other alternative. All the other models had been destroyed in the fire and this was the one "tangible asset" that remained. It was already the time of the year for the opening of the automobile season and if they were going to get anything on the market in the near future, it had to be the

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<sup>35</sup>F.L. Smith, Motoring Down A Quarter of A Century, p. 16.

<sup>36</sup>Ibid., p. 17.

curved dash. Disaster had made that decision for them. The specifications and blueprints for all the models had been destroyed so they were left with no other choice than to produce the curved dash.<sup>37</sup>

The evidence, however, does not substantiate this conclusion. Several years later, Olds received a letter from the wife of Milton Beck who had been an engineer with the company at the time of the fire, in which she described how, "Mr. Beck, daring smoke and fumes, remained on the drafting-floor, until he had gathered up all the assembled drawings of the new machine" and placed "them all in the safety-vault."<sup>38</sup> In 1912, Olds wrote that the "valuable papers and books" of the company had been placed in the "fire-proof vault."<sup>39</sup> On the evening of March 9, he was questioned by a reporter as to what the company had lost in the fire. Olds stated that, "he had been informed by his head draughtsman that all the drawings and plans had been found in the vault, and there would be no loss from that source."<sup>40</sup> Presumably, this would have included the prints not only for the curved dash but for all the other vehicles as well. Furthermore,

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<sup>37</sup>Musselman, Get A Horse, p. 70; Yarnell, Auto Pioneering, pp. 88-89; Eugene W. Lewis, Motor Memories (Detroit, 1947), p. 137.

<sup>38</sup>L.S. Beck to Olds, April 23, 1934, Olds Collection.

<sup>39</sup>Olds to Boys of the Industrial School, Dec. 23, 1912, Olds papers.

<sup>40</sup>Detroit Free Press, March 10, 1901.

the company had offices in Boston, New York, Philadelphia, Chicago, Omaha, Minneapolis, and Los Angeles,<sup>41</sup> anyone of which might have had models on hand that could have been copied.

The question then becomes not one of how but why the Olds Motor Works staked everything on the curved dash. In order to offer a plausible explanation, it is necessary to look at the situation in which the management found itself at that time.

First of all, the condition of the company made it imperative for them to proceed with great haste. The making of engines had been profitable and the plant in Lansing was still operating but the automobile business had been a failure. In addition, they now found themselves without the facilities and equipment to handle the orders they had received, which was accompanied by the fear that if they were unable to deliver, the business might be lost to competitive firms. To wait until the plant was rebuilt or to begin experimenting with new models would have meant further delays and loss of business. They could not afford either and under the circumstances the decision was made to get into production again as soon as possible. The quickest way was to focus their attention on a simple, easy-to-construct, and inexpensive vehicle, a factor

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<sup>41</sup>Lansing State Republican, March 9, 1901.

of great importance since most of the parts had to be temporarily subcontracted from other firms.

In the year and a half since the company had begun operations, they had yet to produce a car that gave indications of success. Even though they had been experimenting with electrics for some time and had assembled a few for shipment, there was nothing that suggested these would receive a better reception than any of their other models. While the electrics were smooth and quiet-running, the limitations imposed by the necessity to recharge the battery every few miles was sufficient to prevent it from becoming the principle automotive power of the future. As far as the Olds Motor Works was concerned, their specialty was the manufacture of gasoline engines and their experiments with electric automobiles were no more than attempts to discover what the public wanted. Under the circumstances, concentration on the curved dash was not an illogical course of action. Although they could not be certain that it would be more successful than any of their other models, it had tested out well and was a vehicle they could produce with their limited facilities and dependence on other manufacturers.

On that basis, plans were made to go ahead with production of the curved dash and that model only. Working under the pressure of time, the runabout was taken apart and special tools, jigs, and templates were made in preparation for pro-

duction. "In exactly thirty days from the date of our blessed disaster," Fred Smith wrote, "the first little Phoenix of a runabout was again trundled out by Jimmy Brady to receive the blessing of the management."<sup>42</sup> Olds, who at the time lay ill in a hospital, was kept informed of progress at the plant and when the new runabout was finished, it was driven out for his inspection.<sup>43</sup>

Turning out one curved dash, however, was far different from producing many. While the men at the plant had been able to put together one car, they did not have the facilities and equipment to make them in numbers. Nor did they have the means to manufacture the engines, frames, springs, wheels, bodies, lamps, upholstered seat cushions, and other accessories that went into the manufacture of a complete automobile. Until the plant could be rebuilt, they had to find some other way to manufacture the vehicles. Refusing to suspend production, they adopted a technique which previously had not been used to the extent that the Olds Motor Works employed it in the next few years.

Since only the foundry building remained, they decided to concentrate their workers on the job of final assembly and

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<sup>42</sup>F.L. Smith, Motoring Down A Quarter of A Century, p. 17.

<sup>43</sup>Barnes, World's Work, XLI (April, 1921), 562; Pound, The Turning Wheel, p. 53; Forbes and Foster, Automobile Giants of America, p. 233.

farm out parts for the curved dash to other manufacturers. The success of this type of operation had been shown by William Crapo Durant and Dallas Dort of Flint, Michigan, who had adapted it to carriage making.<sup>44</sup> Following their example, the Olds Motor Works through this method became the first quantity producer of automobiles and many men who later held high places in the automotive industry were given their start. This fact alone earned for Olds the title "Schoolmaster of Motordom" because more people were either trained or introduced to the potential of the automobile in those early days by him than by any other individual.<sup>45</sup>

Byron F. Everitt, who later built the Wayne, the E-M-F-30, the Flanders-20, the Everitt, and the Maxwell, was given the order for the Olds bodies. He had been born in Ontario in 1872 and at the age of nineteen came to Detroit where he went to work for Hugh Johnson, a carriage builder. In 1899 he had established his own business and when Olds needed bodies and upholstered cushions, he turned to Everitt,<sup>46</sup> who promptly

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<sup>44</sup>Denison, The Power To Go, p. 73.

<sup>45</sup>Reginald M. Cleveland and S.T. Williamson, The Road Is Yours (New York, 1951), p. 178; James R. Doolittle, ed., The Romance of the Automobile Industry (New York, 1916), p. 44; Epstein, The Automobile Industry, p. 209; Pound, The Turning Wheel, pp. 66-67.

<sup>46</sup>Forbes and Foster, Automobile Giants of America, p. 18; Barnes, World's Work, XLI (April, 1921), 565.





brought Fred J. Fisher, eldest of seven Fisher brothers from Norwalk, Ohio, to Detroit to help him turn out the job.<sup>47</sup>

Later, after Everitt had gone into the automobile business, the Olds Motor Works purchased its bodies from the C.R. Wilson Body Company on Cass Avenue.<sup>48</sup>

The Briscoe brothers, Benjamin and Frank, who owned and operated the largest sheet metal plant in Detroit were initiated into the automobile business when Olds and John D. Maxwell who was in charge of the testers at the Olds Motor Works, went to the Briscoe plant in 1902 with a sample of what they said was a "cooler" for the Olds runabout. Benjamin Briscoe recalled that at the time he did not recognize it as part of an automobile. "It looked to me like some antiquated band instrument," he said. Nevertheless, he agreed to make samples of it and soon afterwards Olds awarded him a contract to build 4,400 of them, along with an equal number of tanks, sets of fenders, and other sheet metal parts. "This order and other orders given by the Olds Motor Works at the same time to other concerns around Detroit," Briscoe stated, "marked the beginning in a real way of the automobile manufacturing business in the city of Detroit."<sup>49</sup>

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<sup>47</sup>Denison, The Power To Go, p. 73.

<sup>48</sup>Nevins, Ford: Times, Man, Company, p. 222.

<sup>49</sup>Benjamin Briscoe, "The Inside Story of General Motors," Detroit Saturday Night, XV (Jan. 15, 1921), 2, 9.

Another brother team brought into the automobile business by Olds was John and Horace Dodge. "Hard-headed hard-handed young men with exceptional ability as machinists," they had recently come to Detroit from Windsor, Ontario, and set up a machine shop at 240 Monroe Avenue. They were given their opportunity to become acquainted with the possible profits of automobile manufacture when Olds went to them with a contract for engines and transmissions.<sup>50</sup> From this small beginning, the Dodies developed a business which their widows twenty-five years later sold for \$166,000,000.<sup>51</sup>

When the Dodge brothers were not able to keep up with his orders, Olds turned to the Leland and Faulconer Manufacturing Company, founded by the superlative New England machinist, Henry Martyn Leland. Through this combination, Lloyd Morris has theorized, the automotive industry received the generative principles that made it the leading enterprise in the nation. Olds had conceived of the principle of mass production and realized that its efficient application depended upon the technique of assembly. Leland made this technique possible by furnishing the principle of standardization or the precision manufacture of parts. From their collaboration a technology was developed which revolutionized modern pro-

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<sup>50</sup>Glasscock, The Gasoline Age, p. 63.

<sup>51</sup>Musselman, Get A Horse, p. 225.

ductive processes.<sup>52</sup>

Henry Leland was fifty-eight years old when Olds launched him unknowingly on a new career. Born in Danville, Vermont, on February 18, 1843, Leland had spent forty-nine of his years in mechanical pursuits. As a youth, he got his first job pegging shoes and was so efficient he was able to peg fifty pairs a day by the time he was eleven. At age sixteen he became an apprentice mechanic in the Crompton Loom Works of Worcester, Massachusetts. During the Civil War he was employed in the Federal arsenal at Springfield and afterwards moved to the Colt arms plant. These munitions factories, following the principle originally laid down by Eli Whitney, had long assembled their weapons from finely machined interchangeable parts and it was there that Leland learned the methods of precise workmanship.

After moving from one job to another and from factory to factory, Leland settled down in the Browne & Sharpe plant in Providence, the foremost manufacturers of machine tools in the East. By demonstrating his ability and knowledge, he became a machinery specialist and was sent out to install new machines and co-ordinate them to the advantage of the purchaser. In 1890 he gave this up and moved to Detroit where he organized with his son Wilfred the Leland, Faulconer & Norton Company to manufacture machine tools, marine engines, and bicycle

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<sup>52</sup>Lloyd Morris, Not So Long Ago (New York, 1949), p. 258.



parts. Constant emphasis was placed on working for closer tolerances with the result that the name of Leland became synonymous with precision manufacture.<sup>53</sup>

It was logical that Olds should have gone to Leland when he needed someone to build his engines. Even before this he had given Leland an order for gears and when the factory burned down, Olds knew he could count on him to manufacture dependable engines. For Leland, this was an opportunity to demonstrate what could be done with an engine through close attention to precision. The Olds engine as made by the Olds Motor Works was rated at 3 horsepower. With his more exacting standards, Leland was able to increase the horsepower to 3.7.<sup>54</sup>

A.L. Brush, a young engineer, was working in the machine shop of Leland and Faulconer when they were making engines for Olds. Convinced that he could make a better single cylinder motor than the one going into the Olds runabout, he persuaded Leland to allow him to experiment and a short time later produced an improved and more powerful engine. In his book, The Turning Wheel, Arthur Pound quoted a Leland associate who related an interesting episode concerning the new engine:

At the first automobile show in Detroit, the Olds display contained two cars, one powered by

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<sup>53</sup>Glasscock, The Gasoline Age, p. 104.

<sup>54</sup>Pound, The Turning Wheel, p. 103.



Olds, the other by Leland. I recall that Henry Ford pointed out to us as a curiosity the fact that the Leland motor was operating under brakes in order to bring it to the same pace as the Olds motor. Our motor developed 3.7 horsepower as against 3 for the Olds-built motor. This superiority was due to closer machining. H.M. Leland went seriously to work on the Olds motor and by introducing larger valves and improved timing system we were able to build this one-cylinder up from 3.7 horsepower to 10.25. On taking the improved article to the Olds Company, we were dismayed by the refusal to use it. Mr. Olds was getting all the business he could handle and I suppose such a radical change in power plant would have necessitated alterations in many directions.<sup>55</sup>

Several reasons can be given why Olds turned down the improved Leland engine. By this time, the plant was back in production and the curved dash had become popular. If he had adopted the Leland engine, Olds suspected that alterations would have to be made in the body and chassis because the engine was too powerful for the present model.<sup>56</sup> There was no reason why he thought this was necessary since the car he was making enjoyed good sales. This had not been true when he produced larger and more expensive cars which would have been the result if he had accepted the Leland engine and made the structural changes to accommodate it. Past experience had taught him that success had come only when he had concentrated on the low-priced, economical curved dash and that success he was not willing to disrupt by taking a chance on something which

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<sup>55</sup>Ibid.

<sup>56</sup>Kennedy, The Automobile Industry, p. 24; Glasscock, The Gasoline Age, p. 105.





had proved a failure in the past. But before Olds reached this point, there were several other decisions and events which were of inestimable importance in the subsequent history of the Olds Motor Works.

Since operations of the Olds Motor Works had been moved to Detroit in 1899, businessmen in Lansing realized the mistake they had made in not trying to keep the expanding concern in their own home town. When the plant burned down, however, the Lansing Business Men's Association which had been formed to bring new business and industry into the city, saw it as an opportunity to rectify their previous error. At a meeting of the Association, it was voted to extend an invitation to Olds and his associates to transfer the business back to Lansing. As an inducement, it was agreed that the promise of a suitable location should accompany the offer and Harris E. Thomas, vice president of the Association, was commissioned to convey the proposition to Olds.

The tract of land offered to Olds comprised an area of 52 acres which had formerly been the fair grounds of the Central Michigan Agricultural Society. The fairs once held there had become a thing of the past and the land was now offered for sale. The Business Men's Association recognized the suitability of the site and commenced negotiations for its purchase. In order to obtain a title to the property, Harris Thomas gave a note for \$5,000 which was endorsed by the other members of the Association and the deed was given to



them which they in turn offered to Olds and he accepted.<sup>57</sup>

The question arises as to the reasons why the management of the Olds Motor Works should have decided to erect a factory in Lansing. To state that the move was made simply because Olds wanted to return to Lansing is not a valid answer to the query. The Smiths, not Olds, owned the controlling interest in the company. They had originally insisted that the business should be moved to Detroit and the decision to build a plant at Lansing was one in which they had to concur. Such a matter could not have been decided by Olds without their approval. Furthermore, if there were satisfactory reasons for transferring the center of operations to Detroit in 1899, it would not be expected that the advantages of returning to Lansing had changed markedly in the two year interval. The solution, however, revolves on what was happening in Detroit, not Lansing.

After the fire in March, the foundry had been converted into a machine shop and more than sixty men were employed, thirty-five of whom were machinists.<sup>58</sup> On May 20, 1901, the union machinists at the Olds Motor Works along with machinists all over the country went on strike for a nine-hour day at the ten-hour day pay.<sup>59</sup> For more than a week the strikers avoided

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<sup>57</sup>Lansing State Republican, August 13, 1901.

<sup>58</sup>Detroit News, May 21, 1901.

<sup>59</sup>Detroit Free Press, May 21, 1901.

violence but on May 31, a serious riot was averted only by the timely arrival of the police. Fully 500 men, comprised principally of workmen of different shops, had assembled in a vacant lot near the Olds plant. When they began to approach the factory in a threatening manner, one of the employees of the company called in a request for more police protection. Twenty-five additional patrolmen were despatched to the scene in an effort to prevent any further violence. Just when they arrived, someone yelled, 'Let's rush through and get at them!' On this signal the strikers and sympathizers began to run toward the Olds plant, some going around other buildings and reaching the shop down by the river where they suspected non-union men were at work. Three of the strikers received badly swollen eyes and suffered bloody noses but the police reached the building in time to prevent anyone from being seriously hurt. The "company" men had armed with pieces of gas pipe in order to defend themselves but at quitting time they had to be escorted away from the scene by patrolmen and some had to be accompanied all the way home. The next day it was expected that violence would break out again but with the police in the vicinity, further attempts to disrupt operations were quelled.<sup>60</sup>

The labor situation at the Olds Motor Works when Olds

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<sup>60</sup>Ibid., June 1, 1901; Lansing State Republican, June 1, 1901.



and the Smiths were approached by the Lansing Business Men's Association was a sufficient incentive to make them willing to seriously consider the offer of Harris Thomas and from that point on negotiations began in earnest. This is reflected in a letter Roy Chapin who had left the University of Michigan to work at the Olds plant wrote to his father on June 26, 1901:

Well, things have changed around here quite a little. Loomis and Beck will go this week or next and Mr. Olds and Mr. Smith are in Lansing today and I should like to know what the result of their trip will be.<sup>61</sup>

While there was less likelihood of labor unrest in Lansing than in Detroit, however, this alone does not take into consideration the other factors that were involved in a move of this kind. There was still the need for adequate transportation facilities, parts suppliers, and skilled labor. If Lansing could not have supplied these it still would have been unsuitable as a location for an automobile factory. That the move was made would indicate that Lansing had or could provide to their satisfaction what was necessary for the manufacture of automobiles. The facts in the matter also point to this conclusion.

Two essential parts of the automobile which the Olds Motor Works had to subcontract in Lansing were the bodies and

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<sup>61</sup>R.D. Chapin to E.C. Chapin, June 26, 1901, Chapin papers, Michigan Historical Collection, University of Michigan, Ann Arbor, Michigan.

wheels. The engines and running gear they intended to make themselves, first at the Gasoline Engine Works and later at the new factory. Because of the bulk of these parts, the bodies in particular, and the transportation costs involved in hauling them some distance, it was mandatory that Lansing should have factories which could supply these parts.

In 1901 Lansing already had two plants which were manufacturing automobile bodies and wheels. W.K. Prudden & Company whose specialty was sulkies, bike buggies, and rubber tires had been in business for some time<sup>62</sup> and was supplying the local demand and had contracted orders from companies in Detroit and elsewhere. The other factory which had recently been organized was the Auto Body Company, producers of automobile and carriage bodies.<sup>63</sup> With these two firms supplying the bodies and wheels, it was possible for the Olds Motor Works to manufacture a complete automobile, a vital consideration in their decision to erect a plant in Lansing.

But this only answered one of their demands and the problems of distribution and labor supply remained. Lansing was off the main transportation routes and did not have an adequate supply of skilled labor. These matters, however, were also successfully resolved. The land on which the factory was

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<sup>62</sup>Lansing City Directory, 1900, p. 234.

<sup>63</sup>Ibid., 1902, p. 55.





to be built was located on a spur of the Grand Trunk Railroad which made it possible to ship the automobiles directly into Detroit and from there to centers throughout the country. The lack of a supply of skilled labor was not a problem since workers could be brought in and the real difficulty was providing the necessary shelter. This was remedied by converting some of the buildings on the fair grounds into temporary bunk-houses until private housing could be erected.<sup>64</sup>

Final arrangements in the negotiations between the Olds Motor Works and the Lansing Business Men's Association were concluded on August 12, 1901. The agreement that was drawn up provided that work would commence at once on the construction of a building designed as an assembly room. Plans called for its completion within three months at which time manufacturing operations were to begin. When this phase was finished, a foundry was to be built and the following spring another large building added. Employment was set at 400 men from the start and it was expected that number would gradually be increased to 1,200.<sup>65</sup> Olds was placed in charge of organizing and supervising the work according to schedule. The measure of his ability in this respect can be attested from the fact that the first building was completed and manufacturing operations begun

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<sup>64</sup>Lansing State Republican, August 13, Oct. 31, 1901.

<sup>65</sup>Ibid., August 13, 1901.



just four months after the decision to accept the offer of the Business Men's Association had been made.<sup>66</sup>

In October, 1901, a letter was received in Lansing from the Olds Motor Works which stated that the company expected to make not less than twenty-five automobiles a day.<sup>67</sup> This was a production figure that surpassed what anyone had ever attempted. Perhaps they were a trifle optimistic but yet this was an indication of their intention to produce automobiles on a volume basis. However, it was one thing to envision a market for the curved dash; it was another to create a demand which corresponded with their hopeful expectations. While it was possible to expand their plant and produce that many cars, there was the problem of selling them which could only be solved by advertising the curved dash and bringing it to the favorable attention of the public.

Alexander Winton had tried a novel scheme in 1897 to prove that he had built a practical motor car. On the 28th of June he set out on a drive from Cleveland to New York. It was his hope that this accomplishment would demonstrate the reliability of the Winton car. He completed the trip after forty days, probably more because of his Scottish persistence than the superiority of his automobile. But along the way

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<sup>66</sup>Ibid., Dec. 16, 1901.

<sup>67</sup>Ibid., Oct. 31, 1901.



crowds grouped about him at each morning's start and another quickly gathered when he 'turned out' the engine for the night.<sup>68</sup> The car was the cause of so much curiosity that two years later Winton duplicated the trip, only this time he took with him Charles B. Shanks, a newspaper reporter. The distance of over 700 miles was covered in 47 and one-half hours running time and wherever they traveled, the car was greeted with great interest due to the good work of Shanks. His articles attracted much attention and were the first significant effort to intelligently publicize the automobile. When they reached New York, a million people came out to see the car,<sup>69</sup> demonstrating both the widespread interest in the automobile and that Winton's advertising efforts had been amazingly successful.

In the fall of 1901, Olds also was looking for a way to publicize the curved dash. He needed something to advertise his car in the heavily populated cities in the East if he was to realize quantity sales upon which volume production depended. Winton had attracted so much attention just a few years before that Olds decided to attempt a similar feat. He thought it would give him a chance to prove that the curved dash runabout which sold for a price most people were able to afford, could

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<sup>68</sup>MacFarlane, Collier's, LIV (Jan. 9, 1915), 50, 52.

<sup>69</sup>Doolittle, The Romance of the Automobile Industry, p. 322.

compete with the larger cars. If the curved dash received as much notice as Winton's car, Olds suspected that increased sales would follow. At least he was willing to try and the Automobile Show to be held in New York presented him with an appropriate opportunity.

The man chosen to drive the Olds runabout from Detroit to New York was Roy D. Chapin, a twenty-one year old tester at the plant. Only the previous spring he had gone to work for Olds at \$35 a month. An amateur photographer, Chapin had been given the job of taking pictures throughout the plant when he was not busy filing gear teeth and often stayed after hours to help John Maxwell finish and test the runabouts that had been made during the day. After a brief period with the company, Chapin had so impressed Olds with his unusual interest and sense of responsibility that he was chosen to drive the curved dash to New York.<sup>70</sup>

On Sunday, October 27, 1901, Chapin left Detroit in a new curved dash which was equipped with a large tool box of spare parts behind the buggy seat. By the first evening he had made only the short distance to Leamington, Ontario, and at the end of the following day stopped at St. Catharines before crossing over into New York where he spent the third night at Rochester. Up to this point he was still on schedule but

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<sup>70</sup>John C. Long, Roy D. Chapin (Bethlehem, Pa., privately printed, 1945), pp. 30-31; Denison, The Power To Go, p. 114.

then rain came, turning the roads into a quagmire. Forced to leave the muddy highways, Chapin took to the towpath of the Erie Canal and contested with mule teams for the right-of-way. From there he pushed on to St. Johnsville, Hudson, and Peekskill where he was held up for major repairs. Finally on Tuesday, November 5, Chapin drove into New York City. On his way down Fifth Avenue the runabout skidded into the curb and one of the wire wheels was damaged but in spite of this difficulty, he was able to maneuver the machine up to the Waldorf-Astoria where Olds was waiting his arrival. Dirty, greasy, and disreputable in appearance, Chapin was refused entry to the hotel by the doorman and had to sneak in unobserved through the servants' entrance in order to meet Olds.<sup>71</sup>

Upon his arrival, Chapin sent the following telegram to the Olds Motor Works where they were anxiously waiting word on the outcome of his trip:

Arrived here at eleven in good order total distance  
eight hundred twenty miles time seven one half days  
average 14 miles per hour used 30 gallons gasoline  
30 gallons water.<sup>72</sup>

Little had been said about the journey in advance or en route, perhaps because no one could be sure of its accomplish-

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<sup>71</sup>Long, *ibid.*, pp. 31-32; Pound, *The Turning Wheel*, p. 55.

<sup>72</sup>Chapin to Olds Motor Works, telegram, Nov. 5, 1901, Chapin papers.



ment. Now, however, Olds wanted the story told in order to capitalize on the publicity and the following report appeared in the New York Tribune issue of November 7:

Another new machine reached the Garden yesterday for which the owner claims an interesting record. It arrived in the city Tuesday evening, and was so covered with mud and grime that it will not be placed on exhibition until to-day. The automobile is of the gasoline sort, and was driven from Detroit to this city in seven days and a half. The machine weighs eight hundred pounds, and on the trip covered 860 miles and consumed thirty gallons of gasoline. The route was through Canada, crossing to the United States over the suspension bridge just below Niagara Falls. The owner says his experience has showed that the lightweight automobiles are well adapted for such tours.<sup>73</sup>

New York was the most populous and wealthiest state in the nation but in 1901 it possessed fewer than one thousand horseless carriages. This market Olds wanted to crack. Searching for a reputable firm to represent the curved dash in New York, he persuaded A.G. Spalding & Company, the well-known sporting goods firm, to take the New York agency and order one hundred cars. But on the first or second day of the show, a Spalding representative came to Olds and told him that his company's board of directors wanted to withdraw from the agreement because they could not see the possibility of selling one hundred cars. Olds asked them to permit the Spalding sign as New York agents to remain up during the remainder of the show but before it was over he had a new dealer to handle the run-

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<sup>73</sup>This notice is also found in: Chapin papers; Long, Roy D. Chapin, p. 33.

about.

Ray M. Owen had been selling the curved dash runabout in Cleveland for some time and Roy Rainey whose father had become wealthy in Pennsylvania coke had backed him to some extent. Both of these men were in New York and before the show was over, Rainey came to Olds and asked if Owen could handle the New York agency. Olds said he thought that was possible as Owen had certainly been successful in Cleveland. Rainey then wanted to know how large an order they would have to place to get the exclusive agency. Olds fixed the figure at five hundred cars. Rainey told him they would talk it over and asked Olds to meet them later at the Waldorf. That night they drew up a contract for five hundred cars but before the papers were signed, Olds was reported to have said, 'It isn't my business but I would like to see you two put this thing over in a big way. I would like to see you make this order for a thousand cars. Then the public would drop its jaw and take notice.' Owen is said to have replied, 'I believe you're right. Make it a thousand.'<sup>74</sup>

In 1902 Owen and Rainey sold 750 Olds runabouts in New York City. They did not reach the thousand mark nor did anyone expect they would. But they did succeed in selling more cars in New York than anyone had ever sold. The story is told that Owen and Rainey began doing stunts on Fifth Avenue

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<sup>74</sup>Barnes, World's Work, XLI (April, 1921), 563-564.

to attract attention. They were arrested for speeding, upset a bicycle policeman, and got the curved dash talked about so much that people noticed it and bought it.<sup>75</sup> And when Chauncey Depew, president of the New York Central Railroad bought an Olds runabout and allowed himself to be photographed as he drove to his office,<sup>76</sup> the curved dash came to be accepted even by New York's high society.

The public was beginning to take the automobile seriously and Olds' sales and production figures showed it. In 1901 the company built 425 curved dash runabouts and not long after the Automobile Show a waiting list was announced. People stood in line at the factory to get cars and orders poured in from all parts of the country. The problem now became one of trying to produce cars fast enough to keep up with the demand. Up to this time production had been on a one-at-a-time basis but with the increased volume of sales, it became necessary for Olds to consider ways to expedite production. The result was that he devised a progressive assembly system which contained all the elements of the modern assembly line with the exception of the power conveyor.<sup>77</sup> The cars were moved along on

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<sup>75</sup>Forbes and Foster, Automobile Giants of America, pp. 232-233.

<sup>76</sup>Pound, The Turning Wheel, p. 64.

<sup>77</sup>Charles F. Kettering and Allen Orth, American Battle for Abundance, A Story of Mass Production (Detroit, 1947), pp. 52-53.

rolling stands from one assembly group to another. Supply bins were conveniently located and the various parts were attached as the car moved along. When they reached the end of the building, the vehicle was a complete and finished product.

The significance of Olds' contribution of assembly production to the automobile industry perhaps has been best expressed by John K. Barnes who said:

It was Olds' success in Detroit that fixed the center of the automobile industry in that city. It is equally true that the Olds Motor Works was the first to reach quantity production by applying the progressive system of assembly to the manufacturing of a single model gasoline-engine-driven vehicle, and the first to popularize the automobile with the American people, taking it from the classification of rich man's toy to that of every man's servant.<sup>78</sup>

More and more "Oldsmobiles," the trade name taken from the word "automobile" which the French Academy had recently coined and legitimized,<sup>79</sup> came off the assembly line and it became necessary for the company to set up a sales organization in order to facilitate proper distribution. Requests from merchants or firms in associated businesses such as bicycle and engine manufacturers for an agency made it desirable to establish a system whereby the factory could eliminate much of the detail work and place the responsibility for sales and service on dealers throughout the country. As a result,

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<sup>78</sup>Barnes, World's Work, XLI (April, 1921), 564.

<sup>79</sup>Morris, Not So Long Ago, p. 257.

the practice was established of appointing distributors for an entire state who in turn assigned the various areas to local agents.<sup>80</sup>

When the company established a dealership system, they also set policies for the agents to follow. The most important of these was cash for cars delivered. Very early the Olds Motor Works adopted, as F.L. Smith said, Henry Joy's private slogan that, 'When the money's in my pants, the automobile is yours.'<sup>81</sup> There was no credit buying of automobiles in those days and the potential buyer had to accompany his order with a substantial cash payment. When the car was shipped, a sight draft was attached to the bill of lading and the balance had to be paid on delivery.

The reasoning behind this practice was that the purchase of an automobile involved a large outlay of money by the consumer and it was felt that unless credit buying was discouraged, the customer would request the privilege of making payments over a period of time. Automobile manufacturers regarded this as a risk they could not afford to take since cars depreciated rapidly in use and were subject to failure and accident.<sup>82</sup> Furthermore,

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<sup>80</sup>Olds to Stoler & Clarke, July 1, 1903, Olds papers.

<sup>81</sup>F.L. Smith, Motoring Down A Quarter of A Century, p. 22.

<sup>82</sup>Isaac F. Marcossan, "The Automobile--A Miracle of the Twentieth Century," Munsey's Magazine, XLIII (August, 1910), 598.

it was feared that if the factory did not demand cash from the dealers, they would sell cars on time to the consumers. And many of them, manufacturers well knew, would never have paid. By thus selling to the dealers for cash only, the manufacturer made it almost impossible for them to sell the cars other than for cash, for if they did, local banks would not finance them.<sup>83</sup>

Another reason for this practice was the financial condition of most automobile manufacturers. Many companies were not able to finance their trade on a credit basis. By giving terms to its dealers, a great deal of money could be tied up that was needed to finance continued operations. Spring and early summer was the best time for deliveries but the factory could operate profitably only if dealers had sufficient credit to buy and store cars manufactured during the winter months. Thus the dealer's ability to finance purchases in advance of sales became highly important to the manufacturer<sup>84</sup> because under this system, every car sold meant cash to the manufacturer for the full amount of cost plus profits and the company was relieved of the responsibility of handling and financing each individual sale.

As the first quantity producer of automobiles, Olds was most responsible for establishing cash as the only basis upon

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<sup>83</sup>Epstein, The Automobile Industry, pp. 137-139.

<sup>84</sup>Pound, The Turning Wheel, p. 360.

which production and sales could satisfactorily be discharged. The example he set was soon followed by other manufacturers and his contribution has since been recognized as one of the most important elements in the successful development of the automobile industry.<sup>85</sup> The impact it had as a stabilizing economic influence during depression periods has been summarized by John K. Barnes:

One of Mr. Olds's [sic] important contributions to the industry was the establishment of the business on a C.O.D. or cash basis. He turned the tide that way at an early date and the industry benefited greatly by it. He explained to his agents that it was also to their advantage to get their money when they delivered the cars. Then the purchasers, he pointed out, would be more careful how they used the cars; they would not run them into the ditch when something went wrong and telephone the agent to go get his car. Until the past few years the automobile business has been entirely upon that basis. That is one of the reasons why the industry as a whole has come through past periods of business depressions with little difficulty.<sup>86</sup>

Still another innovation of the Olds Motor Works which contributed to the early development of the automotive industry was the emphasis on advertising. Olds himself was an astute salesman and fully realized the value of publicity to increased sales. Already on February 15, 1902, the Saturday Evening Post carried an Oldsmobile advertisement which was the first automobile advertising in a national magazine. A play

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<sup>85</sup>Ibid.; Arthur Pound, Detroit Dynamic City (New York, 1940), p. 278; Epstein, The Automobile Industry, p. 139.

<sup>86</sup>Barnes, World's Work, XLI (April, 1921), 566-567.

was even made for feminine attention when the first automobile copy to appear in the Ladies Home Journal was carried in the April, 1903 issue. Not long after, newspapers and magazines throughout the country were carrying Oldsmobile advertisements until the slogans, "The Best Thing On Wheels," and "Nothing to watch but the road," became commonplace. The result was that sales continued to mount and more people were driving the Olds runabout than any other car. One recent purchaser perhaps summed up the enthusiasm for the curved dash as well as anyone when she said, "Might just as well be out of the world as without an Oldsmobile."<sup>87</sup>

Racing and endurance runs were also methods of advertising used by the Olds Motor Works to boost sales. In 1903 the Oldsmobile Pirate, a specially constructed racing machine, established a straight-away record for making five miles in six and one-half minutes. A short time later the same car was driven over the measured mile at Daytona Beach in 42 seconds -- the first American car to cover a mile of space in less than a minute.<sup>88</sup> In that year Oldsmobile also won the Tour de France.

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<sup>87</sup>E. Edick to Olds, March 26, 1904, Olds papers.

<sup>88</sup>REO Spirit (June, 1930), p. 3-4. REO Spirit was a monthly publication of the REO Motor Car Co. for its employees from 1916-1933. A complete set of all issues is available at the Welfare Dept., Division of White Motor Co., Lansing, Michigan.



The most spectacular publicity the Oldsmobile received from racing and endurance runs, however, came from a cross-country trip undertaken in 1903. One of the runabouts was shipped out to California and on July 6, Eugene Hammond and L.L. Whitman began their long hard journey. Slowly the pair made their way over the uncharted areas of mountains and desert. For 900 miles they traveled without meeting another car. Most of the roads they had to make themselves and on the way encountered all kinds of mechanical difficulties. When the tires gave out, they sewed oats in them. "I believe I planted the whole state of Nebraska with oats that fell out as we went along," Hammond later recalled.<sup>89</sup> Finally on September 7 the two men arrived in Detroit. "It's Made to Run and Does It," was another Oldsmobile slogan and even though it had taken Hammond and Whitman sixty days to make the journey, the slogan was vindicated.<sup>90</sup>

The success of Hammond's and Whitman's cross-country trip added to the popularity of the curved dash. In 1901, 425 of the cars were produced and that number was increased to 2,500 in 1902. In 1903 the company aimed to make and sell 4,000. Early in the year, Olds announced at the Detroit Automobile and Sportsmen's Show "that the era of fad was over and

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<sup>89</sup>Riverside (California) Daily Press, August 15, 1947, clipping, Olds Collection.

<sup>90</sup>Floyd Clymer, Historical Motor Scrapbook (8 vols., Los Angeles, 1944-1955), VIII, p. 29.

the era of utility had begun. Within a decade, he predicted, the car in general use 'will be one of 700 to 800 pounds in weight, small, compact, and simple in its construction.'<sup>91</sup> The success of the curved dash seemed to prove him correct. When it was seen that quantity production and low price were not incompatible with quality, many wealthy and distinguished people were among those who purchased the \$650 roadster. Some of these early buyers were the Queen of England, the Queen of Italy, Sir Thomas Lipton, Mark Twain, Maude Adams, and other celebrities in all walks of life. But even more important was the fact that the common people were beginning to accept the automobile. The country doctor drove an Oldsmobile on his rounds, the more progressive merchant called upon his customers in an Oldsmobile, and even farmers began to lose their hostility to the new mode of transportation. If it had not been for these people, Olds could not have sold 4,000 cars as he did in 1903

The Olds Motor Works in three years had become the most successful automobile company in the country. There was no other concern that compared with it as to size, production, or sales.<sup>92</sup> The earnings of the company were enormous as measured by the returns paid to the stockholders. At the end

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<sup>91</sup>Nevins, Ford: Times, Man, Company, pp. 220-221.

<sup>92</sup>Ibid., p. 224; Epstein, The Automobile Industry, p. 213; Kennedy, The Automobile Industry, pp. 20-21.

of three years, those who held the original stock had realized 105 per cent on their investment in dividends. Not only did early investors get their money back in three years but their stock increased five-fold in five years. During the same period the company increased its capitalization to \$2,000,000 out of its earnings and still had a cash surplus of \$600,000 at the close of 1903.<sup>93</sup>

The hard cash success of the Olds Motor Works was unmatched in the motor world at that time. In 1903, the year that Olds produced 4,000 cars, Alexander Winton turned out about 700 at Cleveland, Pierce-Arrow made 297 and E.R. Thomas 200 in Buffalo. Elwood Haynes and the Appersons were turning out about as many at Kokomo and the Locomobile Company made 77 gas cars at Hartford, Connecticut. Col. James Packard was making a few at Warren, Ohio, as were also Frank B. Stearns in Cleveland, the Clark Brothers at Ardmore, Pennsylvania, and the Nordyke & Marmon Company at Indianapolis. The Premier Motor Corporation started production that year at Indianapolis about the same time that H.H. Franklin was beginning his automobile career with John Wilkinson's air-cooled car at Syracuse. Along with the Rambler, the Knox, and a few others, these companies produced practically all the gasoline cars made that year.<sup>94</sup>

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<sup>93</sup>F.L. Smith, Motoring Down A Quarter of A Century, p. 18.

<sup>94</sup>Barnes, World's Work, XLI (April, 1921), 564-565.

Inspired by the success of the Oldsmobile, many other companies were soon formed in the next few years. Cadillac and a half dozen others quickly came into being, followed somewhat later by Maxwell, Briscoe, Buick, Hudson, Studebaker, Willys, Dodge, and others. Ford had organized the Henry Ford Automobile Company in 1901 but a year later sold out. After that he was a frequent visitor at the Olds plant and the prosperous activity which he saw undoubtedly stimulated his efforts and probably made it easier for him to get the backing of Alexander T. Malcomson who assisted him in organizing the Ford Motor Company. But in 1903 most of these were just names, not automobiles, and the Olds Motor Works alone had achieved the success which made it the leader in the automotive industry.



### CHAPTER III

#### FROM OLDS TO REO

Since 1899 when the Olds Motor Works had been formed, Olds' management and position within the company had been dependent upon the support of Samuel Smith and his sons Frederick and Angus who had financial control. Olds had not been bothered by this situation, however, until early in 1903 when he came into conflict with Fred Smith who was backed by his father and his associates. Whether Olds contemplated disposing of his stock for this reason is not clear; but that he considered it is apparent from a letter he received on January 6 from Ray M. Owen in which the prospects for selling Olds' stock were discussed.<sup>1</sup> Although it cannot be proved, it would appear that Olds' differences with F.L. Smith precipitated his decision to sell.

The first sign of open dissatisfaction on the part of Olds who was managing the Lansing plant while the Smiths had charge in Detroit, appeared in a letter he sent to Fred Smith on May 1, 1903, in which he complained that Smith was making decisions without his knowledge:

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<sup>1</sup>R.M. Owen to Olds, Jan. 6, 1903, Olds Collection, R.E. Olds Co., Lansing, Michigan.

I learned this morning by a round about way that you were putting in an experimental room at Detroit. Now if this is your policy to do business underhanded and unbeknown to me, as you have several other things, I do not care to be associated with you. I am Vice President and Manager of this company and such things should not be taken up without my consent or the consent of the board. I have had all I want of this treatment.

I have been sick with the LaGrippe for the past three days or would have been down this week. I now see why you have been so anxious the last two weeks to have our meetings at Lansing so you could smuggle this thing through before I knew it. I do not care to have my interest handled in this way.<sup>2</sup>

The main issue between Olds and Fred Smith seemed to revolve around the advisability of adding a larger car to the Oldsmobile line. Smith favored this policy and had gone ahead with the designs and experiments preparatory to the introduction of a new ten horsepower touring car which the company planned to place on the market sometime in 1903. Notice of this departure appeared in the February 8 issue of the Detroit News. In the same paper, Olds' views were revealed in an article entitled "Mistaken Luxury" in which he criticized the trend toward larger and more expensive cars:

There is a strong effort being made by the French, German and some of the American manufacturers to make the automobile the child of luxury, instead of the child of necessity. Individual models are being made for the wealthy men. All the luxury of wealth is evidenced in the equipment of some of the machines designed for relieving the pockets of American millionaires of some of their surplus dividends. Fancy prices are asked for fancy cars, which are as impractical as they are

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<sup>2</sup>Olds to F.L. Smith, May 1, 1903, ibid.

costly. And the very fact that the press and public are burdened with stories of these 'foolish cars' leads a great many people to look upon the automobile in the light of an expensive fad and a rich man's plaything.

The future automobile will be the buggy without the horse--a light, simple and serviceable vehicle, powerful enough to go through the heavy mud and dragging sand of the American roads, yet safe enough for anyone; reliable and free from complications and so easy to control that the driver will have nothing to watch but the road.<sup>3</sup>

Olds' comment that the automobile of the future would be a "buggy without a horse" was typical of his attitude but not indicative of what was happening in the automotive industry. By 1903 the trend of motorcar construction was moving from the motorized buggy toward the touring car, a transition which was essential to the future of the automobile. The curved dash, although it was reliable and inexpensive, was essentially a buggy-type car and had a limited utility with only one seat and no baggage provisions. The public was demanding larger cars that could carry more passengers and goods and even the dealers were asking for a touring car, or perhaps a more accurate description would be "family car." This point was stressed in a letter Olds received late in 1903 from his friend Reuben Shettler who had formerly lived in Lansing and was now the Oldsmobile agent in Los Angeles. A rumor had circulated that the company was planning a larger car but that at the last minute the decision had been reversed. In response

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<sup>3</sup>Detroit News, Feb. 8, 1903.



to this, Shettler wrote Olds that, "if it is true that you have cut out the big machine we are up against it good and hard...." On the same occasion he re-emphasized the point by stating that, "while we are late in the day, we will have to do something for a big machine...."<sup>4</sup>

Shettler's remarks were characteristic of the attitude that was developing throughout the automotive industry and in making the move he did, Smith was trying to keep pace with the changes which had become apparent. The curved dash had reached the point where it was beginning to outlive its usefulness and it became necessary for the Olds Motor Works to produce a touring car or face the prospect of gradually losing out to their competition. If they had continued to stake their whole future on the runabout alone, they eventually would have found themselves with a car that would have been difficult to sell because it lacked the distinguishing style of an automobile and fulfilled a limited purpose.

The Smiths have since been criticized for lack of judgment in their insistence on abandoning the curved dash in "favor of a larger, more pretentious model that would be in keeping with the size of the rapidly growing company."<sup>5</sup> Yet from the records of the Olds Motor Works this does not seem

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<sup>4</sup>R. Shettler to Olds, Dec. 14, 1903, Olds Collection.

<sup>5</sup>Yarnell, Auto Pioneering, p. 124.

to have been true. In 1904, the year Olds resigned, the company produced three models, none of which sold for more than \$650. The following year two models were offered. A straight dash, one cylinder runabout was priced at \$750 and a two cylinder touring car at \$1,250. Not until 1906 was a "fancy" four cylinder model priced at \$2,250 produced.<sup>6</sup>

In defense of the Smiths, it should be noted that Olds himself in the fall of 1903 had been thinking of designing a light touring car which would have weighed 1,140 pounds<sup>7</sup> and after he left the Olds Motor Works, Olds did not attempt to continue the horseless buggy type of automobile either in the REO runabout or the touring car on which he set a price of \$1,250. The instinct of the Smiths was sound which Olds later recognized and production at the Olds Motor Works continued to increase through 1905 when it reached a total of 6,500 cars. The trouble with the Smiths was that they eventually moved too far from the cheap simplicity of the early days until by 1908 when the company was incorporated into General Motors, they sold only 1,055 cars, most of which were four cylinder \$2,750 models.<sup>8</sup>

At the board of directors meeting in January of 1904,

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<sup>6</sup>Records, Oldsmobile Co., Division of General Motors, Lansing, Michigan.

<sup>7</sup>Olds to R. Shettler, May 23, 1904, Olds papers, Michigan State University Museum, East Lansing, Michigan.

<sup>8</sup>Records, Oldsmobile Co.

the differences between Olds and the Smiths finally came to a climax. When it was time to name the officers for the ensuing year, Olds did not receive the necessary votes to continue as Vice President and General Manager, although he was retained as one of the directors, and Fred Smith was elected to fill his place. This was the price Olds had to pay for accepting the financial support of Samuel Smith in 1899, a mistake that influenced his business relations throughout the remainder of his life.

When the news circulated that Olds was no longer managing the company, many people suspected that he had completely severed his connections with the firm. In an effort to give an explanation, the Olds Motor Works went to the trouble to deny the report, stating that Olds still retained his interests and that the change had been made so he could "devote a year or so in traveling for pleasure throughout the United States and Europe."<sup>9</sup> Olds, when asked about the recent shake-up, remarked that it was his desire to relinquish some of his duties in the active management of the concern so he would have more time to "follow his own inclinations."<sup>10</sup>

How he actually felt about his removal and the reasons for it, however, Olds revealed to Dr. Tappey, a friend and

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<sup>9</sup>Automobile Topics, LXXVII (Jan. 30, 1904), 1080.

<sup>10</sup>Lansing State Republican, Jan. 5, 1904.

former stockholder in the Olds Motor Works on September 6, 1904:

As you were a stockholder in the old company and seem to place confidence in me, I take this opportunity to say a few words in explanation of my position. At the annual meeting in January last the stockholders elected the old Board of Directors, as you know. Later when the officers were chosen I was voted down and F.L. [Smith] was elected to my place. It was a hard thing for me when I had been manager since 1885, besides working day and night to develop the business to a wonderful success. You are aware of its advancement last year and this year I had set my heart on doing a business of nearly four million. My honest opinion is that I would have been able to put the company to a capital of ten million within five years. This, however, was all blasted.

I then realized how well the plan had been worked. The desire of another to be its manager and get the credit was so great that he completely converted the other directors, his own family. I could then see how trifling things were made into mountains, etc.

You well know the success up to 1904. Never was there a year that there was a decreasing in business, but this year up to date, I am told, the sales are way below last year.<sup>11</sup> You well remember the secretary's report. It gave our capacity double for 1904, say nothing of double expenses, which ought to have meant double business. I am told this also is true of the engine business. I am sorry for S.L. [Smith] and Jas. H. [Seager] as they do not seem to understand, but may later. If they had stopped to consider they would have known that a man who had worked up a proposition from nothing to a magnitude of business at the beginning of this year, he ought to know how to operate it.<sup>12</sup>

Since this is the way Olds felt, it seems proper to

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<sup>11</sup>Statistics on net sales are not available but the company produced 5,508 cars in 1904 compared with 3,000 in 1903 which would indicate that this statement was probably incorrect.

<sup>12</sup>Olds to Dr. Tappey, Sept. 6, 1904, Olds papers.

question why he followed a course of submission rather than resistance. Was it because he had no other choice? Perhaps, but the evidence also suggests another reason. At the time of his dismissal, Olds entered into an agreement with Fred Smith in which it was agreed that he would retire as General Manager if Smith would assist him in disposing of a block of 10,000 shares of stock at a good price. Smith, however, failed to carry through his end of the bargain which promoted Olds to write him on January 29, 1904 from the Lindell Hotel in St. Louis where he was staying en route to the West Coast:

Just as I was about to leave I got a wire from Mr. Day stating he would not give me 22 for the block of stock, 10,000 shares, and referred me to you. This was in reply to a wire from me stating Detroit parties wanted an option at 22. I replied that I would not have time to see you and would consider the deal off. Now when I told you I would retire as General Manager if you would assist me in disposing of this block you agreed to do so. Now, Mr. Day seems to have got cold feet very quick. The first time I saw him he seemed very anxious to take it at \$30.00. Now I judge from a letter from him that he would like to get it at par. I informed him that most anyone would like to get gold dollars for 35 cts. but that he would not have the opportunity as far as I was concerned. There is one thing certain, he must have lost confidence in your ability to handle the business, or you have talked discouraging to him. It is just as I told you, I would have rather got someone who would have been agreeable to us both than to have disposed of the block through brokers and not know who was getting it. I let 2500 shares go at \$30, and do not believe I will have any trouble in selling the balance at that price if I cut it up into small pieces. My brokers at New York, Cleveland and Detroit are all very anxious to advertise it. They say it is the only way to sell it, that it will be necessary to advertise and cut into small blocks, inasmuch as any

large investor would have to look into the details and might receive discouragement from you. I have notified them not to advertise unless they receive a wire from me to that effect. I do not propose however to be blocked in the sale of this piece of stock in order to reduce my holdings down to somewhere near the same as yours when you have the handling of it. I have got to realize over 20 or I will be obliged to take some steps to bring the result about. The fact that our Company's net earnings last year was [sic] over \$910,000, and that the cash dividends paid were \$327,000, is good evidence that the stock is worth 30, to say nothing of our capacity for this year being double, which ought to bring our earnings up to one and one half millions this year. I have the 10,000 shares with me, so that I can deliver at once on receipt of wire from my brokers. I am giving a big commission and they are out for business.<sup>13</sup>

Before leaving on his vacation to California, Olds had appointed J.L. Carleton and F.M. Delano, two Detroit stock brokers, to act as his agents. After the deal with Fred Smith fell through, Olds notified them from Grand Canyon, Arizona, that if they could sell the block of 10,000 shares during the month of February at \$21.00 per share, he would be willing to pay them a \$10,000 commission.<sup>14</sup> But when the stock was still not sold by the time he returned, it was decided that Carleton and Delano should go East and try to sell it in some of the larger cities. Olds was instructed to write a letter describing the financial condition and productive capacity of the Olds Motor Works which it was hoped would satisfy the inquiries of

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<sup>13</sup>Same to F.L. Smith, Jan. 29, 1904, Olds Collection.

<sup>14</sup>Same to J.L. Carleton, Feb. 7, 1904, ibid.

prospective buyers since Olds was somewhat dubious about the information and advice Fred Smith would give to those who corresponded with him directly concerning the price and advisability of purchasing Olds Motor Works stock.<sup>15</sup> He had not forgotten that Smith had failed to fulfill the agreement to assist him in disposing of the block of 10,000 shares, largely, Olds suspected, because Smith had made disparaging statements about the market value of the stock.

Fearing that Smith had contributed to the recent decline in the price of the stock, Olds wrote him concerning the company's outlook for the coming year. The picture he was given was that it was "first-class,"<sup>16</sup> which seems to have been somewhat different from the information given to those who were interested in buying stock. Elmer E. Cole to whom Olds had traded some of his Olds Motor Works stock while in California in exchange for the controlling interest in a gold mine, complained in a letter to Olds dated April 19, 1904 that reports issued by the company were driving the price of the stock down:

I note what you say in regard to the sale of the Olds stock, but think you do not fully understand the circumstances. If you will remember, I told you when the deal was first started that \$25,000- in cash was necessary in order to make the deal. Mr. Shettler told me that the stock could easily

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<sup>15</sup>F.M. Delano to Olds, April 11, 1904, Olds papers.

<sup>16</sup>F.L. Smith to same, April 12, 1904, Olds Collection.

be sold to raise the money, and upon that understanding the deal was closed. I asked a bank here to get a price upon the stock from their correspondent there, and they said they could sell the stock at a much larger figure than it was sold for, also another man who was asked about it from here said he could sell at higher figures. I then heard that these two men had clashed in offering the stock, and thought it best to go there and discover the exact situation myself, which I did. I found that when I arrived there that there had been a sale made at \$12.50 per share, and that more was on the market, that the men to whom the bank wrote had offered the stock to many people, and that no one would make an offer for the stock. The stock had to be sold, and I made the best sale possible under the circumstances, but it was a loss to all concerned. I found that whenever anyone asked at the office of the company about the stock, that they were told that the last sale was made at \$12.50-per share, and that they did not expect to make as much money this year as last, and not as much next year as this, and that the stock had a book value of less than par. I concluded that in the face of all this, it would be impossible to realise any fair figure for the stock for some time, and as I told you when you were here, the stock had to be sold in order to make the deal. I regret to hear that the sale of the stock injured you in any way, but our loss was serious indeed, although as I told Mr. Shettler, a deal is a deal, and no one is crying.<sup>17</sup>

The same situation existed in the East by the time Carleton and Delano arrived in Philadelphia. The stock which only a short time before had sold for \$30 per share, was selling for less than half that amount. The reason seems to have been caused in considerable part by a telegram Smith sent to

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<sup>17</sup>E.E. Cole to same, April 19, 1904, Olds papers.



Percy Neel, the Oldsmobile agent in Philadelphia, who had given it good circulation. The substance of the Smith telegram stated: "In my opinion the stock of the Olds Motor Works is a good investment at par."<sup>18</sup> The par value of the stock was \$10 per share.

Carleton and Delano had gone to Philadelphia to approach some people of means who they thought might be interested in buying Olds' interests. When they mentioned the subject and the price Olds was asking, however, they continually were confronted with the effects of Smith's telegram. In an effort to find out why Smith had sent the telegram, they wrote to Olds:

What are the Smith crowd trying to do? Bear your stock and throw obstacles in the way of our finding a market to net you \$15.00 per share?— Thinking they will be able to get it at the price they are quoting to the Company's agents.<sup>19</sup>

In response, Olds instructed Carleton and Delano to steer all inquiries about the company to Henry Russell,<sup>20</sup> a prominent Detroit attorney who had become president in the recent managerial shake-up. It was also decided that prospects for selling the stock might be better where the effects of the telegram had not been felt so Carleton and Delano accordingly left for New York.

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<sup>18</sup>J.L. Carleton and F.M. Delano to same, May 10, 1904, ibid.

<sup>19</sup>Ibid.

<sup>20</sup>Olds to J.L. Carleton, May 12, 1904, ibid.

In New York the story was much the same. Persons approached had also heard through their Philadelphia friends of the Smith telegram and refused to buy. Meanwhile, Olds was getting more impatient. On May 17 he wrote to Carleton in New York and explained that he felt that if the stock was not sold by the middle of June, it would be too late to do business. Therefore, he stated, he was going to take the matter up with some Chicago parties. David J. Kennedy, a Chicago broker, had given Olds reason to believe he could place some of the stock in exchange for real estate or bonds and Olds had given him his consent to proceed on that basis.<sup>21</sup> Olds also notified E.C. Chapin, a Lansing real estate agent and father of Roy Chapin, that he was willing to trade 1,500 shares of Olds Motor Works stock for the Hollister Block where he had recently leased an office, in an effort to realize \$20.00 per share on his stock.<sup>22</sup> By this time, however, no one was willing to give that much for it. Even on an exchange basis, Olds was finding it increasingly difficult to dispose of the stock at what he considered a good price, let alone for cash.

The whole trouble, as Olds saw it, could be traced back to the Smiths. In writing to Carleton on May 23 he stated,

I think it would be wise for you to **give your**  
people to understand that if they inquire of the

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<sup>21</sup>Same to same, May 17, 1904, ibid.

<sup>22</sup>Same to E.C. Chapin, May 23, 1904, ibid.

Smiths that they need not expect a favorable reply. You know that they have in other cases brought down the price in order that they might buy; they might say in the face of it that they did not want any more yet we know that they would buy if they can get the price down low.<sup>23</sup>

Carleton replied two days later and stated that he would act on the suggestion. But he went even further:

They, in my judgment are bearing the stock for the purpose of buying your stock at a low price, or thinking that they may be able to do so, but we will fool them. We wrote a letter to Neill, [sic] the Philadelphia Agent of the Company, stating that if the Smiths thought the stock was only worth \$10.00 a share, that we would take their entire holdings at \$15.00 per share.<sup>24</sup>

This, however, did not satisfy Olds who was worried about another factor that had entered into the picture. On May 27 he answered Carleton's letter:

Perhaps you do not realize the importance of swinging this matter before the dividend season. It came to me second handed that it was reported at Detroit that the July dividends would be passed; I do not know whether this has been circulated from our office<sup>25</sup> or not; anyway it has its effect.<sup>26</sup>

Whether there was any truth to this rumor appears doubtful. The Olds Motor Works issued a report on their financial condition and volume for the first five months of 1904 in the

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<sup>23</sup>Same to J.L. Carleton, May 23, 1904, ibid.

<sup>24</sup>J.L. Carleton to Olds, May 25, 1904, ibid.

<sup>25</sup>The reference is to the Lansing office of the Olds Motor Works.

<sup>26</sup>Olds to J.L. Carleton, May 27, 1904, Olds papers.

early part of June which showed that the business and earnings had increased over the previous year. But Olds was not convinced. On June 11 he sent a letter to Carleton in which he stated his misgivings:

I have read over the statements handed me yesterday which refer to the Olds Motor Works business; also one sent out by a New Haven, Conn. party. I wish to criticize the capital of \$7,500 at the time of organizing the Olds Motor Works; this was however at the time of organizing the Olds Gasoline Engine Works which was later immerged [sic] into the Olds Motor Works; also the statement of turning out 40 machines per day at the Lansing plant and 10 at the Detroit plant. I understand they are not doing this. The statement that since the beginning of the present year the bank balance has almost doubled is also not correct as near as I can learn without examining the books. I would also take exception to the statement of net profits for the present year exceeding one million five hundred thousand; I do not believe this will be possible in as much as the Company was late in getting started on the years business. I write this simply because I believe it unwise to use any matter not backed by facts as near as possible; if I were to advise you in your business would advise you to act on what has been done rather than what will be done; the long record of this company certainly ought to be sufficient.<sup>27</sup>

Olds seems to have forgotten, however, that the "long record of the company" had very little to do with the price at which the stock was selling. The important consideration was what the market conditions were that had an effect on the price of the stock. In that connection, there were two reasons in particular which brought the price of Olds Motor Works stock down from a high of around \$30.00 per share in January to a

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<sup>27</sup> Same to same, June 11, 1904, ibid.

low of \$10.00 or below by the fall of 1904.

The first of these was that there was too much Olds Motor Works stock being offered for it command premium prices. The demand had slackened as soon as the market had been flooded with the result that the price soon dropped.<sup>28</sup> Perhaps, if Olds had not dumped all of his holdings on the market at once he could have disposed of it gradually in small lots at a higher return. This, however, he was unwilling to do, both because of his desire to sever all connections with the company and his need for cash to finance the development of several business ventures in which he had become involved.

The second reason for the declining price of the stock was due to the activities of Fred Smith. Just how much his telegram affected the market is impossible to gauge but the fact of the matter was that Smith wanted to reduce the price of the stock so he could buy it cheaply and did a great deal as General Manager of the company to achieve his objective. He wanted to increase his holdings and this he was able to do. During the nine months from January to September, he, along with others who were in control, purchased 10,000 shares of stock at an average price of \$12.50 per share.<sup>29</sup>

To some extent this was done at Olds' expense. Even

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<sup>28</sup>T.S. Sprague to Olds, August 22, 1904, ibid.

<sup>29</sup>J.L. Carleton and F.M. Delano to Dime Savings Bank, Sept. 9, 1904, ibid.

though he realized over a million dollars in value from his stock, much of it was in worthless securities and unstable businesses. The difference between what Olds hoped to get for his holdings in January and what he actually received was considerable. Added to this were the losses he sustained over the next few years from the failure of several companies in which he had invested large sums of money in order to dispose of his stock. As far as Olds was concerned, the person responsible for his difficulties was Fred Smith which only increased his resentment toward him and from which he found satisfaction only after he had started another automobile company in direct competition with the Olds Motor Works.

When Olds left the company in January of 1904, he did not do so because of a lack of faith in the future of the automotive industry. On the contrary, he was more convinced than ever that it was the fastest growing business in the country and that the growth had only begun. His optimism which was supported by a desire to keep the price of Olds Motor Works stock at \$30.00, he expressed less than two weeks after he resigned:

I believe that in five to ten years the horse will not be allowed on the streets in the larger cities. Did you ever stop to think what this means? In Michigan alone there is [sic] over two hundred thousand horse drawn vehicles made annually. There must in that event be Automobiles. I have made a careful study of the business for a great many years, and predict that the Automobile business will be one of the greatest industries that this country has ever seen. Every successful Company

will see its business multiplied many times in order to keep up with the demand.<sup>30</sup>

Throughout the spring and summer of 1904, Olds continued to echo these sentiments. On July 5 he corresponded with W.J. Morgan, a friend and newspaper editor in New York, and again revealed his assurance that for him the automobile business was the most lucrative field he could enter:

As to the future, I consider the automobile industry as just started. If I was anxious to pick up a few barrels of money I do not know of anything I would attack quicker than the automobile business; on the other hand I have all that I can ever use, so that I am not interested in getting into the harness. I have had a great many people approach me on this subject; in fact, have several propositions where I could enter entirely on my own terms. I say to them that I am not interested; I have an efficient trip laid out, and do not care to listen to any propositions.<sup>31</sup>

One of the proposals to which Olds referred came from Eastern interests who approached him either in the late spring or early summer of 1904 with an offer to start another automobile company. Two men from New York who assured him they represented considerable financial backing, presented him with a proposition to organize a firm capitalized at \$1,000,000. Olds version of the details he later recounted in a letter to Henry Russell:

I appreciated the offer and feeling of the eastern capitalists when they sent a committee out to inter-

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<sup>30</sup>Olds to F.M. Delano, Jan. 15, 1904, ibid.

<sup>31</sup>Same to W.J. Morgan, July 5, 1904, ibid.

view me and to make me an offer of the controlling interest in a full paid million dollar company if I would take its presidency and management, saying it was satisfactory to them to put their money against my experience and reputation as an automobile manufacturer. I had not thought of entering the business again and so thanked the gentlemen and said that I did not care to accept.<sup>32</sup>

The statement made by Olds that he had "not thought of entering the business again," according to the evidence, does not appear to be correct. Nor did Olds reveal the real reason why he declined such a generous offer. His underlying motive was that he already had another offer pending and was waiting for it to develop. On his recent trip to California, Olds had been in touch with Reuben Shettler. Besides interesting Olds in a gold mine, Shettler had also discussed the possibility of organizing an automobile company which Olds would direct. Olds must have been quite enthusiastic over this conversation because he began to give some thought to the fact that if a company were started, a new car would have to be built since all his patterns and designs had remained with the Olds Motor Works. This was a job for an automotive engineer and the man who came to Olds' mind was Horace T. Thomas.

A native of Vermont, Thomas had left home at the age of fifteen for Lowell, Massachusetts, where he apprenticed himself for four years in the shop of the Perkins Machine Tool Company. When he had finished his apprenticeship, he left

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<sup>32</sup>Same to H. Russell, Sent. 19, 1904, ibid.



Lowell and went to work as a draftsman for the Laird & Sweeney Company, makers of power hammers, at St. Johnsbury. In the course of a few months he was made superintendent of the machine shop but after two years the company was dissolved due to disagreement between the partners over financial matters. After leaving St. Johnsbury, Thomas got a job as a machinist in the little town of Sunfield, Vermont with the Gilman & Son Company, manufacturers of automatic wood lathes. While there he became acquainted with a man by the name of Richardson, a recent Princeton graduate, who had a great influence on him.

Shortly after he met Richardson, Thomas decided that he wanted to become an engineer so in 1897 he came to the Midwest and enrolled in the engineering school at what is now Michigan State University. In 1901 he graduated with his degree, the same year Olds was getting the curved dash into production and following commencement, Thomas went to Detroit where he was given a job on the Oldsmobile engineering staff.<sup>33</sup>

During the three years that Olds had known Thomas prior to his retirement from the Olds Motor Works, he had worked very closely with him and had developed a respect for his engineering ability. Therefore, when he arrived in San Diego on February 11 after talking with Shettler, Olds immediately wrote to Thomas who had since returned to the East where he was working on the 1904 Columbia touring car. In his letter

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<sup>33</sup>REO Spirit (June, 1917), pp. 2-3.

Olds outlined the proposal he had discussed with Shettler and asked Thomas if he would accept a temporary position as superintendent of a peat factory which Olds had recently started until the final details could be worked out. On April 4, Thomas replied to Olds:

Upon receiving your letter from San Diego I concluded that the best thing I could do was to accept a temporary position until you could make such arrangements as you thought best.<sup>34</sup>

Nothing was settled at this point but a month later Olds wrote to Thomas and offered him the position as superintendent of the peat plant:

It occurred to me this morning that it might be a good idea for you to come out here and take charge of the Bancroft Peat Plant. We will have the building up in about two weeks so that we ought to be ready to run in four or five weeks. If your present position is not a very satisfactory one, would be pleased to have you let me know whether you would be willing to come at once and what salary would be satisfactory for the next three or four months.

In his postscript Olds referred to the plans for an automobile company although he did not specifically mention it. "The other matter is progressing slowly," he explained. "It will take some little time yet."<sup>35</sup>

Three days later Thomas mailed his acceptance:

Your letter received and shall be pleased to accept the position you offer. I will arrange to

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<sup>34</sup>H.T. Thomas to Olds, April 4, 1904, Olds papers.

<sup>35</sup>Olds to H.T. Thomas, May 6, 1904, ibid.

finish my work here by the end of this week or middle of next.

As to salary I will leave that to you whatever you feel that the position can afford to pay will be satisfactory to me.

I am at present receiving \$100. per month. The position is not satisfactory to me from the fact that the concern offers nothing in future prospects except failure when the Selden patent people and stockholders get sick of putting up money.<sup>36</sup>

It seems obvious that there was only one reason why Olds asked Thomas to work for him and only one reason why he accepted. That was because Olds was planning to begin manufacturing automobiles again. Thomas was an automotive engineer and it is not likely that he would have left his position with the Electric Vehicle Company just to take charge of the peat plant on a temporary basis unless there was the prospect that Olds was going to design a new automobile and would need his assistance. In fact, it could even be surmised that Olds may have offered Thomas at this early date the position of chief engineer when the company was formed.

Of further significance in this matter is the timing of Olds. On the same occasion that he asked Thomas to direct the peat factory, Olds specifically stated that the position would last only for the "next three or four months" and on this condition Thomas accepted Olds' offer. In view of what eventually happened, this arrangement could not have been planned better

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<sup>36</sup>H.T. Thomas to Olds, May 9, 1904, ibid.

because less than four months after Thomas' arrival in Lansing in the latter part of May, Olds had formed his second motorcar company and appointed Thomas chief engineer.

This should not be misconstrued to imply, however, that plans for the new company were complete by the end of May. Without doubt the matter had been thoroughly discussed by that time but nothing had been definitely settled although Olds, from his actions, evidently considered it only a question of time. What caused the delays in the arrangements is not known except to state that it might possibly have been due to the failure to reach an agreement or the fact that Reuben Shettler who spearheaded the move, lived in Los Angeles and was not always available. As far as Olds was concerned, he played a rather inactive role throughout the negotiations and left it to Shettler to provide the momentum to put the deal across.

Until the latter part of June when Shettler arrived in Lansing, no definite action had been taken but shortly thereafter, he again discussed the matter with Olds who apparently was waiting to see what would materialize before he would openly commit himself. After talking with Olds, Shettler went ahead with his own plans and on July 4 wrote Olds that he wanted to present a proposition to him:

After talking with you the other evening, I have talked the matter over very carefully with Mr. Peer, and decided to make a proposition which I believe will interest you, which I desire to present to you personally.

I am going to Detroit this afternoon to return

tomorrow evening at 8 o'clock, and will call and see you at your house Tuesday evening, soon as possible after I arrive. As we leave for the north Wednesday night, our time will be pretty well taken, which is my reason for wishing to see you Tuesday night.

Sincerely hoping I may be able to see you at time mentioned above and present to you the proposition, which I believe is a good one and as the iron is now hot it is the time to strike.<sup>37</sup>

After hearing Shettler's proposal, Olds began to formulate plans for the new company although it was to take several weeks yet before the final arrangements would be made. On August 4 he wrote to Ray M. Owen in New York. Besides outlining the plans for the new company, Olds also approached him with an offer to subscribe for some of the original stock. Perhaps he was already thinking of asking Owen to become the sales manager and distributor for the new company:

I have on my desk a written offer from a responsible party offering to put in an Automobile Company for me with a capital [sic] of one million; five hundred thousand is to be common and five hundred thousand preferred. We have a site under option of 132 acres which will probably be used. Their proposition to me is to give me controlling interest in the Company by turning over to me two hundred and sixty thousand of the common stock; the preferred of course, will not have any control in the affairs of the Company. The amount of common stock is turned over to me for my good will and the factory site of 132 acres; the balance of the common stock will be sold at fifty cents which will put one hundred and twenty thousand in the treasury. The preferred stock we only expect to sell a small amount, say one hundred thousand; this will give us all the money that we think will be necessary. I have informed them that if I accept their pro-

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<sup>37</sup>R. Shettler to same, July 4, 1904, ibid.

position, that I should want to reserve some of the common stock for your people, providing you wanted it, as I would like very much to have you and your people with me. I was visited a short time ago by a syndicate from N.Y. who offered me a proposition [in] which there was about double the amount in it for me to start with; I did not care about this however; I care more for the people connected with this Company and I will take my chances on the future; had I never allowed the controlling interest of the Olds Motor Works's [sic] to get away from me, I know that the Company's matters would be going up the ladder instead of tumbling down the other side. If I decide to move in this matter, I shall move quick and be ready for next year's business.

I would like to know however, how you feel in reference to the stock matter, as this will be the only opportunity to get in, owing to the fact that all of the Common Stock is oversubscribed the moment I decide to accept the proposition. I thought I had retired from active business, but it seems to be my lot to again put my shoulder to the wheel; I believe the opportunity to-day is far greater and easier than it ever was when I started out with the Olds Mobile.<sup>38</sup>

On August 6, two days after writing Owen, Olds left Lansing for a week's vacation in Northern Michigan. In the meantime, however, the stock subscriptions had all been sold and completion of the arrangements depended on his acceptance. A message was sent to Olds at his summer home in Petoskey asking him to return and upon his arrival he was presented with a paper by Reuben Shettler which was dated August 9. "In keeping with other communications, and private conversations," Shettler stated, "I hand you herewith a proposition for your careful consideration, which I sincerely hope will

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<sup>38</sup>Olds to R.M. Owen, August 4, 1904, ibid.

meet with your approval, so that you may be able to see your way clear to accept of same."

The terms of the proposal followed. The company was to be capitalized at \$1,000,000, "for the purpose of manufacturing automobiles" and was "to be located in Lansing, Mich." One half of the capitalization was in preferred stock which was to be retired in ten years. Olds was expected to start the sale of the preferred stock which was to be offered at par, by subscribing for \$50,000 of the same "as soon as the Company would need the money" and after all the common stock had been sold.

An equal number, or 500,000 shares of common stock were also to be issued. Of that amount, 240,000 shares of the stock which had a par value of one dollar, were to be sold at fifty cents each making a total of \$120,000 cash available for erecting a plant and purchasing machinery. This money was also to be paid in as the company needed it. Olds was to receive the other 260,000 shares, or the controlling interest in the common stock which had all the voting power, in consideration for his "name and standing in the trade" and for his "personal attention and general management" of the company. In return, he was to furnish all the patents he held that would apply to the business and all inventions he might produce while associated with the company. In addition, he was to provide the land for a test track "free

of charge to the company or property that might be selected in place of it, of like value."<sup>39</sup>

Many authors of automotive history have since written that Olds' reputation had reached such heights that merely for the use of his initials, R.E.O., Olds received the controlling stock interest in the new company. In view of the evidence, these statements are inaccurate. Olds' reputation and managerial ability were important as was his knowledge of automobiles and the automotive industry but he was expected to contribute much more to the new company. Of great significance was the fact that Olds had to turn over all his patents and any he should receive while he was connected with the company. At the time the proposition was drawn up, the parties to the contract and Olds himself, thought there were several patents to which he held the title. This was of paramount importance in protecting the new company against a possible legal dispute over patent infringement by the Olds Motor Works or litigation involving violation of the Selden patent by the Association of Licensed Automobile Manufacturers. Equally important was the fact that Olds was asked to provide the land for a test track and to take \$50,000 of the preferred stock as soon as the company needed operating capital. This was a large amount of money, especially in comparison with the

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<sup>39</sup>R. Shettler to Olds, August 9, 1904, ibid.



\$120,000 the other ten original stockholders were to invest in the buildings and machinery and it essentially made Olds financially responsible for the company once production started. The generosity of the proposal made to Olds was intended to induce him to accept but like the others, he was expected to share in the finances and responsibility of this undertaking and on that basis alone was he given the opportunity to establish his second automobile company.

## CHAPTER IV

### THE REO MOTOR CAR COMPANY

On August 16, 1904, the articles of incorporation for the new concern were registered but by then some minor alterations had been made in the fiscal arrangements. The capitalization of the firm remained at \$1,000,000 but only 200,000 shares of preferred stock were to be issued which were subject to redemption at par beginning January 1, 1905. At the same time, provision was made to increase the amount of common stock from 500,000 to 800,000 shares in the event they would need more capital. This contingency did not arise, however, and the actual value of the assets held by the company remained at \$250,000. Of this amount, \$120,000 was in cash from the sale of the common stock and \$130,000 in property and patents contributed by Olds. A value of \$100,000 was placed on two patents he held for automobile motors and \$5,000 on the drawings for two styles of automobiles which he had designed. In addition, an evaluation of \$25,000 was figured on the land he had agreed to furnish for a test track.<sup>1</sup>

The day after the articles of incorporation were filed,

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<sup>1</sup>Articles of Incorporation, August 16, 1904, Records of REO Motor Car Co., Division of White Motor Co., Lansing, Mich. Hereafter cited as "REO Collection."

plans for the new company were also revealed to the public. It was announced that work on the new factory would begin within thirty days and it was hoped that it would be completed by November and not later than December 1. By the first of the year, it was expected the plant would be in operation employing from 900 to 1,000 men. It was also disclosed that at a meeting held on the afternoon of August 16, the stockholders had elected Olds, president and general manager, Reuben Shettler, vice president, and Edward F. Peer, secretary and treasurer. On that same occasion, the name "R.E. Olds Company" was chosen for the new concern.<sup>2</sup>

This name immediately brought a response from the Olds Motor Works. On August 18 they wrote Olds and informed him of their objections:

We notice in the papers that it is reported that you have organized an automobile company to be known as the R.E. Olds Company, for the purpose of making automobiles.

While we are not surprised that you should go into the manufacture of automobiles, we are surprised that you should take the name which so clearly and unmistakably will conflict with the name of the company which you assisted in organizing and in which you were a large stockholder.

Thinking it is probable you have not taken advice in this matter, and have unwittingly taken a name which would conflict with that of the Olds Motor Works, we take this opportunity of calling your attention to the fact that in our opinion and in that of our attorneys, the use of the name "Olds" by you in an automobile company, or in the automobile business, is clearly an infringement

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<sup>2</sup>Lansing State Republican, August 17, 1904.

of our rights. We are sending you this notice at an early date so that you may know our position in the matter and so that if your disposition is to avoid litigation and conflict between the two companies because of the similarity of names, you can without any loss to yourself in prestige and advertising make a change which will eliminate the name Olds and save the trouble and annoyance and expense of litigation that necessarily must follow in case you do not change.<sup>3</sup>

The following day Olds answered the letter which he suspected had been written by Fred Smith:

Our name does not in any way appear like the Olds Motor Works. As far as the name Olds is concerned, I think that if you were to refer to the name of Smith, Jones, or Brown, you would find that they would all have to stay out of business as far as their name was concerned. The name of our car certainly will not be a name that will in any way sound like Olds Mobile.<sup>4</sup>

This exchange, however, did not fully reveal the animosity which had developed between Olds and Smith by this time and the resentment they held for each other. Olds disclosed his attitude toward Smith and his efforts to place obstacles in the way of the new company in a personal letter of September 6:

My friend, F.L., I am told has now written to all my new stock holders with a view of discouraging them by talking litigation, etc. All our banks here have received letters, I suppose, in hopes to affect our credit, but he might as well talk to a stone.... The old company have written my stockholders that I

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<sup>3</sup>Olds Motor Works to Olds, August 18, 1904, Olds papers, Michigan State University Museum, East Lansing, Michigan.

<sup>4</sup>Olds to Olds Motor Works, August 19, 1904, ibid.

sold them my name, but if any one will take the trouble to look this up on the original articles they will find to the contrary. If we had not used the name 'R.E. OLDS CO.,' which would never be mistaken for 'Olds Motor Works,' we certainly would have published the facts concerning the president of the company and his experience, as he certainly made every turn in the success of his companies, and their falling off when he retired, not withstanding their fine condition at the time of leaving.<sup>5</sup>

This letter gave an indication of the argument Olds began to pursue in his dispute with the Olds Motor Works. He had not sold his name to them and he would hold them responsible for bringing damage to it or degrading his reputation. These points he emphasized in a letter to Henry Russell:

As to the name of our company, I want to say that I do not consider your company owns anything outside of its corporate name, or 'OLDSMOBILE.' We do not care to have anything that will conflict. While in New York the other day I was informed that I could enjoin the Olds Motor Works for using my name on an inferior machine,<sup>6</sup> that it had a tendency to injure my reputation as a manufacturer.<sup>7</sup>

Olds' reasoning, however, did not satisfy the Olds Motor Works, nor was Olds himself convinced that he had met their objections. In an effort to avert further difficulties over the matter and prevent the eventuality of a legal case, he decided to succumb to their demands. At a meeting of the

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<sup>5</sup>Same to Dr. Tapney, Sept. 6, 1904, ibid.

<sup>6</sup>The 1904 Oldsmobile was basically the same as the 1903 model and no evidence has been found to indicate that it was "inferior."

<sup>7</sup>Olds to H. Russell, Sept. 19, 1904, Olds papers.

stockholders of the R.E. Olds Company held on the afternoon of September 27, it was decided to change the corporate name to the "REO Car Company."<sup>8</sup> This was done, it was explained to avoid confusion with the Olds Motor Works.

Besides forcing Olds to remove his name from the title of the company, the Olds Motor Works also charged him for payment of property which they claimed was no longer rightfully his. On August 16, the same date the new company had been organized, Olds had resigned from the board of directors of the Olds Motor Works.<sup>9</sup> But since then, he and his family had continued to drive "company cars." The Olds Motor Works held Olds accountable for these automobiles and demanded that he pay for them.

According to a statement by Olds, he still had three Oldsmobiles in his possession, none of which were new, after he resigned from the board of directors. One was an experimental touring car he had "fixed over" and driven for three years. The other two were runabouts, one of which had been used in an endurance run and the second was an experimental car "which had been made over so many times trying different devices that it could not be sent out as a regular machine." Olds supposed

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<sup>8</sup>Amendment to Articles of Incorporation, Sept. 27, 1904, REO Collection. The name was changed again on April 7, 1906 to "REO Motor Car Co."

<sup>9</sup>Olds to H. Russell, August 16, 1904, Olds papers.

he had more than paid for these automobiles while he was associated with the company but stated that he was willing to settle the matter on a "reasonable basis."<sup>10</sup>

Fred Smith, however, remained cold to the concessions made by Olds and engaged Robson, George, and Fisher, counsellors at law in Detroit, to prosecute for full payment. They contested the statement by Olds that the cars were secondhand and claimed they were new when he had taken them. In fact they stated that each one had been built in a special way to meet the requirements of Olds or his family and placed a total value of \$2,040 on the three machines. But in a letter to Olds on November 8, they stated they wished to be "abundantly fair" and informed him that if he would pay \$2,000, it would be "accepted in full satisfaction and the incident closed."<sup>11</sup>

In the meantime Olds had hired Thomas, Cummings & Nichols, a legal firm in Lansing, to handle his interests in this matter. They entered into negotiations with Frank E. Robson who was representing the Olds Motor Works and after several weeks of quibbling, an agreement was reached. The final settlement which was signed by the Olds Motor Works, read in part: "Received in full of the matters in dispute referred to and set forth," from Ransom E. Olds, "the sum of Eighteen Hundred

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<sup>10</sup>Same to same, Sept. 19, 1904, ibid.

<sup>11</sup>F.E. Robson to Thomas, Cummings & Nichols, Nov. 8, 1904, ibid.

Dollars."<sup>12</sup> With that the legal disputations between Olds and the Olds Motor Works came to a close, perhaps because Smith was convinced there was little or nothing more he could do to prevent Olds from continuing with the development of the new company which had proceeded on a systematic basis since it had been organized.

Soon after the company was incorporated, a decision was made on the location for the factory. A twenty acre tract was selected, the largest part of which was known as the Haynes property. This site was situated in the southern section of Lansing and was adjacent to the Grand Trunk Railroad depot. Olds had purchased fifteen acres of the plot the previous April for \$5,000<sup>13</sup> with the intention of erecting a warehouse for the storage of peat.<sup>14</sup> His plans, however, had not materialized and when the automobile company was formed, he had offered this property as a fulfillment of his obligation to provide land for a test track and suggested it as a possible location for the factory. His suggestion had been approved and besides the property which Olds owned, other small pieces were purchased which also gave the company the right of way to the old Lake Shore

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<sup>12</sup>Same to same, Nov. 19, 1904, ibid.

<sup>13</sup>Olds to M. Haynes, April 16, 1904, ibid.

<sup>14</sup>Olds owned and operated the Bancroft Peat Fuel & Cement Co. until 1910 when the business was discontinued because it had proved a financial failure.



and Michigan Southern railway. This permitted access to two railroads and insured adequate transit facilities which was the deciding factor in the decision to turn down several other sites under consideration in favor of this locality.

On September 5 ground was broken and work commenced on the erection of the new buildings, the largest of which was 70 feet wide and 700 feet in length. Four structures were built initially, three for manufacturing and the fourth for offices. All the buildings were two stories high and built of brick construction. Most of the contracts were awarded to local concerns which were required to post heavy bonds to guarantee that the work would be completed within ninety days.<sup>15</sup>

In the meantime, space was rented in the building formerly occupied by the Lansing Pure Food Company where a temporary factory was laid out<sup>16</sup> and two capable men whom Olds had engaged for important positions were placed in charge. Richard H. Scott who had come to Lansing in 1898 as plant manager of the Olds Gasoline Engine Works was named factory superintendent and Horace T. Thomas whom Olds had hired more than three months before the company was organized was appointed chief engineer. On August 30 more than twenty draftsmen and machinists reported

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<sup>15</sup>Lansing State Republican, Sept. 6, 1904; Automobile Topics, VIII (Sept. 24, 1904), 1828-1829.

<sup>16</sup>Lansing State Republican, August 20, 1904.

to them and work was begun on patterns and tools for models of the new car which was to be known as the "REO."<sup>17</sup>

By October 15 the first of two experimental models was completed and given its initial tests. This automobile was a five passenger touring car which weighed 1,500 pounds and was priced at \$1,250. It was powered by a sixteen horsepower double opposed engine placed under the seat and started by a crank at the side. The radiator was concealed under the hood and the company claimed that water could freeze in it without doing any damage. Wooden artillery wheels were used for ruggedness and the car was equipped with a steering wheel rather than a lever.<sup>18</sup> Later another model was added, a two passenger runabout with an eight horsepower single cylinder engine which sold for \$650.<sup>19</sup> Like the touring car, the runabout also had the distinctive styling of an automobile in both its design and appearance.

The question arises at this point as to why Olds changed his views on the construction and type of automobile that it was advisable for the new company to build. Less than a year before he had insisted that the Olds Motor Works should continue to concentrate on production of the curved dash. Now

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<sup>17</sup>Ibid., August 30, 1904; Cycle and Automobile Trade Journal, IX (Oct. 1, 1904), 40.

<sup>18</sup>Automobile Topics, IX (Nov. 26, 1904), 254.

<sup>19</sup>Lansing State Republican, May 9, 1905.

he was supporting the same move he had previously opposed as the touring car was the model REO especially emphasized in their sales promotions. What had caused him to reverse his position?

There are several factors which should be mentioned. First of all, the transition taking place in the automotive industry certainly had an effect on Olds. Most manufacturers were following the new trend, some faster than others, but within a matter of time all came to recognize the superiority of the automobile over the motorized buggy. Furthermore, the touring car by 1904 was beginning to surpass the runabout in popularity. Olds was aware of these developments which partly accounts for the fact that both of the REO models were distinctively automobiles and that of the two, the touring car was advertised more heavily than the runabout. From this it would seem reasonable to conclude that even if Olds had remained with the Olds Motor Works, he eventually would have been forced into a similar position.

Another factor which contributed to the change in Olds' attitude was the advice he received from several individuals with considerable automotive experience in engineering and sales regarding the type of automobile the new company should build. Horace Thomas who worked with Olds for a few months on designs for two automobiles which were turned over to the company when it was organized and who was in charge of engi-

neering the new cars, must have had some ideas on the new trends in the structure and appearance of automobiles which had an influence on Olds. The same was true of Reuben Shettler who was the second largest stockholder in the company and who had agreed to become the California distributor for the REO cars. Based on his position and the manner in which he had written Olds the previous December concerning the necessity of marketing a larger machine, it seems unlikely that his attitude would have changed during the intervening months. Rather it appears more probable that the continuing trends in automotive design strengthened his views which he impressed on Olds.

From the available evidence, however, the person who most openly projected his opinions on Olds was Ray M. Owen. After Olds had written to him on August 4 informing him of the proposal for the new company and inviting him to come in, Owen had replied that he and Rainey were interested but wanted to know more about it and asked Olds to hold the matter open until he could come to New York.<sup>20</sup>

By the time Olds answered Owen, the company had already been organized and all the stock had been subscribed. But Olds was anxious to have Owen and Rainey join him and he informed them on August 19 that he could arrange to have some

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<sup>20</sup>R.M. Owen to Olds, August 8, 1904, Olds papers.

of the large holders give up part of their stock and still let them in if they desired. "I would like very much to have you interested," he wrote to Owen. "I feel ... that you would be a great assistance in the proposition and nothing would have suited me better than to have you with us."<sup>21</sup>

Owen was on vacation when Olds letter arrived causing his reply to be delayed for a few days. When he answered on August 30, he said they would be glad to get some stock in the concern but added that he had a new proposal he wanted to present to Olds:

How would you like to have us take the exclusive selling agency for your car, on some satisfactory basis for all concerned? I believe some sort of proposition could be worked out to our mutual advantage along this line. Of course, we are in a position to take the exclusive selling agency, for some standard make of car, and if this suggestion meets your approval, I would like to hear from you on the subject.<sup>22</sup>

Upon reflection, Owen realized that while this could be a wonderful opportunity for them, they had not seen the car Olds was going to build. Two days later he again wrote to Olds:

Since writing you, it has occurred to me that you have not given me any idea of the proposition you are going to put on the market.

I think we ought to get to-gether. What do you say if I take a run up and see you the first of the week?<sup>23</sup>

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<sup>21</sup>Olds to R.M. Owen, August 19, 1904, ibid.

<sup>22</sup>R.M. Owen to Olds, August 30, 1904, ibid.

<sup>23</sup>Same to same, Sept. 1, 1904, ibid.

Evidently when Owen came, he was sufficiently impressed with the models the company was building because a short time later he was appointed sales manager and agreed to take the exclusive selling agency for the REO cars with headquarters in New York City. Perhaps the reason Olds was willing to make this move was that it freed the company of advertising and selling responsibilities and placed the burden of contracting dealers on Owen. Duane Yarnell has written that this was not a problem at all. Former Oldsmobile dealers, he said, "were clamoring to get aboard the Reo bandwagon. Without so much as turning a hand, the Reo had the nucleus of a countrywide organization."<sup>24</sup>

The evidence, however, suggests that in some instances dealers were reluctant to make the change. Shortly after he had seen Olds and agreed to become sales manager, Owen went to Chicago to find a dealer for that area. He had asked Githens, the Oldsmobile distributor for Illinois, to take over the REO agency instead but was turned down. Several other dealers were also approached and their reasons for refusing were much the same. Owen did not have a model to display and was unable to convince them there would be a market for the new car. On September 22, he wrote to Olds of his difficulties:

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<sup>24</sup>Yarnell, Auto Pioneering, pp. 160-161.

They all want us to show them and seem to be afraid the line will not look right, that it will look too cheap or that it will require a season to test it out. All my arguments that it is not a new game with you does not seem to convince them that the line will be of suitable design and properly worked out.<sup>25</sup>

Not only was Olds' reputation as an automobile manufacturer inadequate to convince established dealers to take the REO in place of the car they were selling but frequently, Owen informed him, it was the reason for their hesitancy:

I find throughout the country the general impression is, that you are very much inclined to cut the material down on your cars. They cite an instance of the cast iron differential gears, the cast iron bearings in the transmission, and several well known weak points in the Oldsmobile, as being directly up to you. You will, therefore, have this prejudice to overcome, and I would not hesitate, if I were in your place, to put in the best material obtainable in these cars, even at a slight additional cost.<sup>26</sup>

In the same letter, Owen who was possibly in the best position to give advice on the new models in terms of what other companies were doing, also advised that they should lengthen the wheel base of the touring car. Through association with dealers of various makes he had observed the growing tendency of other manufacturers to do this and he suggested that REO should follow their lead:

It will be absolutely necessary to have a longer wheel base than you have on the present

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<sup>25</sup>R.M. Owen to Olds, Sept. 22, 1904, Olds Collection, R.E. Olds Co., Lansing, Michigan.

<sup>26</sup>Same to same, Sept. 27, 1904, Olds papers.

tonneau car, to make it a saleable car, and on my trip, I found that the great tendency of Automobile makers, was for a long base, and the side door makes one imperative. The Auto Car for instance, are increasing their wheel base to some one hundred inches, and the Northern have an exceptionally long wheel base. It will sell for \$1500.00. It is now selling for \$1400.00, and will be a strong competitor. The Franklin have lengthened out their car some eight inches, and I find that it is the tendency of all manufacturers to do this.<sup>27</sup>

Quality construction and a well-proportioned car would help sales when they got into production but it did not solve the immediate problem of organizing a nation-wide dealership system. Agents were not ready to commit themselves to a car that was still on the drawing board which Owen had recognized after his trip to Chicago. "We will have a lot of work to do at the show," he predicted. "I see the hand writing on the wall, and we will require demonstrators in abundance. Better apply for admittance in the National association and space at the show."<sup>28</sup>

The annual automobile shows were held in late winter in both New York and Chicago. Before the motorcar was in demand and a system of dealer distribution had been established, exhibitors had been primarily concerned with making direct sales to customers. A few years later, however, this had changed and the principal advantage automobile manufacturers realized

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<sup>27</sup>Ibid.

<sup>28</sup>Same to same, Sent. 22, 1904, Olds Collection.



was the opportunity to close contracts with dealers and distributors.<sup>29</sup> This was the reason why Owen had requested Olds to reserve space since he thought the shows would provide him with another chance to contract dealers for territory he had not been able to cover. The difficulty, however, was that REO was an "independent" and the privilege of attending the shows was directly related to membership in the Association of Licensed Automobile Manufacturers, protector of a patent on a gasoline road vehicle originally issued to George B. Selden.

Selden, a patent attorney of Rochester, New York and a graduate of the Sheffield Scientific School at Yale University, began to direct his attention towards the development of a "road engine" as early as 1877. By that time, two types of internal combustion engines were known. One was a four cycle gasoline engine invented by Nikolaus A. Otto of Cologne, Germany; the other a two cycle developed by George B. Brayton of Rhode Island. Of the two, American observers preferred the Brayton because it was "smooth and equable, resembling in all respects, externally, a well-proportioned steam-engine," while the action of the Otto engine was "very irregular" and caused a "kind of vague fear that the whole piston and rod or rack might be projected from the cylinder."<sup>30</sup> Selden likewise fav-

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<sup>29</sup>New York Times, Jan. 10, 1926, Sec. 9, p. 32.

<sup>30</sup>Scientific American Supplement, I (May 27, 1876), 339.

ored the Prayton engine over the noisy German product and chose it for his experiments.

After two years of testing, Selden filed a model and description of a proposed road vehicle on May 8, 1879 with the Patent Office. His application was rejected but Selden amended it and filed again. Once more it was turned down. For nearly sixteen years Selden constantly submitted, withdrew, and amended his application, frequently taking advantage of the two year limit allowed by the law before reapplying. Because of these delays, he did not receive a patent on his invention of 1879 until November 5, 1895.<sup>31</sup> In the meantime, he had never built a motorcar nor had he been able to get anyone sufficiently interested to obtain financial support for the exploitation of his invention.

Meanwhile, the automobile industry had developed independently and oblivious of Selden and his patent. Building largely upon the European achievements of Gottlieb Daimler, Carl Benz, and Edward Butler, several other American inventors had now entered the field. Charles and Frank Duryea had produced a gasoline automobile in 1892 and were soon followed by Alexander Winton, Olds, Henry Ford, and Elwood Haynes and the Apperson brothers. Before the end of the century there were many individuals who had either produced experimental models

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<sup>31</sup>Macfarlane, Collier's, LIV (Jan. 9, 1915), 44.

or had actually begun commercial manufacture of motor vehicles.<sup>32</sup>

By 1900, the period of experimental automobile building in America was practically over. The industry was now on a commercial footing and the battle over the Selden patent began. In 1899, Selden had assigned to the Electric Vehicle Company of Bridgeport, Connecticut, a concern in which George H. Day, William C. Whitney, Anthony F. Brady, Thomas Fortune Ryan, and P.A.B. Wiedener were chiefly interested, exclusive rights to his patent with the authority to grant sublicenses upon payment of a royalty. Whoever refused to pay this royalty was subject to prosecution in suits for infringement.

Soon after acquiring Selden's rights, the Electric Vehicle Company announced its intention of enforcing the Selden patent against several companies which were commercially producing automobiles. The first to feel the results of this action was the Winton Motor Carriage Company. In 1900 a suit was brought against this concern charging them with unlawful infringement of the Selden patent. The company, in its demurrer, "asserted that the patent was invalid, contending that Selden's plans, which covered 'a road locomotive, provided with suitable running gear including a propelling wheel and steering mechanism, and a liquid hydro-carbon gas engine of the compression type' were not patentable at all because they constituted merely a

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<sup>32</sup>Seltzer, A Financial History of the American Automobile Industry, p. 17.

combination of known and existing elements."<sup>33</sup>

District Judge Coxe, however, overruled this demurrer and the Winton Motor Carriage Company was tied up under a royalty license of five per cent on the retail price of each car they produced. After this initial victory, other companies were also approached about obtaining a license on a similar basis. When this happened, ten manufacturers got together in Detroit and each contributed \$2,500 in cash to fight the Selden patent. They elected Fred Smith president of the group and Henry Joy of Packard, secretary and treasurer. The association also named an executive committee which consisted of Smith and four other members: Col. Charles Clifton (George N. Pierce Company, Buffalo), Samuel T. Davis, Jr. (Locomobile Company, Bridgeport, Connecticut), Elihu P. Cutler (Knox Company, Springfield, Massachusetts), and L.H. Kittredge (Peerless Company, Cleveland).<sup>34</sup> These five men were delegated to adjourn to New York where the Madison Square Garden Automobile Show was opening and arrange a meeting with the Selden interests.

George H. Day, acting for the Electric Vehicle Company made the arrangements for the five men to get together with William C. Whitney and his attorneys. According to Smith,

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<sup>33</sup>Epstein, The Automobile Industry, pp. 228-229.

<sup>34</sup>William Greenleaf, Monopoly On Wheels (Detroit, 1961), p. 95.

Cutler was the official spokesman of the automobile manufacturers in that meeting. He had jotted on an old blue envelope three points upon which they had agreed and when they were asked to state their position, Cutler repeatedly read from his envelope:

'First. - We will pay one and one-fourth per cent royalty, three-fourths of one per cent to the Electric Vehicle Co., one-half of one per cent into an association of our own.

'Second. - This association shall say who shall or shall not be sued under the patent.

'Third. - It shall say who shall be licensed, and who shall not be licensed under the patent.'<sup>35</sup>

Regardless of the authenticity of this account, these three points did provide the substance of the agreement that was eventually reached but later a more elaborate statement was drawn up by Frank E. Robson, legal representative of the Olds Motor Works. On March 5, 1903, the final papers were signed and the Association of Licensed Automobile Manufacturers was formed in which eighteen companies were given membership, including the Olds Motor Works.<sup>36</sup> The result of this movement which gradually increased in strength, was an envelopment of American motorcar manufacturers from which few escaped and those who remained outside did so at their own risk.

One of the most recalcitrant of those who refused to join

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<sup>35</sup>F.L. Smith, Motoring Down A Quarter of A Century, pp. 29-30.

<sup>36</sup>Selden Case Record, V, 2779.

the A.L.A.M., outside of Thomas Jeffery who never demurred from his decision to remain free of all affiliations, was Henry Ford. Bristling with members and money, the A.L.A.M. decided to exert pressure on Ford to force him into the Association or out of business. The Ford Motor Company had been organized only a few months before and had scarcely begun operations when an advertisement, placed by the A.L.A.M. and aimed at Ford, appeared in the Detroit News of July 26, 1903:

No other manufacturers or importers are authorized to make or sell automobiles, and any person making, selling, or using such machines made or sold by any unlicensed manufacturers or importers will be liable for prosecution for infringement.

Two days later the Ford company replied with an advertisement of its own:

#### NOTICE

To Dealers, Importers, Agents and  
Users of our Gasoline Automobiles

We will protect you against any prosecution for alleged infringement of patents.

We are pioneers of the Gasoline Automobile. Our Mr. Ford also built the famous "999" Automobile which was driven by Barney Oldfield in New York on July 25, 1903, a mile in 55  $\frac{4}{5}$  seconds, on a circular track which is the world record.

Mr. Ford driving his own machine beat Mr. Winton at Grosse Pointe track in 1901. We have always been winners.<sup>37</sup>

The advertisement campaign continued throughout the sum-

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<sup>37</sup>Detroit Free Press, July 28, 1903.

mer of 1903 and by autumn both sides had made their position clear. Ford would not submit to the A.L.A.M. and their tactics had only increased his obstinacy. Finally, on October 22, 1903, the Electric Vehicle Company and George B. Selden, acting as nominal complainants at the request of the A.L.A.M., lodged suit in the United States Circuit Court for the Southern District of New York against C.A. Duerr & Company, the Ford agent in New York City, and the Ford Motor Company for infringement of the Selden patent.<sup>38</sup>

Like Ford, Olds was opposed in principle to the Selden patent and the A.L.A.M. This was particularly true as he prepared to launch his second automobile company into business in the late summer of 1904. Would the A.L.A.M. interfere with the new company? Olds could not be sure but stated in a personal letter that he expected some trouble from Fred Smith who knew of his opposition:

... he will no doubt do something by way of the Selden patent, but the world will know its workings. It cost the old company last year nearly \$30,000.00 for no protection, only the honor of F.L. being its president. Nothing can prosper, in my estimation, that buys people off at the price of \$75,000 and is not founded on good and just principles.<sup>39</sup>

Less than two weeks after notice of the formation of the

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<sup>38</sup>Greenleaf, Monopoly On Wheels, p. 125.

<sup>39</sup>Olds to Dr. Tappey, Sept. 6, 1904, Olds papers.

R.E. Olds Company was released, Olds was notified by Betts, Betts, Sheffield & Betts, attorneys for the Electric Vehicle Company, that manufacture of gasoline automobiles constituted in their minds unlawful infringement of the Selden patent:

On behalf of our client, and at its request, we hereby notify you that any ... unlicensed manufacture, use and sale, when entered upon, will be an infringement of the said Selden Patent, and the rights of our client under the same.

We therefore warn you to promptly discontinue your preparations for the same. If this notice and warning is not heeded, and you proceed to manufacture and sell, you will render yourself liable to a suit for an injunction and accounting for your infringement of the said Selden Patent.<sup>40</sup>

A similar warning came from a friendly quarter. On his recent visit to New York, Olds had discussed membership in the A.L.A.M. with Owen and Rainey. The consensus had been that no bad effects would result if they did not enter the Association because, as they said, "all their claims were based on nothing at all." But since then, Rainey had been led to believe that the A.L.A.M. was much stronger than he had at first suspected. Acting on the reports which he had heard, Rainey had called on George H. Day, head of the Association. In their conversation, Day had made several remarks which sustained the ideas which had been suggested to him before and Rainey was fully convinced after this meeting that the A.L.A.M. was planning some kind of action, the nature of which he was unable to determine.

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<sup>40</sup> Betts, Betts, Sheffield & Betts to Olds, August 29, 1904, ibid.



But as insurance "against any trouble that they might want to make," he advised Olds to secure a license from the Association.<sup>41</sup>

Olds, however, was not prepared to take that step. The Ford suit was nearing the end of its first year of testimony and so far Ford had absorbed the brunt of the Selden attack without any sign of weakening. To independents, he had assumed the role of leader in this struggle and Olds reasoned that, led by Ford, it might be possible to form an independent association composed of all those manufacturers in opposition to the Selden patent and the A.L.A.M. This was a more palatable alternative to him and certainly worth a try.

Therefore, on September 9 Olds wrote to Ford and informed him of his position in the Selden patent case. Ford was both pleased and surprised. He wrote to Olds:

I was not aware of your personal position in regard to the Selden Patent Association. I only of course knew of the position that the Olds Motor Works took. I had supposed that you were intimately acquainted with the workings of this association, and on this account I am more than pleased to know of your position and certainly value your opinion very highly on this account. I am glad to say that our company has not the slightest inclination to be a member of such an association on any basis. The suit is still in progress and our attorneys are now in the East taking testimony in our behalf. I would be very glad, at any time, to talk over the matter personally with you, at which time we can go into matters very much more thoroughly than we can by letter.<sup>42</sup>

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<sup>41</sup>R.A. Rainey to same, Sept. 15, 1904, ibid.

<sup>42</sup>H. Ford to same, Sept. 19, 1904, ibid.

Meanwhile, Owen and Rainey had kept the lines of communication open with the A.L.A.M. because of their touchy position. They were not opposed to the formation of an independent association but did not want to find themselves in the middle of the cross-fire if one was organized. Besides agreeing to handle the entire output of REO, they had also made a similar contract with the H.H. Franklin Manufacturing Company, a member of the A.L.A.M. In view of this situation, Owen wrote to Olds, it seemed to him as it did to Franklin, that the safest move was to also bring REO into the Selden Association:

I stopped in Syracuse on my return from Indianapolis and laid a plan before Mr. Franklin, and was assured of his hearty co-operation. We have an appointment with Mr. Day this morning. Mr. Franklin advised me to take the matter up with him, and that he would use all [his] influence to get a favorable consideration of an application, provided you made one. I informed him, that while you were very much opposed to joining such an organization, I believed that Mr. Rainey and I could bring influence enough to bear upon you, to have you make an application, provided he was assured same would receive favorable consideration. This is the way the matter stands at present.<sup>43</sup>

Olds was not convinced. Nor had he given up the idea of an independent organization. On October 31 he again wrote to Ford:

Permit me to suggest that now would be an ideal time to form an association to protect the

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<sup>43</sup>R.M. Owen to same, Sept. 27, 1904, ibid.

automobile manufacturers from the demands and drain of the Selden Patent Association. I believe that an association to be known as the 'Independent Association of American Automobile Manufacturers,' or some similar appropriate name, with its object the uplifting of the automobile industry of America, rather than the drain on the manufacturers to support extravagant methods in hopes to build a wall around the Selden Patent, whereby each member is obliged to acknowledge its validity, is certainly the only hope they can have for the patent.<sup>44</sup>

A few days later Ford came to see Olds. He said he was willing to join an independent organization and the man they agreed upon to take charge of it was John P. Bartholomew, president of the Bartholomew Company of Peoria, Illinois, manufacturers of automobiles, peanut and coffee roasters, and corn poppers.<sup>45</sup> On November 3 Reuben Shettler informed Bartholomew of this decision and told him what they had in mind:

[Our] thought is to get every concern that is outside of the associated company, and not allow any other new concerns that may spring up to take any license with the Selden patent, or to strengthen any further. In this way, it will be but a short time until the outside will have the strength, and I am confident that we could choose no one that could lead us to the front better than you, and I am exceeding glad to get your views in the matter, and know that you are taking hold of the thing.<sup>46</sup>

The following Sunday at eight o'clock in the morning, Olds and Shettler met with Bartholomew at the Great Northern Hotel

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<sup>44</sup>Olds to Ford Motor Co., Oct. 31, 1904, ibid.

<sup>45</sup>Peoria City Directory, 1904, p. 79.

<sup>46</sup>R. Shettler to J.P. Bartholomew, Nov. 3, 1904, Olds papers.

in Chicago. The results of this meeting are not known but Olds seems to have changed his mind on account of it and notified Ford on November 14. Two days later, James Couzens, Ford's partner replied. "We note you have had an interview with Mr. Bartholomew," he wrote, "and have somewhat changed your plan."<sup>47</sup>

The change in Olds' plan was caused by his desire to withdraw as organizer of an independent association and to shift the responsibility to someone else, preferably Ford. This decision was made for two reasons. First of all, Olds did not feel he could take the time that was necessary to establish such an organization. He was extremely busy during the fall of 1904 supervising the construction of the new factory, giving out contracts for machinery, and building the new models. This was of greater importance to him and until it was completed, he did not care to become involved in other matters. Secondly, Olds did not want to place himself in the vulnerable position as leader of an opposition group to the A.L.A.M. because he suspected the Olds Motor Works was again planning action against him.

From an informant Olds had learned that the Olds Motor Works was considering a suit against him for the use of his name in connection with the formation of the REO Motor Car Company of New York, a firm organized by Owen and Rainey for

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<sup>47</sup>J. Couzens to Olds, Nov. 16, 1904, ibid.

the exclusive distribution and sale of REO cars. Olds' name was to be associated with the concern only for advertising purposes and he was to hold only one share of stock. When Olds, however, heard that the old company again threatened action against him, he immediately wrote a letter to Owen in which he intimated that he might withdraw from any association with the REO Motor Car Company of New York. Two days later Owen coldly replied to his suggestion:

Referring to your letter of the 7th, I am much disappointed at the weak hearted tone of your letter. I have always felt that you were a fighter and your letter has certainly given me cause for anxiety on this point.

In the first place, your informant was probably a good friend of the Olds concern, and is trying to make your life miserable. A tip of that kind to me would raise my spirits several degrees, as it would mean a large saving of our appropriation for advertising. I must admit that I give the Olds Motor Works credit for more sense than to consider a fight of the kind you mention.

I am enclosing you the corporation papers, and trust that you will see fit to sign them and cause us no further delay in the matter. Until this is done, we cannot proceed with our contracts, etc.<sup>48</sup>

Rainey also was at a loss to understand Olds' anxiety and wrote to him on the same day as Owen in an effort to minimize his ill-conceived fear:

I beg to advise you that you are in no way responsible for the actions of the Reo Motor Car Co. of New York. Inasmuch as you are to hold only one share of stock, you would be responsible to this extent only. In case of any contingencies arising,

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<sup>48</sup>R.M. Owen to same, Dec. 9, 1904, Olds Collection.

such as an injunction obtained by the Association preventing you from manufacturing cars, you have your factory building, machinery, real estate, etc. as assets to fall back on, while the only asset we would have would be an inglorious defeat, having spent a great deal of money and a great deal of time in lawyers' opinions, printers' ink, etc.<sup>49</sup>

Reassured by the statements of Owen and Rainey, Olds signed the corporation papers and soon afterwards the REO Motor Car Company of New York was organized. But this action did not dispell the differences between Olds and Owen over whether REO should join the A.L.A.M. or an independent association. Owen believed REO's position in the industry would be much safer if the company was a member of the A.L.A.M. and he expected they would be approached on the question of membership during the New York Automobile Show which was held in 1905 from January 14-21. He wanted to be able to reply with an affirmative answer and on January 16 wired Olds for his decision but at the same time inferred what he thought was the wise course for them to follow:

Movement started to organize outsiders situation demands immediate action undoubtedly will be approached to join insiders what do you advise must decide today long hard fight or submission answer fully.<sup>50</sup>

Owen's persuasion had little effect on Olds, however. As far as the A.L.A.M. was concerned, he felt it would be only a

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<sup>49</sup>R.A. Rainey to same, idem., Olds papers.

<sup>50</sup>R.M. Owen to same, telegram, 7:25 a.m., Jan. 16, 1905, ibid.

matter of time before the organization collapsed as a result of the invalidation of the Selden patent. His heart was with the "outsiders" and in his reply he instructed Owen to join an independent association of automobile manufacturers if one was formed:

Join outsiders by all means insiders must break sooner or later nothing for them to stand on and most of them dissatisfied.<sup>51</sup>

On February 24, 1905, just five weeks after Olds had instructed Owen to join the independents, a secret meeting was held at the Ford plant in Detroit and the American Motor Car Manufacturers' Association was formally organized. All unlicensed manufacturers were invited to join and the A.M.C.M.A. began its life with a charter membership of twenty firms, among them Ford, the Maxwell-Briscoe Company, the Duryea Power Company, the Mitchell Motor Car Company, the Nordyke & Marmon Company, and the Dayton, Premier, National, Moline, and Jackson companies.<sup>52</sup> REO which had been expected to join was not listed as a member of the new organization.

During the interlude between the Automobile Show and the formation of the A.M.C.M.A., Olds had suddenly decided not to become a party to an independent association. The reason for this turnabout seems to have been the result of his differences

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<sup>51</sup>Olds to R.M. Owen, telegram, 2:05 p.m., idem., ibid.

<sup>52</sup>Greenleaf, Monopoly On Wheels, p. 171.

with Owen. Rather than allow this issue to separate them in their business relationships, they agreed to compromise and not commit themselves to either the A.L.A.M. or the A.M.C.M.A. Any new struggle in the industry was likely to be an extension of the Selden patent case in which the members of the A.M.C.M.A. would make themselves liable by association with Ford. By remaining outside of the camps of the contestants, Olds hoped to avert inclusion in legal suits which could have hindered the progress of the fledgling company.

This was uppermost in Olds' mind and had been since he decided to assume the management of REO. Until this time the company had been spared from involvement in juristic disputes and, if possible, he wanted to avoid any in the future. Outside of minor difficulties with the Olds Motor Works, nothing had interrupted or altered his plans and the development of the entire undertaking had been remarkably rapid.

Olds' comment on the progress of their operations was that he had "never known a proposition to move along more smoothly than this." By the middle of March the largest factory building was completed and another which was used for assembling and shipping was almost ready for occupancy. About 350 men were employed and the number was increased every day by eight to ten workers. Also, the initial success of the agents in selling the cars indicated that it had met with public approval and Olds revealed that prior to the first of February, the factory



had received orders for 770 automobiles. "Many of the agents," he said, "could be satisfied with what they have done already for a whole season's business."<sup>53</sup>

This first flurry of orders kept the plant busy during the spring months but by summer Olds was looking for ways to stimulate REO sales. This was the season for endurance contests and it seemed there was no better way to prove REO's quality and durability than to place it in competition with the cars of other manufacturers. Of the several reliability contests held each year, the most important was the Glidden Tour sponsored by Charles J. Glidden who had made a fortune in the paint and varnish business. In 1903 he offered a cup for the winner of an annual tour of not less than 1,000 miles. The first contest was to be held in the summer of 1905. All members of the American Automobile Association or any club recognized by them were eligible to enter. The purpose of the donor was to promote private touring in general and not primarily to establish a competitive publicity contest for manufacturers so he stipulated that each car entered had to be driven by its owner. But while some lay owners did enter, most of the contestants were manufacturing executives, several of whom drove their own cars.<sup>54</sup>

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<sup>53</sup>Lansing State Republican, March 14, 1905.

<sup>54</sup>Epstein, The Automobile Industry, pp. 154-155.

Thirty-three cars started the first tour which ran from New York through the White Mountains to Bretton Woods, New Hampshire and return. Among the participants were John D. Maxwell (Maxwell), Walter C. White (White), Charles E. Walter (Pope-Hartford), and Percy Pierce (Pierce-Arrow). Two REO cars were also entered, one driven by Olds and the other by R.M. Owen. Scoring was based on the performance and seriousness of the troubles which each car encountered and the best score was made and the trophy won by Percy Pierce. Certificates of performance were also awarded to the twenty-eight contestants, including Olds, who finished the tour.<sup>55</sup>

Although REO was not the winner of the tour, the car had performed well in competition with other makes, particularly in the economy tests which were not very accurate but had some publicity value. The Lansing Journal reported in an article entitled "New Laurels for REO" that in the run from New York to Hartford, Connecticut, Ray M. Owen's car took first place in the economy test, using only 63 cents worth of gasoline per passenger while the lowest amount used by other makes was 70 cents or more. Olds further reduced that figure to 43 cents per person by carrying five passengers in his car on the 122 mile trip from Hartford to Boston.<sup>56</sup>

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<sup>55</sup>Horseless Age, XVI (August 9, 1905), 206.

<sup>56</sup>Lansing Journal, July 17, 1905.

REO's showing in the Glidden Tour, however, was not enough to boost the company's sales to 3,000 cars, the figure Olds had anticipated for the first season.<sup>57</sup> From March when the first shipment was made to the last of August which was the end of their fiscal year, REO sold 864 cars. This was considerably less than one-third the number Olds had predicted. But even though volume was comparatively small, the company managed to show a sizable profit for the abbreviated period. Net sales for the first six months totaled \$955,905 while net profit amounted to \$323,457. From the earnings a ten cent cash dividend was declared on the 500,000 shares of common stock outstanding which had a par value of one dollar.<sup>58</sup>

The financial success of the company in 1906, the first full year of operations, was even more remarkable. Deliveries rose to 2,458 cars and gross sales climbed to \$3,097,579. Net income totaled \$459,824, out of which a thirty-five cent cash dividend was paid. In addition, a 50 per cent stock dividend was declared.<sup>59</sup> Surplus funds amounting to \$272,324<sup>60</sup> were

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<sup>57</sup>Lansing State Republican, Nov. 3, 1904.

<sup>58</sup>Records, 1905, REO Motor Car Co., REO Collection. These figures have been taken from data compiled by the REO Motor Car Co. listing total net sales, net profits, and production volume for the years 1905-1936. Since the annual reports of the company from 1905-1907 are not available, it is impossible to guarantee their accuracy. See also Seltzer, A Financial History of the American Automobile Industry, pp. 260-261.

<sup>59</sup>Idem., 1906, ibid.

<sup>60</sup>Seltzer, A Financial History of the American Automobile Industry, p. 261.

applied to the retirement of the preferred stock of \$100,000 and two large buildings were added to the plant out of the earnings of the company.<sup>61</sup>

By the summer of 1906, it was apparent that REO had weathered the initial difficulties encountered by new concerns and had assumed a position as secure as most companies in the highly unstable automotive industry. Within a matter of two years an idea had been converted into a prosperous reality and for the second time in his career, Olds had become one of the leading automobile manufacturers in the country.

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<sup>61</sup>Lansing State Republican, Sept. 5, 1906.

## CHAPTER V

### NEW CHALLENGES AND INTERESTS

At the annual stockholders' meeting in September, 1906, Olds stated that he anticipated fully as prosperous a business for the coming year as the company had enjoyed in 1906. REO's past business had been good, he explained, and the outlook for the future appeared favorable. The capacity of the factory had been increased and a larger output was forecast for 1907.<sup>1</sup>

Like most automobile companies at this time, REO was essentially an assembly plant. All of the bodies were purchased locally from the Auto Body Company but most of the parts and forgings for the engine and running gear were supplied by companies outside of Lansing. Olds, however, preferred to have his supply firms close at hand and in the summer of 1906 he began to establish some local auxiliary companies to supply parts for REO and relieve the company of its dependence on suppliers outside of the city.

The National Coil Company was the first of these to be organized. On July 17, 1906, the company was incorporated

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<sup>1</sup>Lansing State Republican, Sept. 5, 1906.

for the purpose of manufacturing jump spark coils for automobile and stationary gas engines. Originally, 20,000 shares of stock were issued of which approximately one-third was subscribed. Olds purchased the controlling interest and the rest of the original stock was held by E.F. Cooley, E.W. Sparrow, C.B. Wilson, R.H. Scott, and H.T. Thomas,<sup>2</sup> all Lansing men who were in some way connected with REO.

Olds also was instrumental in forming two other larger firms in the fall of the year. On October 2, the Michigan Screw Company was incorporated with a capital of \$100,000. Olds became the president and Hugo Lundberg who had been superintendent of the Detroit Screw Company was named the general manager. The principle business of the company was the manufacture of set and cap screws, nuts, and special machine work for automobiles, in particular REO, although it was expected that other manufacturers would also furnish a market for the firm's products.<sup>3</sup> Six weeks after the Michigan Screw Company was incorporated, the Atlas Drop Forge Company was organized on November 20 with a capital of \$100,000. As in the other two instances, Olds was named president and the company's primary business was supplying parts and forgings for REO.<sup>4</sup>

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<sup>2</sup>Articles of Incorporation, July 17, 1906, National Coil Co., Olds papers, Michigan State University Museum, East Lansing, Michigan.

<sup>3</sup>Lansing State Republican, Oct. 2, 1906.

<sup>4</sup>Ibid., Nov. 21, 1906.

By the spring of 1907, these companies were in operation and REO experienced another prosperous year in spite of the depression conditions that existed. While many manufacturers were bankrupted and forced out of business, REO continued the pattern of growth that had characterized the company's operations from the outset. In that year production reached 3,967 cars and gross sales totaled more than \$4,000,000. Net profits climbed to \$811,382 and the company declared an eighty cent cash dividend and a 33-1/3 per cent stock increase.<sup>5</sup>

In the meantime, however, the A.L.A.M. had taken action against REO and several other unlicensed automobile companies for alleged infringement of the Selden patent. No other cases had been brought before the court since 1903 when action had been taken against Ford and it was commonly thought the A.L.A.M. would wait until a decision was rendered in the Ford suits. But on January 16, 1907, in a move that caught the industry by surprise, the A.L.A.M. lodged actions against several independent manufacturers and dealers and in May, 1907, a series of additional cases were filed in the Circuit Court for the Southern District of New York because it was felt that if an affirmative decision was reached in the Ford case, it would be binding upon the defendants in the other suits as well. In a very short time actions were lodged against more than

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<sup>5</sup>Records, 1907, REO Collection, Division of White Motor Co., Lansing, Michigan.

fifteen unlicensed manufacturers, including Premier, Rambler, National, Wayne, Dragon, Mitchell, Stoddard-Dayton, Welch, De Luxe, Nordyke & Marmon, Aerocar, Maxwell-Briscoe, and REO. In all there were some seventy cases, each joining a manufacturer and his agent, pending before the court by July, 1907.<sup>6</sup>

This action brought several of the unlicensed manufacturers to Detroit where a meeting was held in conference with Ford, Couzens, and Ralzemond A. Parker, Ford's attorney. Among those who attended were Olds, John D. Maxwell, Benjamin Briscoe, and Thomas B. Jeffery. Parker delivered an analysis of the Selden patent which reassured the independents and induced them to cast their lot with Ford.<sup>7</sup> By January, 1908, fifty firms had become members of the rival A.M.C.M.A., giving it a larger enrollment than the A.L.A.M. Some of the new companies that had recently joined were Dragon, Aerocar, Wayne, De Luxe, Moon, Crawford, Mack Brothers, Welch, Frontenac, Marion, Regal, Dorris, Reliance, Simplex, American Mors, and REO.<sup>8</sup>

This was the general situation in the automotive industry in 1908 when Olds was approached with a proposal to merge REO with Ford, Buick, and Maxwell-Briscoe, an idea which had orig-

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<sup>6</sup>Greenleaf, Monopoly On Wheels, pp. 183-184.

<sup>7</sup>Motor World, XVI (May 16, 1907), 287.

<sup>8</sup>Detroit Journal, Jan. 25, 1908.



inated with William C. Durant. Born in Boston, Durant had been reared by his grandfather, Michigan's ex-Governor Henry H. Crapo. As a young man he had gone into the carriage business in Flint and was already a millionaire when he took over the Buick company which he made an early success chiefly through his outstanding promotional abilities. From his observations of the automotive industry, Durant reached the conclusion that what was needed was consolidation and stabilization. Up to this time, automobile manufacture had been highly individualistic and there were numerous companies in the business. Based on his faith in the strength of the industry, Durant wanted to take the best of these and form them into a single sizable corporation.<sup>9</sup>

On Durant's invitation, Benjamin Briscoe came to Flint to discuss combination because the Maxwell-Briscoe Motor Company was hard-pressed financially. To Durant's Buick and his own company, Briscoe proposed to add Ford and REO. Durant agreed and it was decided that Briscoe who knew Ford, Couzens, and Olds through his experience as a parts manufacturer, should see them and arrange for a meeting in Detroit if he found them agreeable. The next day Briscoe saw Olds and found him in a receptive mood. The following day he met with Ford and Couzens and they also expressed a willingness to discuss the matter.

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<sup>9</sup>Pound, The Turning Wheel, p. 293.

A meeting was arranged to be held in Detroit which finally ended in Durant's room at the Ponchartrain Hotel. At this first session, Briscoe claimed, they "agreed that the net assets of the companies as shown by appraisal, would be paid for by preferred stock of the new combination. The division of the common stock was, however, too delicate a matter to do much with at this first meeting, so it was touched upon rather gingerly." Having progressed that far, it was decided to hold a second meeting in New York the following week.

In New York, the choice of an attorney to handle the legal aspects became of paramount importance. Ward, Hayden & Satterlee, the last named a son-in-law of J.P. Morgan, Sr., were the attorneys for the Maxwell-Briscoe Company. When Briscoe and Maxwell had organized the firm, they had obtained a subscription from the Morgan office and consequently felt obliged to have Satterlee act as their legal representative. Ford and Couzens, on the other hand, preferred their own New York attorney, Job Hedges who had also been legal counsel for the A.M.C.M.A. After some discussion on this point, it was finally agreed to hold the meetings in Satterlee's office which Briscoe later contended was the cause for the hesitancy displayed by Ford and Couzens throughout the remainder of the negotiations.

After numerous conferences, audits and appraisals were completed and a tentative agreement providing for the distribution of both classes of stock in the projected combination

was arranged. At the final meeting the parties in the negotiations were to bring their balance sheets with them. But before presenting his statement, Couzens unexpectedly announced that Ford and himself had decided they would enter the combination only on condition that in place of receiving all preferred stock for their appraised value, they would be paid \$3,000,000 in cash. Whatever above this sum the appraisal showed them to be worth, they would be willing to take in preferred stock. When this happened, Olds likewise insisted that if the Ford company was to get \$3,000,000 in cash, REO had to get that much also.

This development was a complete surprise to Durant and Briscoe. They suggested that once the combination was effected anyone could sell their interests for cash if they desired but talk was futile. Briscoe and Durant felt they probably could have secured the \$3,000,000 for Ford but an additional \$3,000,000 for REO was more than they could raise. Since neither Couzens nor Olds could be persuaded to change his position, the whole project collapsed.<sup>10</sup>

Both Briscoe and Durant were still interested in a combination, however. They continued their own negotiations and evolved a paper project, the International Motors Company, named by George W. Perkins of J.P. Morgan and Company who was

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<sup>10</sup>Briscoe, Detroit Saturday Night, XV (Jan. 22, 1921), 2,4,7.

to underwrite \$500,000 of the \$1,500,000 needed. When final arrangements in this deal also fell through, Durant decided to form a combination of his own. Since Perkins had suggested the name "International," he claimed the right of use. Durant simply crossed it out and wrote "General" in its place. In October, 1908, he succeeded in incorporating General Motors with a capitalization that was quickly raised to \$12,500,000. His first acquisition was the Olds Motor Works<sup>11</sup> and within two years he brought more than twenty automobile and parts companies into the corporation.<sup>12</sup>

Differing reasons have been given why Durant, Briscoe, Ford, Couzens, and Olds were willing to discuss and consider a merger of their companies. Briscoe proposed "that at the bottom of every combination, either accomplished or attempted, there is the belief that through the proposed combination there will be an opportunity for re-capitalization, for securing more money to place the project in a better financial position."<sup>13</sup> Others have suggested that the merger idea appealed to the interested parties because of their apprehension over the outcome of the Selden patent issue and the effect an adverse

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<sup>11</sup>The net worth of the company was evaluated at \$2,961,769. In consideration, the stockholders received \$17,279 in cash, \$1,827,694 in preferred, and \$1,195,880 in common stock of General Motors: Seltzer, A Financial History of the American Automobile Industry, p. 154.

<sup>12</sup>Nevins, Ford: Times, Man, Company, pp. 412-413.

<sup>13</sup>Briscoe, Detroit Saturday Night, XV (Jan. 22, 1921), 7.

decision could have on their separate companies.

If this was their concern, the worst they could have expected came on September 15, 1909, when Judge Hough who presided throughout the hearings, filed his opinion. With few qualifications he accepted the argument of the Selden lawyers and Selden was accorded recognition as the inventor of the gasoline automobile. He viewed the Brayton and Otto engines as basically alike and insisted that undue importance had been attached to the differences between them. As he saw it, Selden had set forth in his original application an invention that was a novel development in the history of the mechanized road vehicle. "If I have correctly apprehended it," Hough stated, "there was clearly room for a pioneer patent, and it must now be held that on its face and in view of the art, Selden's is such a patent."<sup>14</sup>

The position of the A.L.A.M. had been vindicated. All gasoline cars made, sold, or used in the United States were an infringement of the Selden patent. Every independent automobile manufacturer was now subject either to back payment of royalties on the cars he had produced or expulsion from the industry. This realization soon brought on a flurry of applications to the A.L.A.M. for membership.

By mid-October the defection from the A.M.C.M.A. began.

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<sup>14</sup>Electric Vehicle Co. v. C.A. Duerr & Co., 172 Fed 923 (1909); Greenleaf, Monopoly On Wheels, pp. 205-210.

Seven of the leading independents were induced by Charles Clifton, president of the A.L.A.M., to apply for full membership in return for a voice in policy matters and the hope of limited competition. Other effective considerations were the promise of reduced fees for licensed manufacturers, the threat that the A.L.A.M. was planning suits against additional infringing companies, and the probability that those who rejected an offer now might not have another opportunity. Within a short time Maxwell-Briscoe, Premier, Mitchell, Stoddard-Dayton, Regal, Jackson, and REO received Selden licenses. Before the year was out, several other independents, including General Motors to which Durant since 1908 had added Cadillac, Ranier, Oakland, Welch, Reliance, and Rapid, also deserted the A.M.C.M.A. and on February 8, 1910, this body was disbanded at Chicago.<sup>15</sup>

Following Judge Hough's decision, Ford carried his case to the United States Court of Appeals. The presiding judge was Walter Chadwick Noyes who, unlike Hough, had served on a number of important patent cases and was recognized as an expert in the field. Moving with surprising speed in view of the fullness and complexity of the testimony, a new decision was rendered a year and a half after the Selden victory. On

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<sup>15</sup>Nevins, Ford: Times, Man, Company, pp. 426-427; Greenleaf, ibid., pp. 213-214.

January 9, 1911, Judge Noyes read the opinion of the court. The crucial point on which he based his decision was the difference between the Brayton constant pressure engine and the Otto constant volume engine. Selden thought he had covered any liquid hydrocarbon gas engine in his application but Noyes held there were two distinct types and the one Selden had described was not the one which had come into general use in automobiles. In his conclusion, Noyes stated,

[Selden] undoubtedly appreciated the possibilities of the motor vehicle at a time when his ideas were regarded as chimerical. Had he been able to see far enough, he might have taken out a patent as far-reaching as the Circuit Court held this one was. But like many another inventor, while he had a conception of the object to be accomplished, he went in the wrong direction. The Brayton engine was the leading engine at the time, and his attention was naturally drawn to its supposed advantages. He chose that type. In the light of events we can see that had he appreciated the superiority of the Otto engine and adopted that type for his combination, his patent would cover the modern automobile. He did not do so. He made the wrong choice, and we cannot, by placing any forced construction upon the patent or by straining the doctrine of equivalents, make another choice for him at the expense of these defendants, who neither legally nor morally owe him anything.<sup>16</sup>

Ford's victory was a triumph for the industry and all other manufacturers as well as himself. Most A.L.A.M. members were delighted they no longer had to pay royalties. One by one they began to hold back payments and in 1912 the A.L.A.M.

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<sup>16</sup>Electric Vehicle Co. v. C.A. Duerr & Co., 184 Fed 432 (1911); Greenleaf, ibid., pp. 226-231.

was formally dissolved. Even before it collapsed, the Association was succeeded by the Automobile Board of Trade, ancestor of the present-day Automobile Manufacturers' Association.<sup>17</sup> The awesome threat which had hung over every automobile company for more than a decade was removed. Manufacturer, agent, dealer, supplier, the industry in general, was now at liberty to develop and progress in an atmosphere of unbridled freedom.

Olds had begun to branch out fully three years before the Noyes decision was delivered. The recent development which had attracted his attention was the increasing potential of the Canadian market. With the opening of the West in the late 1900's and after, a wave of immigrants from Central Europe poured into Canada. Although there were other stimuli, like the mining developments in British Columbia and Ontario, the driving force behind this new period of unparalleled expansion was wheat and the wheat-growing region, spurred on by the use of the dry-farming technique of summer fallowing, the adoption of the more rapidly growing Red Fyfe wheat, and a drop in transportation costs. During the first decade of the century, new areas were opened for settlement and waste lands were turned into productive regions which resulted in a corresponding increase in the population and an unrivaled demand for consumer goods.<sup>18</sup>

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<sup>17</sup>Greenleaf, ibid., p. 242.

<sup>18</sup>Douglas R. Annett, British Preference in Canadian Commercial Policy (Toronto, 1948), pp. 29-30.



Canadian manufacturers were quick to realize the importance of the growing Western market. In an effort to prevent foreign competition, they did their best to restore the principles of a high protective tariff with the Canadian public. In 1902 the Canadian Manufacturers' Association joined in the crusade and began a vigorous campaign for still higher protection which had the support of J.I. Tarte, a member of the Canadian cabinet. The net result was a downward revision in the scale of preferential rates and the passage in 1904 of a new tariff schedule which included a provision to raise the duty on automobiles imported from the United States to 35 per cent.<sup>19</sup>

In spite of this high tariff, American automobile manufacturers moved rather slowly in organizing branch factories in Canada. In 1907, there were only four subsidiaries of American firms throughout the entire Dominion, one at Toronto which manufactured complete automobiles and three establishments at Walkerville, Willand, and St. Catharines which assembled the parts imported from the United States. One of these, the Ford Motor Company of Canada had been organized as early as August 10, 1904, by Gordon McGregor of Walkerville, Ontario, an experienced wagon manufacturer, who had been quick to see

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<sup>19</sup>McGill University Economic Studies, National Problems of Canada ("Reciprocal and Preferential Tariffs," Vol. IV; Toronto, n.d.), pp. 8, 26; Canada, 2 Debates of the House of Commons, LXXIX (1906-1907), 2398-2400.

the possibilities in the Canadian market.<sup>20</sup> But Ford, with whom McGregor entered into a contract, was one of the earliest. Most of the other manufacturers did not establish plants in Canada until sometime later.

Four years after Ford, Olds entered the Canadian field. On December 10, 1908, at a stockholders' meeting held in Windsor, the REO Automobile Company, Limited, was incorporated. Capitalization was set at \$40,000 of which 3,995 shares of the common stock which had a par value of \$10.00 were issued to the REO Motor Car Company. The other five shares were held equally by Olds, R.H. Scott, E.F. Peer, Donald E. Bates who had become Assistant Secretary-Treasurer of the parent firm, and W.G. Morley, recently named manager of the branch company.<sup>21</sup>

Several changes were made in the by-laws of the company when the directors again convened on January 23, 1909. Offices of the company were moved from Windsor to St. Catharines, Ontario, the name of the concern was changed to REO Motor Car Company of Canada, Limited, and the capital stock was increased from \$40,000 to \$200,000. These amendments were necessitated by the acquisition of the Packard Electric Company, Limited, at St. Catharines. On January 9, Olds had proposed to representatives of the Packard company that in consideration for

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<sup>20</sup>Nevins, Ford: Times, Man, Company, p. 357.

<sup>21</sup>Stockholders' Minutes, Dec. 10, 1908, REO Motor Car Company of Canada, Limited, REO Collection.

their property, including buildings, plant, tools, and equipment, and the sum of \$10,000, he would issue to them the par value of \$99,500 in fully paid shares of the REO Motor Car Company of Canada. This offer was accepted by the Packard management and soon after the plant was turned over to REO<sup>22</sup> where the manufacture of automobiles continued until 1915 when it was released for the production of munitions.<sup>23</sup>

Olds went into the Canada venture largely on the basis of REO's record of continuous growth which remained constant through 1910. In 1908, the company produced 4,105 cars and profits totaled \$838,941, out of which a cash dividend of \$300,000 was paid. The following year was even more profitable. Sales volume amounted to more than \$6,000,000 from the sale of 6,592 automobiles and stockholders received a sixty cent cash dividend and a 100 per cent stock dividend. In 1910, profits were more than \$1,500,000 for the first time in the company's history.<sup>24</sup> Although the balance sheets and dividend records of a few automobile companies were more fantastic than this, there were many manufacturers who went bankrupt during the same period, a factor which encouraged new attempts on the

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<sup>22</sup>Ibid., Jan. 23, 1909.

<sup>23</sup>Toronto Daily Mail and Empire, March 24, 1931, clipping, Olds Collection, R.E. Olds Co., Lansing, Michigan.

<sup>24</sup>Annual Reports, 1908, 1909, 1910, REO Collection.

part of some of the survivors to further consolidate the industry.

One of these was Benjamin Briscoe. He had parted with Durant when the latter formed General Motors in 1908 but had not given up the idea of merging the Maxwell-Briscoe Company with other firms because, as he said, he wanted to make a "virtue out of necessity." His opportunity came along when the very wealthy Brady-Wiedener-Elkins people who owned the Columbia Motor Car Company at Hartford made him an offer to merge their company with the Maxwell-Briscoe. They agreed to put in \$1,000,000 of new capital and turn the Columbia over to Briscoe. The deal was completed and the United States Motor Company was organized.<sup>25</sup>

Since that time Briscoe had been looking for other companies to add to his combination. In the spring of 1910, rumors were circulated in Lansing, Detroit, and New York that REO was to pass into the hands of the United States Motor Company. The basis for the speculation was the transfer of a large block of one shareholder's stock along with the sale of some smaller blocks of REO stock to United States Motor's interests. The price at which REO was said to be taken over ranged all the way from seven to twelve millions and from an all stock to an all cash deal. One individual who was supposedly on the inside of U.S. Motor's operations even positively de-

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<sup>25</sup>Briscoe, Detroit Saturday Night, XV (Jan. 29, 1921), 4.

clared that the larger concern had absorbed the REO plant, its output, and its future on a basis entirely satisfactory to the REO company.

In an effort to confirm or deny the rumors, the Lansing State Republican sent a representative to question Olds on the matter. "There has been no sale of the Reo Co., as a whole or in part, to the United States Motors Co. or to any other company," Olds answered emphatically. "Nor has any man or any set of men, representing the United States Motors Co., or any other company, purchased either a controlling or a minority interest in the Reo Co." Olds, however, did not deny that they had been approached and his comment revealed that he still entertained the idea of selling if an arrangement was made on his terms:

"I will not say that the plant may not be sold, eventually. Almost anything is possible. The Reo today is the greatest money maker in the automobile trade. It is not surprising that the U.S. people should want to buy it, but if it is sold, it will be at our figures. WHEN THE U.S. MOTORS CO. OR ANY OTHER COMPANY CAN SHOW US SEVEN MILLIONS OF DOLLARS IN CASH FOR OUR HOLDINGS WE WILL CONSIDER A PROPOSITION. THAT IS THE PRICE."<sup>26</sup>

On this same occasion, Olds stated that his holdings in the REO company were not for sale unless every stockholder was taken in on the same basis. "In other words," he said, "there must be a fair deal all around and every stockholder must be paid cash for his stock." Seven months later he had changed his mind on this point. He was willing to do business

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<sup>26</sup>Lansing State Republican, May 3, 1910.

on an individual basis and to consider partial payment for his stock.<sup>27</sup> Throughout the next two years he continued to make attempts to dispose of his controlling interest and gave up the idea only "for the reason that apparently no one could raise the money for so large a proposition."<sup>28</sup>

On May 19, however, while negotiations were in progress for the sale of REO to the U.S. Motor Company, it was revealed that Olds had made a bid for the property of the E. Bement Sons Company, an old Lansing firm that six years previously had gone into a receivership. Three days before the announcement, Olds had received an offer from the Detroit Trust Company, acting as receiver, to sell him the remaining unsold real estate of the company. This included an office building, a large brick warehouse, and an engine house which they agreed to turn over to him for the sum of \$40,000 in cash.<sup>29</sup> This offer was accepted by Olds and the trust company agreed to petition the court to allow the sale which it was expected they would accept if the committee of creditors approved.

The rumors which circulated as to how Olds intended to use the property were clarified less than a month later. On June 10 the head lines of the Lansing State Republican read:

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<sup>27</sup>R.H. Scott to Olds, Jan. 4, 1911, Olds papers.

<sup>28</sup>J.H. Thompson to J.R. Bateman, May 19, 1912, ibid.

<sup>29</sup>Detroit Trust Company to Olds, May 16, 1910, ibid.

"REO MOTOR CAR COMPANY TO MAKE TRUCKS." The accompanying article explained that the Bement buildings were to be re-modeled for temporary use until a new factory could be built. "The great increase in the company's passenger car business," the paper stated, "make it both impossible and impractical to build trucks at the present plant and to build and equip a new plant meant the loss of valuable time in taking possession of the field that is now ready for systematic cultivation." For the past three years, the article continued, REO had been planning on the addition of a commercial vehicle to its line of pleasure cars. During that time they had experimented with several different models and had finally decided on two styles of trucks they would produce. One was a light delivery wagon that was to be priced at \$600 and the other a 1,500 pound truck that would sell at \$750. Two thousand of the delivery models and 500 of the larger trucks were scheduled to be built the first year.<sup>31</sup> The R.M. Owen Company of New York which had the contract for the sale of REO pleasure cars was also given charge of selling the new trucks.<sup>32</sup>

The original plan called for the truck business to be

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<sup>30</sup>Lansing State Republican, May 19, 1910.

<sup>31</sup>Ibid., June 10, 1910.

<sup>32</sup>Ibid., July 7, 1910.

handled by the car company but later this decision was changed. On October 8, 1910, the REO Motor Truck Company was incorporated for the purpose of manufacturing "Automobiles, vehicles, Commercial Trucks and parts thereof and Engines, Motors and general machinery." Capitalization of the company was set at \$1,000,000.<sup>33</sup> Out of this amount, the board of directors which consisted of Olds, James H. Thompson, Olds' legal counsellor, and J. Edward Roe, a prominent local banker, authorized the issuance of \$600,000 in capital stock and the further payment of \$100,000 in consideration for the Bement property, certain machinery, jigs, tools, patterns and rights, privileges and goodwill of the REO Motor Car Company.<sup>34</sup> Three days later this agreement was ratified by the shareholders of the car company.<sup>35</sup>

A second and equally important transaction was consummated on October 19. On that date negotiations were completed and the papers signed whereby the Owen Motor Car Company of Detroit was absorbed by the REO Motor Truck Company.<sup>36</sup> The Owen company had been organized about a year before by Ralph Owen, former factory manager of the Oldsmobile company and brother of Ray M.

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<sup>33</sup>Articles of Incorporation, Oct. 8, 1910, REO Motor Truck Co., REO Collection.

<sup>34</sup>Directors' Minutes, ibid.

<sup>35</sup>Lansing State Republican, Oct. 12, 1910.

<sup>36</sup>Ibid., Oct. 19, 1910.



Owen, REO's sales manager. Two of the large stockholders in the company were Fred and Angus Smith who had left the Olds Motor Works since it had been taken over by General Motors. The car produced by Owen was one of the highest priced cars on the market, selling for \$4,000, but the company had never been granted a license by the A.L.A.M. and its sales were somewhat handicapped for that reason.<sup>37</sup>

The offer Olds made for the Owen company was essentially an all stock proposition. In consideration for the machinery and equipment belonging to the Owen company, the stockholders were to receive \$100,000 in fully paid shares of the capital stock of the REO Motor Truck Company which it was agreed would be withheld from sale for a period of at least one year. An inventory and determination of the market value of all material which could be used to advantage by the truck company was to be decided by Richard Scott and Ralph Owen. Payment for the material was to be made when the REO company received the money for the cars manufactured from the material as it was their intention to produce the Owen automobile as long as it was commercially practicable. All profits from the sale of these cars were to go to REO and in no case was the Owen company to be paid a sum of money in excess of the value of the materials used.<sup>38</sup>

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<sup>37</sup>Ibid., Oct. 13, 1910.

<sup>38</sup>Directors' Minutes, Oct. 19, 1910, REO Motor Truck Co., REO Collection.

Soon after the arrangements were completed for the transfer of the Owen factory to Lansing, work was started on dismantling the plant and shipping the machinery to the truck factory where the Owen operations were placed under the management of Ralph Owen. For a short time REO continued to produce the Owen car which was identified as the "R.O." In fact, the car was one of the main reasons why REO purchased the Owen company. The firm had pioneered in the development of a new center gear shift control which REO wanted. By obtaining the patent rights, REO was able to incorporate the innovation on their own cars the following year.<sup>39</sup>

Truck manufacture like passenger car production at REO was a success from the outset. Commercial vehicle manufacture was just getting started in the United States and REO soon became an acknowledged leader in the field. In its first full year of operations, the company produced 745 units and out of the profits paid a ten cent cash dividend. In the next few years other models were added to the "Speed Wagon" line including a two-ton truck, moving van, and bus.<sup>40</sup> By the end of 1916 production had more than tripled as the demand for trucks increased, stimulated in part by the sales to European countries engaged in the war effort.

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<sup>39</sup>REO Spirit (June, 1930), p. 4; Lansing State Journal, April 28, 1955.

<sup>40</sup>Charles W. Haybarker, "Brief History of Reo," MS, REO Collection.

During this same period, several other companies, realizing the opportunities in commercial vehicle manufacture, also turned their energies in that direction. The Autocar company withdrew completely from the production of passenger cars and concentrated all of its resources on a single type of one-ton truck.<sup>41</sup> In the ensuing years other firms followed this example, new companies were born, and several established automobile concerns added commercial vehicles to their line of manufacture, including Ford, Chevrolet, Studebaker, and Dodge.

While REO was among the front-runners in commercial vehicle manufacture, however, the position of the company in passenger car production had slipped considerably since 1908 when it was classified as one of the leading producers in the country along with Buick, Ford, and Maxwell-Briscoe.<sup>42</sup> In the years following, REO's production had remained constant while that of other firms had increased rapidly. The reason was that REO had not kept pace with the rest of the industry. When Ford came out with the Model T and others had changed their body style and made numerous improvements in their automobiles, Olds had continued to produce a model that with minor alterations was essentially the same car he had introduced in 1904.

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<sup>41</sup>Doolittle, The Romance of the Automobile Industry, p. 383.

<sup>42</sup>John B. Rae, American Automobile Manufacturers, The First Forty Years (New York, 1959), p. 87; Epstein, The Automobile Industry, p. 225.

By 1911 the results of this policy had their effect and for the first time in the history of the company they were forced to omit a dividend. Only when this happened did Olds come out with a new model called REO the Fifth which sold for \$1,195 with windshield, top, and self-starter.

The advertisements run by the company on the new car, aside from their advertising value, were also indicative of how Olds viewed the automotive industry. "The Car That Marks My Limit," one ad read. "Reo the Fifth comes pretty close to finality," he asserted. "Men will never be able to greatly improve on it. This factory can never say, 'Here is a model much better than Reo the Fifth'."<sup>43</sup> In another advertisement, Olds proclaimed that he did not "believe that a car materially better will ever be built," and called the REO the Fifth his farewell car.<sup>44</sup> On one occasion in 1912 he was asked if he thought the automobile had been brought to its highest point of efficiency. "Jove, I do," was his answer. "I don't see where the improvements are going to come in. Eventually machines will be cheaper, but people are notional. They don't mind a little additional cost, but the moment a manufacturer reduces his prices he cheapens his machine in their estimation."<sup>45</sup>

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<sup>43</sup>Metropolitan Magazine, May, 1912, clipping, Olds Collection.

<sup>44</sup>Advertisement published in 1912 and reproduced in Lansing State Journal, May 7, 1958.

<sup>45</sup>Lansing State Republican, June 10, 1912.

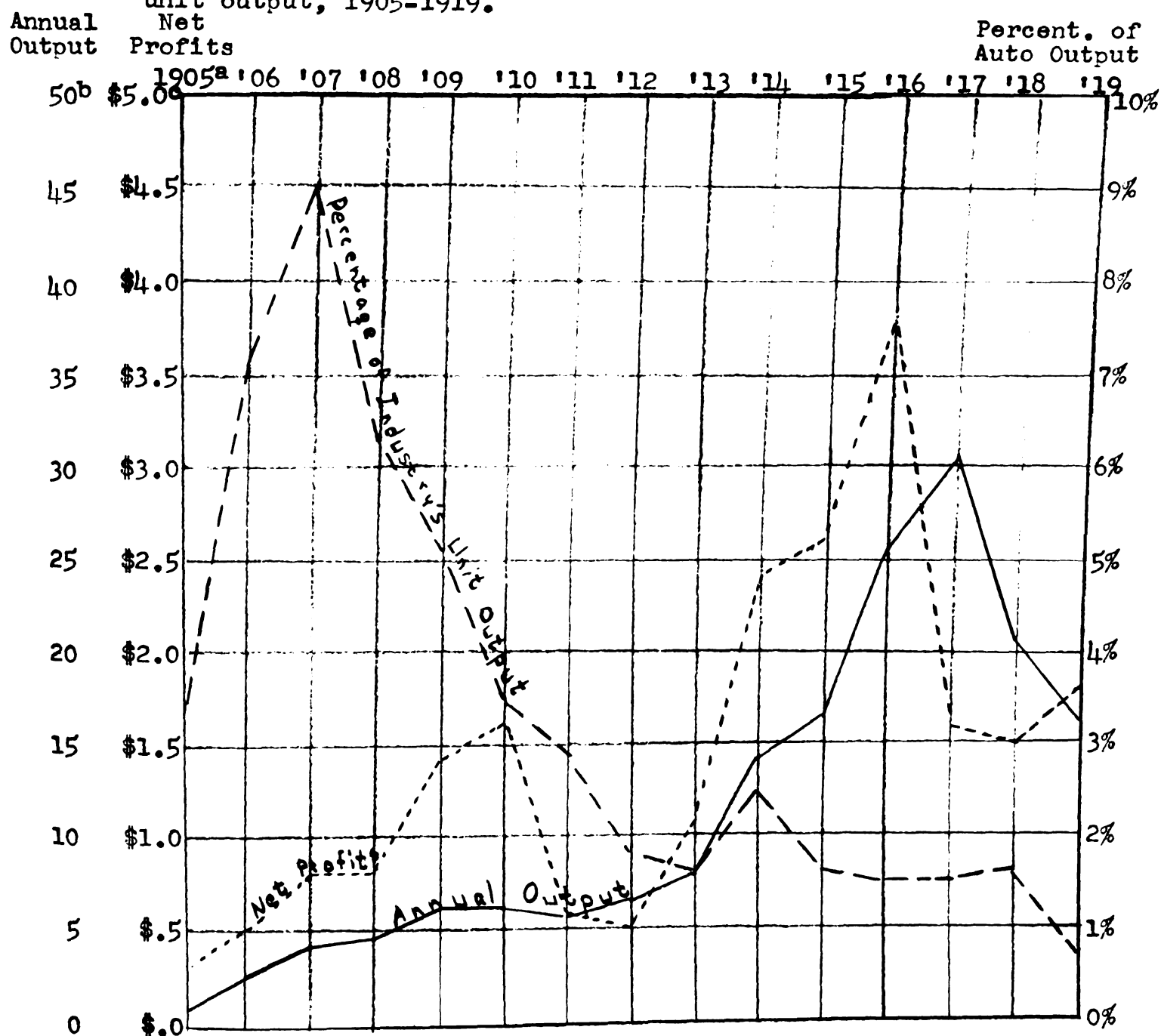
This statement was typical of Olds' attitude. Whereas at one point in his career he had concentrated on producing a low-price car, he was now concerned with quality production. "After twenty-six years, and perhaps a record success, I am building but fifty cars daily," he advertised in 1913. "Men ask, why aren't you in the 40,000 class, with all this fame, all this experience, and such a car as Reo the Fifth?" The reason, Olds explained, was that he twice analyzed every lot of steel, tested his gears with a crushing machine of 50 tons capacity, used a \$75 magneto to end ignition troubles, gave each body 17 coats to insure an enduring finish, ground each part over and over to get utter exactness, and limited his output to fifty cars daily so nothing was ever rushed. "I could build Reo the Fifth without all these precautions for some \$200 less," Olds stated. "Put this added cost saves the average buyer several times as much. It insures a car that's flawless, durable and right."<sup>46</sup>

This obsession for quality and detailed inspection, however, did not make the REO superior to competitive cars and at the same time contributed to a considerable extent to the company's proportionate decline in the industry. In the medium-price field, that of the \$625-\$1500 car, REO produced only 7.5 per cent of all the cars sold in 1913. Two companies, the Willys-Overland with 29 per cent and the Buick with 21.5 per

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<sup>46</sup>Harper's Weekly, LVII (Jan. 11, 1913), 37.

Fig. 1.-- REO Motor Car Company's annual production, net profits, and percentage of the automotive industry's unit output, 1905-1919.



<sup>a</sup>All figures are for the fiscal periods ended August 31, except that those for 1911 are for the thirteen months ended September 30, 1911; those for 1912, for the year ended September 30, 1912; those for 1913, for the eleven months ended August 31, 1913; those for 1914, for the fourteen months ended October 31, 1914; and those for 1915, for the ten months ended August 31, 1915.

<sup>b</sup>All figures for annual output are in thousands of units.

<sup>c</sup>All figures for net profits are in millions of dollars.

ANNUAL OUTPUT OF THE REO MOTOR CAR COMPANY  
AND REO'S PERCENTAGE OF THE AUTOMOTIVE  
INDUSTRY'S ANNUAL OUTPUT, 1905-1919<sup>a</sup>

Fiscal Year	OUTPUT - REO			REO'S PERCENTAGE OF AUTOMOTIVE INDUSTRY'S OUTPUT		
	Cars	Trucks	Total	Cars	Trucks	Total
1905 <sup>b</sup>	864	...	864	3.56%	...	3.45%
1906	2,458	...	2,458	7.40	...	7.22
1907	3,967	...	3,967	9.22	...	9.01
1908	4,105	...	4,105	6.46	...	6.31
1909	6,592	...	6,592	5.31	...	5.18
1910	6,588	...	6,588	3.63	...	3.52
1911	5,278	969	6,247	2.64	9.07%	2.97
1912	6,450	552	7,002	1.81	2.50	1.85
1913	7,467	715	8,182	1.61	3.04	1.68
1914	13,516	712	14,288	2.46	3.10	2.49
1915	14,694	2,171	16,865	1.64	2.93	1.73
1916	23,814	2,551	26,365	1.56	2.76	1.62
1917	25,577	4,669	30,246	1.46	3.64	1.61
1918	13,321	6,837	20,158	1.41	3.00	1.72
1919	7,307	9,185	16,492	.44	4.08	.87

<sup>a</sup>The annual production figures of the REO Motor Car Company were obtained from the Company's balance sheets. Production figures of the automotive industry necessary for the computation of REO's percentage of the industry's annual output were obtained from : Automobile Manufacturers' Association, Automobiles of America (Detroit, 1961), p. 104.

<sup>b</sup>Annual production figures for REO are for the fiscal periods ended August 31, except that those for 1911 are for the thirteen months ended September 30, 1911; those for 1912, for the year ended September 30, 1912; those for 1913, for the eleven months ended August 31, 1913; those for 1914, for the fourteen months ended October 31, 1914; and those for 1915, for the ten months ended August 31, 1915.

TABLE 2

NET SALES, NET PROFITS, REINVESTED PROFITS,  
CASH DIVIDENDS, AND NET WORTH OF THE REO  
MOTOR CAR COMPANY, 1905-1919<sup>a</sup>

Fiscal Year	Net Sales	Net Profits	Reinvested Profits	Cash Dividends	Net Worth
1905 <sup>b</sup>	\$ .9 <sup>c</sup>	\$ .3	\$ .3	\$ .05	\$ .4
1906	3.1	.5	.3	.2	.9
1907	4.3	.8	.2	.7	1.1
1908	4.8	.8	.04	.8	1.2
1909	6.3	1.4	.1	1.2	2.2
1910	8.4	1.6	1.0	.6	2.5
1911	6.6	.6	.6	...	2.8
1912	7.5	.5	.06	.4	3.4
1913	6.4	1.1	.7	.2	3.5
1914	11.9	2.4	1.4	1.1	4.7
1915	12.1	2.6	1.5	1.1	6.7
1916	18.8	3.8	2.6	1.2	9.3
1917	24.8	1.6	.9	.7	11.6
1918	20.7	1.5	.8	.7	12.4
1919	19.4	1.8	1.1	.7	13.3

<sup>a</sup>The data in this table was obtained from the balance sheets and annual reports of the REO Motor Car Company and from: Seltzer, A Financial History of the American Automobile Industry, pp. 260-261.

<sup>b</sup>Figures are for the fiscal periods ended August 31, except that those for 1911 are for the thirteen months ended September 30, 1911; those for 1912, for the year ended September 30, 1912; those for 1913, for the eleven months ended August 31, 1913; those for 1914, for the fourteen months ended October 31, 1914; and those for 1915, for the ten months ended August 31, 1915.

<sup>c</sup>All figures are in millions of dollars.



cent produced more than half of the total output in this class. Studebaker was close behind with 21 per cent and Hupmobile manufactured 10 per cent. Reduced to round numbers, Willys-Overland made 35,000 cars in this price range, Buick 26,000, and Studebaker 25,000.<sup>47</sup> All were well ahead of REO which produced 7,467 cars in 1913, the same year Ford turned out 182,000 Model T's.

Dissatisfaction with the company's performance began to show up in the correspondence of some of the dealers. One of these, Shollenberger Brothers, the REO agent in Wichita, Kansas, wrote to Olds late in 1913 and voiced their complaints:

... if there was ever a time in our history that we felt like giving up the ship, now is the time. Your factory has been four months putting out One Thousand cars. Out of that number we did not get enough to pay running expenses for one week.

They tell me you are starting in another bunch of Four Thousand cars. It will be thirty days or more before you are producing on an average of twenty five cars per day. It is now almost dead winter time, and a big bunch of these cars will have to go into storage and when spring comes we will start business with cars having bodies on them already one year behind the times, which will result in slow Spring sales, no Summer sales, and then a repetition again of this same late fall start we had this year.

But the failure to make deliveries was only one of his criticisms. Equally serious, he stated, was the tendency of the company to carry over from one season to another outdated body styles on the "bread and butter Four." People will not

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<sup>47</sup> Nevins, Ford: Times, Man, Company, p. 489.

buy in quantities, he explained, a car having a body already a year behind the times:

Sure, you can possibly get away with an old time Model with a small production, like you did in 1911 and 1913, but it is a rotten shame that the Reo family, and we include ourselves in this bunch with the factory, equipment and money back of it, that you have to forever force us to trot along with our faces to the ground bringing up the tail end of the procession. In 1910 we led the field--now we are tail enders.<sup>48</sup>

The accompanying results of this kind of direction were inevitable. At a time when the industry was taking bold steps forward, REO hesitated and was never again able to recapture the position it had once held. Although the company's output gradually climbed and dividends were issued with steady regularity, REO's rate of growth was disproportionate to that of the principal producers and at the close of the 1913 fiscal year, R.M. Owen & Company asked to be released from their sales contract because they were going to engage in the manufacture of automobiles and become a competitor of REO.<sup>49</sup>

About this same time Olds began to take a less active part in the management of the company and frequently was absent from the factory. Most of the winter season he spent at his home in Daytona Beach, Florida, and during the summer months he often took lengthy vacations and extended cruises on his

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<sup>48</sup> H.H. Shollenberger to Olds, Nov. 26, 1913, Olds papers.

<sup>49</sup> Minute Books, Directors' Meeting, Oct. 9, 1913, REO Motor Car Company, REO Collection. Hereafter cited as "Directors' Minutes" or "Stockholders' Minutes."

yachts off the Atlantic Coast or on the Great Lakes. These activities kept him almost completely out of touch with the company's operations for long periods of time. Communication with the plant was intermittent and his immediate supervision over REO's affairs was spasmodic, the result of Olds' apparent disinterest more than any other single cause.<sup>50</sup> When he was in Lansing, he increasingly spent more and more of his time directing his own private business affairs and the actual management of REO was left to others, principally Richard H. Scott to whom he relinquished the General Manager's duties in 1915.<sup>51</sup>

Since the firm had been organized, Scott had been in charge of factory operations and during Olds' frequent absences he had assumed the active direction of the company. By this time he had demonstrated a fundamental knowledge of business and had proved himself an excellent administrator despite his attitude of moral and economic ultra-conservatism. During the seventeen years of their association, Olds had come to rely heavily upon the judgment and ability of Scott. In many ways he was to him what Couzens was to Ford during the early years. Both Olds and Ford were mechanics by inclination and training. Neither enjoyed the responsibilities or limitations of administrative duties and relegated these tasks to

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<sup>50</sup>Interview with Robert Frank McKim, former Sec., REO Motor Car Co., Jan. 5, 1962.

<sup>51</sup>Directors' Minutes, Dec. 21, 1915.

Scott and Couzens respectively, which has led to the interesting speculation that Olds, like Ford, might have wound up a tinkering inventor if it had not been for Scott's assistance.<sup>52</sup> Regardless of the validity of this observation, Scott, as well as Olds, was responsible for the degree of success attained by REO.

One of Scott's first acts after he became General Manager was to consolidate the truck and passenger car companies. Although they were separate firms, the business affairs of both had been operated conjointly since the start of commercial vehicle manufacture. The two companies had the same officers and directors, the management of both was conducted by the same men, the trucks manufactured by the truck company were sold by the selling organization of the car company, and the engines and many of the parts made by the car company were used in the trucks. This dual organization was unnecessarily cumbersome and costly. Accordingly, in August, 1916, it was decided to merge the two corporations by dissolving the truck company.

On September 8 notices were sent to the stockholders of both companies explaining the desirability of consolidation. The basis for the merger, the letter stated, would be an exchange of stock. The car company would purchase share for

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<sup>52</sup>Interview with Hubert Bates, Pres. American Bank & Trust Co., son of D.E. Bates, Nov. 27, 1961.

share truck company stock with its own. All holders of truck company certificates, totaling 93,725 shares outstanding, were to return them so the exchange could be made.<sup>53</sup> Meanwhile, attorneys for the two concerns felt that to avoid any possible difficulty which might be created by stockholders of either company, it was desirable to have both groups consent to the consolidation. Notices were again sent out and on September 28 stockholders' meetings for both companies were held in which formal approval of the merger was given.<sup>54</sup> On October 5 the exchange of stock was effected and on November 10 final details of the arrangement were completed.<sup>55</sup>

In the meantime, Olds, since his retirement from the active management of REO, had become interested in a new business undertaking. At some point he had come into possession of a three-story apartment building in Chicago. After operating it at a loss for several years, Olds decided to dispose of it. One of the offers he received for the property was from Richard G. Peters who owned 37,541 acres of undeveloped land in Florida on Old Tampa Bay. On December 17, 1915, Olds noti-

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<sup>53</sup>REO Motor Car Co. to stockholders of REO Motor Car Co. and REO Motor Truck Co., Sept. 8, 1916, REO Collection.

<sup>54</sup>Stockholders' Minutes, Sept. 28, 1916, REO Motor Car Co.; REO Motor Truck Co., REO Collection.

<sup>55</sup>REO Motor Car Co. vs. Commissioner of Internal Revenue, "Statement of Facts and Argument," Docket No. 11,098, I (Jan. 26, 1928), pp. 5-6, REO Collection. (Mimeographed.)

fied the Michigan Trust Company, administrators in the negotiations, that pending a trip South to investigate the land, he was willing to make a proposition of \$200,000 in cash, \$75,000 in bonds which he held, and the apartment building which he evaluated at \$125,000, in exchange for the Florida real estate.<sup>56</sup> Ten days later his offer was accepted and by March final arrangements for acquisition of the property had been concluded.<sup>57</sup>

For several years Olds had been convinced of the possibilities which the climate and soil of Florida offered. As an annual visitor, he had been impressed with the gradual but marked growth of the state. On several occasions he had investigated tracts of land with a view toward buying them as a speculative investment and holding them until such time as he could dispose of them at a profit.<sup>58</sup> Although he had never done anything along this line, his interest had not diminished. When he was presented with the chance to purchase the Peter's property, he saw it as an opportunity to take advantage of a potential development that was still in its early stages and he began to envision the establishment of an agricultural and

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<sup>56</sup>Olds to Michigan Trust Co., Dec. 17, 1915, Olds papers.

<sup>57</sup>J.H. Thompson to Kleinhans, Kappen & Uhls, March 3, 1916, ibid.

<sup>58</sup>Same to W.S. Vincent, Dec. 31, 1912, ibid.

industrial settlement which would attract people of modest means.<sup>59</sup>

The Peter's property seemed to Olds to be an ideal location for his projected community. It was situated in Hillsborough and Pinellas counties near the West Coast towns of Tampa, Clearwater, St. Petersburg, and Tarpon Springs. The lumber and timber resources on the property, besides the advantages it had for cattle, dairy, and general farming, were thought sufficient to make it a fine opportunity for a safe investment and large profits. A.C. Clewis, president of the First Savings and Trust Company of Tampa, when asked by D.F. Conley, Olds' agent, for his opinion of the site, said:

It has great advantages over any other large tract in this State, because of its water frontage on Old Tampa Bay, the hard surface County Roads and railroads through it, and the fact that on the West, North and East sides are settled and rapidly developing property. In my opinion, these lands will for many years continue to rapidly enhance in value and the purchaser should reap very large and satisfactory profits from his investment, when its resources and possibilities are developed.<sup>60</sup>

One month after acquiring the Peter's tract, Olds formed the administrative machinery to handle the development of the site. In April, 1916, he organized the REO Farms Company, a firm capitalized at \$1,000,000, the name of which was changed

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<sup>59</sup>Interview with Mrs. Bernice Olds Roe, daughter of Olds, Feb. 9, 1962.

<sup>60</sup>A.C. Clewis to D.F. Conley, Dec. 13, 1915, Olds papers.

a short time later to the REOLDS Farms Company. The principal officers besides Olds were Fred L. Cook of Detroit who was president; S.S. Glass, partner of Cook who was vice president; E.T. Larson, secretary; Charles E. Ecker, Olds private secretary and counsellor, treasurer; and William E. Balles, sales manager. The first name chosen for the community was Reolds-On-The-Bay but this was afterwards changed to Oldsmar.<sup>61</sup>

Architects and city designers were soon busy laying out the plans and a bevy of workmen was hired to construct the new town. Along the ten miles of waterfront a luxurious hotel with its own private bathing beach, boat houses, and acres of gardens was to be erected, dock facilities were to be built, and the rest of the land facing Tampa Bay was to be divided into "choice bungalow sites" which were to sell for \$1,000 to \$1,500. In the town itself, a post office, bank, electric light plant, a large garage, railroad depot, numerous stores, churches, and schools were to be built. Mile after mile of curving drives and sidewalks, terraced by rows of palms and hundreds of flowering oleanders were to be laid out. Street lights, telephones, a waterworks system, and good transportation facilities were some of the improvements the town was to have in addition to several hundred acres which were to be set

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<sup>61</sup>"Oldsmar for Health, Wealth, Happiness" (REOLDS Farms Co.), Automotive History Collection, Detroit Public Library. (Multilithed.)



aside for golf courses and recreation areas.<sup>62</sup>

Beyond the residential area a community of "little farm dwellers" was laid out. Tracts for farming, fruit-growing, and cattle and poultry raising could be purchased for \$50 per acre in amounts to suit but they were usually limited to either twenty or forty acre plots. The REOLDS Farms Company would clear any piece of land and prepare it for cultivation, build a residence and other buildings to meet the wishes of each individual purchaser, build fences and dig ditches, drill a well, furnish machinery, and supply the livestock which came from Elbamar Farms, Olds' ranch near Grosse Ile, Michigan. Payment could be made on terms. The first installment had to approximate 25 per cent of the total contract and 10 per cent had to be paid each year on the balance which carried an interest rate of 6 per cent per annum.<sup>63</sup>

Once the essential work had been completed, the company initiated an extensive publicity campaign aimed at enticing Northerners to move to the "Sunshine State." Advertisements describing Oldsmar as a "veritable garden spot for all kinds of fruits and vegetables" were placed in some of the Detroit and Michigan newspapers and a network of agents, each with his own territory, was organized. Prochures were mailed to

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<sup>62</sup>New York Herald, April 1, 1917, clipping, Olds papers.

<sup>63</sup>"Instructions to Agents" (REOLDS Farms Co.), ibid. (Mimeographed.)

anyone who was planning a trip to Florida and special excursion trains with through Pullmans were chartered from Detroit to Oldsmar for all those who were interested in purchasing a farm site or a "village lot." "The Reolds Farms Co. and its customers," Fred Cook wrote during the first year of operations, "have spent and are spending large amounts of money to help make Oldsmar a popular winter resort, as well as a prosperous farming and fruit-growing center. As a result, Oldsmar is making more progress in one year, than some other places make in ten. The right kind of people are going there. That's why."<sup>64</sup>

An important consideration for the success of Oldsmar was providing work for the people who came. Olds had given some thought to this matter and planned to furnish the town with a saw mill, planing mill, tannery, and brush factory.<sup>65</sup> In December of 1916, he saw another opportunity to bring industry into Oldsmar. The Kardell brothers, agents for the REO in St. Louis, had perfected a tractor which they wanted to put on the market. Their intentions were to organize a \$1,500,000 corporation for its manufacture and had approached Olds with the idea of accepting the presidency. Olds told them he be-

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<sup>64</sup>Fred L. Cook, "Florida Is Attracting Thousands of People from Michigan Cities," newspaper and date unknown, ibid.

<sup>65</sup>Victor Sellers, "Oldsmar, Florida" (Chamber of Commerce, Oldsmar, Florida.) (Multigraphed.)

lieved in their proposition but that he was not interested in becoming an officer unless they were willing to establish their plant at Oldsmar. The advantage of this location, he informed them, was its proximity to Alabama, one of the largest iron producing states, the money they could save in heating costs, and the fact they would be able to try out their tractors every day "while at a northern point they would be froze up six months of the year." "Most of all," Olds said, "I called their attention to the labor situation, ordinary labor down there can be had for about \$1.65 per day as against \$3.00 per day in the North. They became very much interested and said they would go to Tampa in the near future and look the situation over."<sup>66</sup>

Sometime later the Kardell's visited Oldsmar and were sufficiently impressed with the layout. After several delays they again came to Olds in October, 1917, with an offer to locate their factory at Oldsmar if he would take a "fair sized interest with them."<sup>67</sup> This proposal was accepted and Fred Cook was sent to St. Louis where the final arrangements were made for the removal of the Kardell Tractor and Truck Company to Oldsmar. A plot of ground was reserved for the plant and work was soon started on the construction of the new factory buildings. "This is really an innovation for the state of

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<sup>66</sup>Olds to H.J. Person, Dec. 20, 1916, Olds papers.

<sup>67</sup>Same to A.E. Cook, Oct. 17, 1917, ibid.

Florida," one newspaper stated, "and may be the beginning of a new era for that state, putting it in the manufacturing column...."<sup>68</sup>

One reason why Olds was particularly anxious for the tractor company to locate in Oldsmar was due to the difficulty they were having in clearing the land of pine stumps and a tropical growth known as "scrub palmetto" or "saw palmetto." For many years the stumps and troublesome roots had been removed by hand but this method proved to be both slow and expensive. Back in 1915, W.S. Vincent, owner of the Pensacola Seed and Nursery Company, had invented a power "stump puller" which he wanted to manufacture and had turned to Olds for financial assistance.<sup>69</sup> Olds' reply to Vincent's appeal was that he had looked over the blue prints he had sent him and failed to find anything very new. "You simply have a hoisting device on wheels," Olds wrote him, "and I take it you plan on putting on a gasoline engine to do the work and move the tractor along. No doubt but what a device of this kind could be made to work, but from a manufacturing standpoint it would, in my judgment, have a limited field." On that account, he informed Vincent, he would have to reject his offer.<sup>70</sup>

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<sup>68</sup>"Truck Plant Is Moving to Olds' Florida Town," newspaper and date unknown, clipping, ibid.

<sup>69</sup>W.S. Vincent to Olds, Oct. 16, 1915, ibid.

<sup>70</sup>Olds to W.S. Vincent, Oct. 19, 1915, ibid.

Less than six months after the tractor company located in Oldsmar, however, Olds announced that he had been working for some time, assisted by a staff of expert mechanics, on a machine that was "somewhat like a gigantic tank, making a sweep about 100 feet wide, picking out the big stumps as though they were bushes and piling them up in great windrows to be burned." Further preparation of the soil for cultivation, Olds stated, would be done by a "wheel root thresher" he had invented and patented which would pick up about twelve inches of top soil, elevate and screen it free from small roots, sift the earth, and drop it in proper shape for planting. It was his intention, he asserted, to manufacture the machine "just as soon as the experimental tests have enabled us to improve it to the limit of our ability in all of its details."

The reason he was "bending his efforts" toward clearing land quickly on an extensive scale, Olds said on this same occasion, was because he thought the world was "threatened with famine" on account of World War I:

'I am doing all in my power to get out 37,000 acres of land around Oldsmar under cultivation as soon as possible, in order to do my bit. I can see no reason why Florida should fail to be the garden spot of the future. It has the climate to produce three or more crops a year on plenty of good land, and Florida should be able to yield food enough to supply many of the northern states, as well as some of the foreign countries, and thus help to win the war.'<sup>71</sup>

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<sup>71</sup>Tampa Daily Times, March 2, 1918, clipping, ibid.

While this statement was perhaps more indicative of Olds' desire for land values to increase in the Oldsmar area than a sincere belief that by clearing his land he was hastening the end of the conflict, he did combine a sense of patriotic loyalty with his business interests. This seems apparent from the offer which he made to President Wilson on April 23, 1917, just seventeen days after the United States declared hostilities on Germany. On that date he addressed a telegram to Wilson which read as follows:

Having been solicited by a shipbuilding concern for a location on my lands on the North Shore of Old Tampa Bay, Florida, and having refused to sell nearby timber to parties claiming to be agents of a foreign government, the thought came that at this time our government might desire this for a navy yard. If such a thing is feasible and the government will agree to establish a navy yard there, I will be pleased to donate the land for the yard and the timber on ten thousand acres of virgin Florida forest for use in connection with Government shipbuilding at this yard.<sup>72</sup>

The President, through his secretary, thanked Olds for his "generous and patriotic offer" and assured him he would bring the matter to the attention of the Secretary of the Navy. When little encouragement was received from this quarter, Olds turned to Howard E. Coffin, a former acquaintance and engineer for the Olds Motor Works who had formed the Hudson Motor Car Company with Roy Chapin and was now engaged with the Council of National Defense. Coffin referred Olds' offer

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<sup>72</sup>Olds to President Wilson, telegram, April 23, 1917, ibid.

to the United States Shipping Board. F.A. Evstis, assistant general manager of the Board, informed Olds that the government had authorized the construction of as many wooden cargo-carrying vessels as possible in the near future. "The need for these ships is very great," he stated. "I feel that if we should fail to get the ships we should pretty certainly have to fight Germany alone." But at the same time, he disclosed that his commission was not prepared to erect government shipbuilding yards and intended to award contracts only to established private firms.<sup>73</sup>

In response to this reply, Olds again addressed communications to the Navy Department and the United States Shipping Board in which he requested them to send him more definite information concerning their plans for the future, stating that he did not care to commit himself unless he had some assurance they were in a position to award contracts to shipbuilding concerns that might be established on his property.<sup>74</sup> In neither instance was Olds given any satisfaction. Rear Admiral J.M. Helm notified him that it was impossible even to set a date for the inspection of the Oldsmar site.<sup>75</sup> Likewise,

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<sup>73</sup>F.A. Evstis to Olds, April 29, 1917, ibid.

<sup>74</sup>Olds to United States Shipping Board; C.E. Ecker to Navy Department, May 4, 1917, ibid.

<sup>75</sup>J.M. Helm to Olds, May 7, 1917, ibid.

the Shipping Board advised him that plans and specifications for the "proposed wooden fleet" were still incomplete and they were uncertain when copies would be finished.<sup>76</sup> Confronted with this situation, Olds gave up all attempts to obtain a ship yard for the Oldsmar area.

There seems to be no doubt that Olds' motives in this matter were tainted by hopes of financial reward. A naval yard or a shipbuilding firm in the vicinity would have attracted many people to Oldsmar, stimulated the growth of industry, and strengthened the economy of the entire community. Failing in this, Olds tried to overcome the loss by building a foundry, machine shop, and even sank \$100,000 into a wildcat oil well in an effort to give the town the boost it needed. By 1923 he had poured \$4,500,000 into the community but in spite of his efforts Oldsmar failed to yield the profits he had once thought and had been assured were possible.

Disillusioned by the failure of the town which in 1923 had an approximate population of 200 inhabitants,<sup>77</sup> Olds began to dispose of his interests during the business slump of the early Twenties. The first deal he made was a trade of the Oldsmar race track which was almost finished for the far-from-

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<sup>76</sup>F.A. Evstis to same, May 8, 1917, ibid.

<sup>77</sup>Federal Works Agency Work Projects Administration, Florida, A Guide to the Southernmost State (New York, 1930), p. 521.



complete Fort Harrison Hotel in Clearwater.<sup>78</sup> In 1923 he exchanged the unsold platted portions of Oldsmar and a "large amount of cash" for the Bellerive Hotel in Kansas City which had cost \$2,500,000 to erect.<sup>79</sup> The last of his holdings, the tractor company which had been in business for a "number of years" and included six acres of property, railroad siding, and "other facilities," was finally sold early in 1926 for \$100,000.<sup>80</sup>

For Olds, the entire Oldsmar venture was a disappointment from the start. His dreams of an agricultural-industrial workmen's colony failed to materialize because it lacked a sense of realism. Few employed people either wanted or could afford to give up their security for an uncertain future. This was especially true during the war and the difficult recession period which followed. Only when the "roaring Twenties" ushered in prosperity did Florida experience the type of development he had anticipated. Olds was ahead of his time but as a result of his miscalculation, he suffered an accumulated net loss which has been estimated at about \$3,000,000.<sup>81</sup> The only

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<sup>78</sup>Clearwater (Florida) Sun, July 14, 1957, clipping, Olds Collection.

<sup>79</sup>Automobile Topics, LXVIII (Jan. 27, 1923), 110.

<sup>80</sup>Ibid., LXXXI (April 17, 1926), 895.

<sup>81</sup>Interview with Mrs. Gladys Olds Anderson, daughter of Olds, Feb. 8, 1962.

satisfaction he seems to have received from this costly expenditure was that he gave his name to the town which it still bears today.

## CHAPTER VI

### DEPRESSION AND DISSENSION

One of the most dramatic chapters in American history during the twentieth century has been the continuing struggle between labor and management. When the century opened the unions had gained a tenuous position in American industry under the impulse of Progressivism. The American Federation of Labor and other organized unions had grown rapidly in strength, stimulated in part by the exposure of sweat shop conditions which existed in many industries and factories. Led by John Mitchell the United Mine Workers in the famous anthracite coal strike called on May 12, 1902 were even able to score a partial victory after President Theodore Roosevelt intervened in the dispute. Private organizations and governmental committees, among them the Consumers' League and the National Child Labor Committee, prepared reports on working conditions and child labor practices which generally were favorable to labor and pointed out the need for reform.

The enemies of organized labor, however, soon moved to retaliate. Throughout the country well-financed groups, led by the National Association of Manufacturers, denounced what they called labor tyranny and fought for the open shop. In two significant legal contests, the Danbury Hatters' Case

and the Buck's Stove and Range Case, the Anti-Boycott Association pressed charges against the obstructionist tactics employed by the unions and in both instances were successful. When labor extremists turned to violence and terrorism, union membership, including the A.F. of L., soon declined. Aided by internal dissensions, the effects of the panic of 1907, and the mechanization of industry, organized capital was able to win a decisive victory for the open shop.

Olds' position on the relationship between employer and employee was similar to that of most industrialists of his day. The encouragement of unionism and the closed shop he thought would lead to anarchism which he equated with labor violence and strikes. "I have run both open and closed shops," he stated in 1912, "and have employed for a good many years a good many thousand men. I know from experience that it is practically impossible to run a closed shop successfully. Since running an open shop I have never had but one strike and that was when the balance of the unionists went out." Equal wages for men and women he thought would "put the women out of business as the men would have preference when the wages [were] the same." Child labor laws he considered unnecessary and harmful because it prevented boys under sixteen years of age from getting employment and permitted them to run the streets "picking up vice." Workmen's accident compensation he felt was a "great injustice as eight tenths of the cases [were] due to

the carelessness of the workmen as the employer as a rule [had] done everything possible to guard against accident."<sup>1</sup>

These ideas were premised on his belief that if organized labor represented all workers and the government assumed responsibility for the citizenry, it would detract from individual initiative and place management at a disadvantage. One of the great dangers he saw was the "establishment of charitable institutions simply to care for the unemployed...." He thought this encouraged idleness "by caring for the happy-go-lucky who have no desire for an honest day's work, who spend their money as fast as they get it without any thought of the future, depending upon charitable institutions to care for them...." The most practical form of helpfulness that he felt could be given to people was providing them with employment. The satisfaction he had from "seeing an army of men marching out of his factory, contented, prosperous and happy in the consciousness of their ability to own and maintain comfortable homes," Olds contended, was "far greater than the pleasure of receiving dividends."<sup>2</sup>

Although this no doubt was an overstatement, it did contain an element of truth. Olds and the other managerial officers of REO were concerned about the attitude of their workers since it had a direct effect on the company's operations. To

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<sup>1</sup>Olds to J.G. Cannon, May 6, 1912, Olds papers, Michigan State University Museum, East Lansing, Michigan.

<sup>2</sup>Lansing State Journal, May 11, 1915.

promote harmony and avoid disputes they advised and warned employees regularly through the columns of a monthly periodical, REO Spirit. REO workers were urged to vote for local option in the prohibition issue of 1916, a matter which was of particular concern to R.H. Scott, an ardent and zealous "dry."<sup>3</sup> When the Industrial Workers of the World, a militant and "radical" labor organization, stepped up agitation during World War I, REO workers were advised to denounce and clean out this "dangerous nest of traitors and German-paid criminals."<sup>4</sup> After the end of the war when strikes and violence broke out across the country in the famous "Red Scare," it was Bolshevism the employees were warned to avoid.<sup>5</sup> Aliens were urged to become citizens and free "Americanization" classes were organized for all foreigners employed by the company.<sup>6</sup>

While the underlying motive of these appeals which were made in the name of national patriotism and loyalty was the prevention of labor unrest, the company was, at the same time, unusually benevolent towards its workers. Free annual picnics and fairs, an employees' insurance program, death payments,

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<sup>3</sup>REO Spirit (April, 1916), p. 3.

<sup>4</sup>Ibid. (Oct., 1917), p. 7.

<sup>5</sup>Ibid. (Nov., 1919), p. 16.

<sup>6</sup>Ibid. (July, 1916), p. 6; (August, 1919), p. 5; (Dec., 1919), p. 3; Robert W. Dunn, Labor and Automobiles (New York, 1929), p. 155.

legal and medical services, athletic leagues, and social activities were some of the benefits that were provided. In May, 1917, the REO Clubhouse, a recreational and social center which had been built at a cost to the company of over \$100,000, was opened to all REO employees and their families.<sup>7</sup> Movies were shown every week in the auditorium, dramatic productions and public art exhibits were staged, and concerts were rendered by the Choral Society and REO Band which was among the leading industrial instrumental organizations in the country. As a result REO was recognized as the most progressive factory in town as well as the entertainment headquarters for the entire city of Lansing.<sup>8</sup>

One of the most significant programs initiated by the company, although it too had corporate benefits, was the REO Apprentice School. In March, 1916, an apprentice course was started for boys "16 or 17 years of age, of good character and possessing mechanical ability."<sup>9</sup> First preference was given to sons of REO employees but all promising young men were encouraged to enroll. Arrangements were also made whereby the apprentice course could be taken in connection with the

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<sup>7</sup>REO Spirit (May, 1917), pp. 2-3.

<sup>8</sup>Ibid. (Feb., 1922), p. 5; Interview with Raymond Young, toolmaker, REO Motor Car Co. and White Motor Co., Jan. 9, 1962.

<sup>9</sup>REO Spirit (Feb., 1918), p. 16.

local high school industrial course. The first class had 41 regular and 12 high school apprentices<sup>10</sup> but as the demand increased, the facilities were gradually enlarged to accommodate 200 students.<sup>11</sup> A trial period of two months was set up to give the company an opportunity to determine whether the candidates were qualified. If the company was satisfied, the apprentices were obliged to sign a contract which permitted them to continue the course and stipulated that during the period of their training they would be paid from twenty to forty cents an hour depending upon their skill and experience.<sup>12</sup>

The apprentice course covered a period of three years. During the first three months the students were kept in the apprentice rooms where they began the study of blueprint reading, sketching, principles of mechanical drawing, lay-out work, and shop mathematics. Here they were also taught the rudiments of handling the various machines until they became familiar with them. When this phase was completed, they were placed in departments throughout the factory, usually spending about three months in each. During this time they also attended classes for one half day each week. The American Machinist Handbook was the textbook for the courses in which they were

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<sup>10</sup>Ibid. (Sept., 1916), p. 18.

<sup>11</sup>Ibid. (May, 1919), p. 18.

<sup>12</sup>Ibid. (Sept., 1918), p. 7.



taught algebra, trigonometry, and general mathematics as applied to lay-out and machine work.<sup>13</sup> For the last six months they were taken back to the apprentice rooms where they were given tool and die making. Upon completion of their training the apprentices were awarded a "Certificate of Apprenticeship" and the company made every effort to place them in the factory in the work they liked and where they had shown a special proficiency.<sup>14</sup>

According to a report compiled by the company in 1927, over 75 per cent of the graduates of the apprentice school remained in the employ of REO after they had received their diplomas.<sup>15</sup> This exceptionally high record, a graduate of the school stated, was achieved because the management of REO was "interested in getting along with the workers and creating a spirit of harmony. They wanted to help the men and give them a chance. This was the 'REO Spirit'," he added.<sup>16</sup>

These sentiments were typical of those expressed by men who had worked at REO for over thirty years. "Even though Richard Scott hired detectives who watched things in the plants

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<sup>13</sup>Ibid. (Nov., 1920), p. 7.

<sup>14</sup>Ibid. (Oct., 1918), pp. 7-8; Interview with Ray North, Motor plant inspector, REO Motor Car Co. and White Motor Co., Jan. 9, 1962.

<sup>15</sup>REO Spirit (April, 1927), p. 13.

<sup>16</sup>Interview with Carl Scheibels, toolmaker, REO Motor Car Co. and White Motor Co., Jan. 9, 1962.

and fired those who were caught smoking," one worker stated, "the men didn't seem to resent it. Everyone chewed tobacco instead. Harry Teel, Scott's brother-in-law and factory superintendent, was a good fella and chewed as much as anyone. He often bummed a chew from whoever happened to be around, no matter if it was a sweeper. There was real mingling between the workers and the management at REO."<sup>17</sup> Another long term employee stated that, "the front office had the attitude that everyone belonged to one big happy family and, in fact, everyone spoke of it as the 'REO Family.' Because of this attitude and the many things REO did and had for the workers," he added, "REO was the place in town to work."<sup>18</sup>

As a result of the harmonious feeling between the management and employees, the rate of labor turnover at REO was unusually low. "The labor turnover percentage at the Reo Motor Car Company is the lowest of any company in the automobile world with one exception, a Detroit concern," REO Spirit boasted in 1919. "This is a fact speaking highly for the faithfulness and satisfaction prevailing in the Reo family. In some factories where conditions are almost intolerable, the figure runs as high as 35 and 40 per cent monthly."<sup>19</sup> Automobile

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<sup>17</sup>Interview with Peter Chapman, ibid.

<sup>18</sup>Interview with Raymond Young, ibid.

<sup>19</sup>REO Spirit (Dec., 1919), p. 3.

Topics reported that for the year 1923, REO had an average labor turnover of less than 3.7 per cent per month.<sup>20</sup> In 1928 the Michigan State Digest reported that REO had on its payroll 24 men who had served the company for twenty years; 123 who had been with REO for fifteen years; 571 who had seen ten years of service; and 1,913 who were five-year men. "Reo has less labor turnover than any concern in the industry," the report concluded. "More than 63 per cent of Reo workers own their homes, thus indicating Reo's position as a steady and stable employer."<sup>21</sup>

Because of these factors, REO came to be the foremost industrial establishment in Lansing. Since 1904 the company had been highly successful and already by 1915 it was reported that REO was providing employment for 25 per cent of the city's working population.<sup>22</sup> The Olds Motor Works, REO's closest rival, had steadily declined after Olds had resigned and even under General Motors consistently trailed REO throughout the 1920's. Only when REO faltered in the Depression was the Olds Motor Works able to surpass her younger competitor.<sup>23</sup>

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<sup>20</sup>Automobile Topics, LXXIII (Feb. 23, 1924), 117.

<sup>21</sup>Michigan State Digest (May 31, 1928), p. 23.

<sup>22</sup>Lansing State Journal, April 28, 1955.

<sup>23</sup>New York Times, Jan. 6, 1932, p. 30.

The person largely responsible for REO's record of achievement after 1915 was Richard Scott who had replaced Olds as general manager. Even before that time Olds had turned many of his supervisory responsibilities over to Scott. In fact, it was felt by many people at REO that after 1910 Olds had "soured" on the automobile business because he felt there was no challenge left to him. He spent very little time at REO and concentrated his attention on his own private interests. After he became involved in the Oldsmar venture he was seen infrequently around REO and took only a casual interest in the company's affairs even though he still retained the office of president.<sup>24</sup>

After more than eight years of relative managerial inactivity, Olds finally decided to retire as an active officer of REO. The first indication of his intention came in March of 1923. At that time he offered to sell to the company 50,000 shares of his stock at \$14.00 per share.<sup>25</sup> This proposal was accepted by the board of directors and they in turn agreed to make the stock available to all employees of REO and its affiliated companies, distributors, and dealers because, as they stated, it was "deemed for the best interest of the Company that there should be a larger number of stockholders among

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<sup>24</sup>Interview with Robert Frank McKim, Jan. 5, 1962.

<sup>25</sup>REO stock for the month of March, 1923 had a high of 17 1/8 and a low of 14 1/2; Lansing State Journal, March, 1923.

its employees...." The company financed the sale of the stock over a two year period. Purchasers had to consent not to sell their holdings before April 1, 1924, and assure the management they were not acting on behalf of another person,<sup>26</sup> an arrangement which made it possible to dispose of the stock in small lots, prevented outside interests from buying it, and precluded any precipitate drop in price.

Nine months later, following a special meeting of the board of directors on December 20, it was announced that Olds had retired from the presidency of REO. R.H. Scott was named to succeed him and Olds became chairman of the board, a new office which had been created especially for him.<sup>27</sup> "Olds' retirement as president is the result of a desire on his part for the last few years to be relieved of the responsibilities of this office," Automotive Industries stated. "The position of chairman of the board was created that he might continue actively identified with the company which he founded and at the same time give him more time for his other business enterprises."<sup>28</sup>

Following his retirement, Olds began to dispose of his

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<sup>26</sup>Directors' Minutes, March 31, 1923, REO Collection, Division of White Motor Co., Lansing, Michigan.

<sup>27</sup>Ibid., Dec. 20, 1923; Lansing State Journal, Dec. 21, 1923.

<sup>28</sup>Automotive Industries, IL (Dec. 27, 1923), 1325.

REO stock and by mid-1928, he and other members of his family with whom he had divided his interests, had sold the bulk of their holdings. For Olds this was the final step in his withdrawal from the company. Never again did he expect to assume an active role in the management of REO. Time, depression, and deficits, however, were to change his mind and influence him to return.

In the meantime, it was not anticipated that any major deviations in the management of REO would result from Olds' retirement. On the surface it appeared that the same men who had actually been running REO for some time had simply received promotions due to his withdrawal and it was thought they would pursue the policies that had characterized REO's operations over the past nineteen years. In particular, it was expected that Scott would follow this course as he more than anyone else had been responsible for directing REO's affairs during a period in which the company had experienced its most spectacular growth. In the eight years from 1915 to 1923 production had more than doubled, sales volume had tripled, profits had increased from approximately \$2,500,000 to over \$5,500,000, almost \$9,000,000 in cash dividends had been paid, and in 1916 and 1922 two-for-one stock splits had been declared.<sup>29</sup> On the basis of these results, it hardly seemed likely that Scott would depart radi-

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<sup>29</sup>Annual Reports and Balance Sheets, 1915-1923, REO Collection; Seltzer, A Financial History of the American Automobile Industry, pp. 260-261.

cally from the policies he had followed in the past.

Richard Scott, although of a conservative bent, was an opportunist. Strong willed, strong principled, and strongly disliked by some people because of these traits, he nevertheless had shown himself to be a capable and progressive administrator. For twenty-five years he had worked in Olds' shadow despite the fact that the burden of responsibility for much of that time had been his. Now that Olds had retired in actuality as well as practice, Scott felt that at last he was to have the opportunity to manage REO in his own right. With an established company, assets totaling almost \$23,000,000, a moderately successful car, and almost \$8,000,000 in working capital,<sup>30</sup> Scott was ready to make the moves that he hoped would assure REO a greater share of the automobile market.

Since the founding of the company in 1904, REO had specialized in the manufacture of a medium-price car. Restricted changes in body styling, limited diversification outside of the commercial truck field, concentration on one model, and an excessive emphasis on quality had been characteristic of the firm's operations over the years. Prices had remained virtually unchanged or had been increased while those of other manufacturers, notably Ford, had been slashed on several occasions. In 1915, the Lansing State Journal quoted the following statement of Robert Rueschaw, REO Sales Manager, which

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<sup>30</sup>Annual Report, 1923, REO Collection.

was typical of management's attitude: "Unlike most concerns, the Reo does not depend upon the cities for its demand--not even for the major part of it. Fully 40 per cent of the Reo product goes into the prosperous rural sections where the automobile has proved the most valuable accessory to modern life and happiness." In the same edition of this newspaper, REO boasted that its total administrative sales and advertising expenses were less than 3 per cent.<sup>31</sup> While these methods seemed adequate for survival at the time, continuance of these policies in all probability would have destined the company to an early extinction.

Already in the early 1920's two apparent laws were operative in American business. The first was that of concentration. In the large industries like steel, oil, radio, railroad, banking, newspaper, automotive, and others, weak competitors were forced out of business. The survivors, favored by the indulgent Republican atmosphere of the Harding and later the Coolidge and Hoover administrations, often were mutually tolerant of one another and where competition remained, it was gradually limited to the more powerful companies which became the situation in the automobile industry. Some new organizations were formed and did manage to enjoy an early success but generally the tendency toward restricted competition increasingly spelled doom for all but the largest and financially strongest

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<sup>31</sup>Lansing State Journal, May 11, 1915.



concerns.<sup>32</sup>

The second apparent law which was particularly applicable to the automotive industry was diversification. The most notable example of the validity of this principle was General Motors. Built from an amalgamation of small and struggling companies, the strength of this combination was in part attributable to its success in marketing cars in all price ranges. Even Ford whose name was synonymous with one car, one style, and one color, succumbed to the urge. In 1921 when the Leland's were threatened with a receivership, Ford purchased their company with a bid of \$8,000,000 and entered the high-price field with the Lincoln, a luxury car.<sup>33</sup> Four years later it was Walter P. Chrysler who resourcefully exposed the merits of diversification. Starting with the acquisition of the Maxwell company, he quickly organized the Chrysler Corporation. In 1926 with four models he climbed from thirty-second place in the industry to fifth. By 1928 he was planning a new six, the De Soto, had taken over the Dodge Brothers Company, and had introduced the Plymouth in the popular-price field.<sup>34</sup> In Lansing, William Durant, now almost sixty years of age, had again embarked on a similarly ambitious program. One month

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<sup>32</sup>Allan Nevins and Frank Ernest Hill, Ford: Expansion and Challenge, 1915-1933 (New York, 1957), pp. 475-476.

<sup>33</sup>Ibid., pp. 181-182.

<sup>34</sup>Ibid., pp. 473-475.

after his second resignation from General Motors in December, 1920, he had organized Durant Motors. Starting with the Durant Four, he introduced the Star to compete with Ford less than a year after organization. Other products soon followed, including the Flint, the Princeton, the Eagle, the Durant Special, the Mason Truck, and the Locomobile which Durant had purchased. By 1927 he had evolved plans for a new combination, Consolidated Motors, which was to be patterned after General Motors, using the Star as the nucleus around which independent companies would be added.<sup>35</sup>

Scott's objective was to duplicate on a smaller scale the diversity achieved by General Motors, Ford, Chrysler, and Durant, not by merger as these companies had done but by internal expansion over a period of years. By invasion of the low-price field, continuance of their standard line, and the development of a luxury car, Scott hoped to bring REO quality into all price ranges, get additional volume, and improve the prestige of the company. Distrustful of outside interests whom he thought would take over control if allowed to come in, and proud of the company's record, Scott felt he could accomplish independently at far less cost what the others had by consolidation.<sup>36</sup> Encouraged by the upturn in the business cycle

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<sup>35</sup>Forbes and Foster, Automobile Giants of America, pp. 57-58; Lansing State Journal, April 28, 1955.

<sup>36</sup>Interview with John T. Clark, former Export Sales Mgr., REO Motor Car Co., Feb. 1, 1962.

following the depressive period of the immediate post-war years, Scott, cautiously at first and later with greater confidence, began to formulate plans for expanding REO's business.

The first need was for additional space. A move of the scope Scott anticipated would require more assembly lines, new machinery, storage room, and increased facilities of all kinds in order to accommodate the enlarged operations. Opportunity to obtain the needed space came when the officers of the Duplex Truck Company decided to sell their Lansing plant and continue manufacturing only from their headquarters at Charlotte, Michigan. REO officials seized upon the chance to buy a factory only two blocks from their own and on December 6, 1923, offered \$200,000 for the plant and real estate.<sup>37</sup> Later the same month stockholders of the Duplex Truck Company approved the sale. The entire plant which was to be cleared and turned over to REO by March 1, officials announced would be used for storage and the assembly of buses and special truck jobs.<sup>38</sup> By the summer of 1924, REO had the new factory fully equipped and operating.

Scott now had the floorspace he desired in the main plant for passenger car production but for over a year nothing was done towards the fulfillment of his objective. The reason for this delay was due to the decrease in REO's production, sales volume, and profits for 1924 from the previous year. The

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<sup>37</sup>Directors' Minutes, Dec. 6, 1923.

<sup>38</sup>REO Spirit (Dec., 1923), p. 6.

number of units sold dropped from 31,880 to 28,681, gross sales declined almost \$2,500,000, and profits were more than \$2,000,000 less than the year before.<sup>39</sup> This was enough to make Scott hesitate before embarking on an expansion program that was to be financed entirely out of earnings from a company which had a relatively small volume. Not until 1925 when REO's production, sales, and profits reached or surpassed former levels was Scott again willing to proceed with his earlier plans.

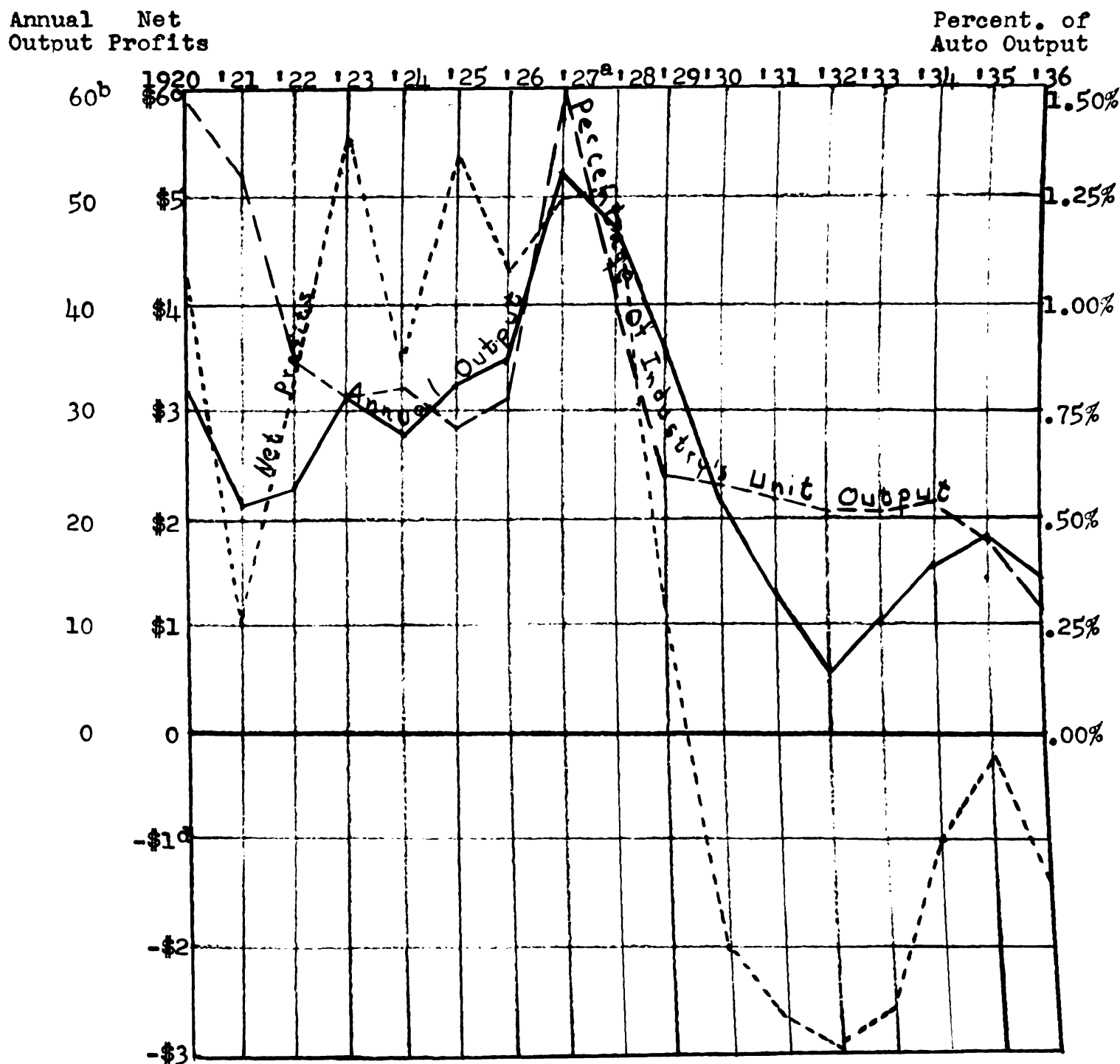
Reassured by the profits of \$5,422,181 which REO showed for the 1925 fiscal year,<sup>40</sup> Scott once more prepared to bring out a full line of passenger cars in the three price classes and in October hired Fabio Sergardi, an automotive design engineer, to style REO's new models. Born in the province of Tuscany, Italy, Sergardi had attended the University of Naples where he had taken his degree in mechanical engineering. His first job was as a draftsman with the Italian Railroad but after a short time he came to the United States and took a position with the Sprague Electrical Company in New Jersey. After a brief stay he had returned to Europe and worked in an engineering capacity with both the DeDion-Bouton company in Paris and the Fiat in Italy. Before long he returned to the United States to work for the American Locomobile Company at Providence, R.I. and some time later was engaged by the Barroque

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<sup>39</sup>Annual Reports and Balance Sheets, 1923-1924, REO Collection.

<sup>40</sup>Idem., 1925, ibid.

Fig. 2.-- REO Motor Car Company's annual production, net profits, and percentage of the automotive industry's unit output, 1920-1936.



<sup>a</sup>All figures for 1927 are for the sixteen months ended December 31 when the fiscal year was changed from August 31 in order to conform to the calendar year.

<sup>b</sup>Figures for annual output are in thousands of units.

<sup>c</sup>Figures for net profits are in millions of dollars.

<sup>d</sup>Denotes loss.

TABLE 3

ANNUAL OUTPUT OF THE REO MOTOR CAR COMPANY  
AND REO'S PERCENTAGE OF THE AUTOMOTIVE  
INDUSTRY'S ANNUAL OUTPUT, 1920-1936<sup>a</sup>

Fiscal Year	OUTPUT - REO			REO'S PERCENTAGE OF AUTOMOTIVE INDUSTRY'S OUTPUT		
	Cars	Trucks	Total	Cars	Trucks	Total
1920	13,500	19,300	32,800	.71%	5.99%	1.48%
1921	9,767	12,604	22,371	.64	8.54	1.34
1922	9,249	13,903	23,152	.38	5.50	.87
1923	15,228	16,652	31,880	.41	4.42	.79
1924	13,366	15,315	28,681	.41	4.31	.80
1925	16,035	16,539	32,574	.41	2.96	.73
1926	13,193	21,349	34,542	.35	3.83	.76
1927 <sup>b</sup>	33,353	20,525	53,878	1.07	4.12	1.50
1928	23,498	23,509	47,007	.58	3.99	1.02
1929	16,100	19,087	35,187	.33	2.30	.62
1930	12,563	8,734	21,297	.43	1.45	.60
1931	6,007	7,878	13,885	.29	1.81	.56
1932	3,908	3,471	7,379	.32	1.41	.51
1933	4,889	5,398	10,287	.30	1.50	.51
1934	4,460	11,222	15,682	.19	1.83	.54
1935	4,692	13,811	18,503	.13	1.82	.44
1936	3,206	11,422	14,628	.08	1.41	.31

<sup>a</sup>The annual production figures of the REO Motor Car Company were obtained from the Stockholders' Minutes. Production figures of the automotive industry necessary for the computation of REO's percentage of the industry's annual output were obtained from: Automotive Industries, XLVI-LXXVI (Jan., 1921-June, 1937).

<sup>b</sup>Figures for 1927 are for the sixteen months ended December 31 when the fiscal year was changed from August 31 in order to conform to the calendar year. In the twelve month period from September 1, 1926 to August 31, 1927, REO produced 40,740 cars and trucks.

TABLE 4

NET SALES, NET PROFITS, REINVESTED PROFITS,  
CASH DIVIDENDS, AND NET WORTH OF THE REO  
MOTOR CAR COMPANY, 1920-1936<sup>a</sup>

Fiscal Year	Net Sales	Net Profits	Reinvested Profits	Cash Dividends	Net Worth
1920	\$43.4 <sup>b</sup>	\$4.6	\$3.9	\$ .7	\$16.7
1921	31.8	1.0	.3	.7	16.7
1922	29.3	3.1	2.1	1.0	19.6
1923	38.3	5.6	3.5	2.1	22.8
1924	35.9	3.4	1.2	2.2	24.0
1925	42.1	5.4	2.9	2.5	26.9
1926	44.1	4.3	1.1	3.2	28.0
1927 <sup>c</sup>	67.2	5.0	2.0	2.0	30.0
1928	59.8	5.1	2.1	3.0	31.3
1929	48.0	1.1	...	2.4	30.8
1930	29.7	(-2.0) <sup>d</sup>	...	1.6	27.3
1931	17.0	(-2.7)	...	.8	22.0
1932	9.1	(-2.9)	...	...	14.3
1933	10.3	(-2.6) <sup>e</sup>	...	...	11.7
1934	13.8	(-1.0)	...	...	10.7
1935	16.1	(- .2)	...	...	10.5
1936	13.2	(-1.4)	...	...	9.6

<sup>a</sup>The data in this table was obtained from the balance sheets and annual reports of the REO Motor Car Company, Division of White Motor Co., Lansing, Michigan.

<sup>b</sup>All figures are in millions of dollars.

<sup>c</sup>Figures for the years 1920-1926 are for the fiscal periods ended August 31; those for 1927 are for the sixteen months ended December 31 when the fiscal year was changed to conform to the calendar year; and those for 1928-1936 for the year ended December 31.

<sup>d</sup>Denotes loss.

<sup>e</sup>Loss from operations, \$1,490,666, and provision for loss on deposit accounts in closed banks, \$1,096,980.

Company of France as engineer in charge of the New York Taxi-Cab Company, an organization they had formed and which was using several hundred of their cars. Since then Sergardi had worked as a design engineer for the Hudson Motor Car Company, chief engineer at both the Olds Motor Works and Willys Corporation, and research engineer at the General Motors Laboratories at Dayton, Ohio.<sup>41</sup>

Fifteen months after Sergardi was hired REO announced the first of its new models, the "Flying Cloud." The name, taken from the "queen of the clipper ships," the company stated, had "become a synonym for fleetness, for a quality of speed, effortless, smooth, invincible, for stanchness of construction, for virility in design, for honor in building."<sup>42</sup> Four closed models, priced slightly higher than the 1926 REO cars and ranging from \$1,595 for the brougham to \$1,845 for the sedan<sup>43</sup> were presented simultaneously with the opening of the New York Automobile Show in January of 1927.

On May 5, 1927, REO officially announced the second of its new models, the "Wolverine," a lower priced and smaller companion to the Flying Cloud. Listed at \$1,195 for the two-door brougham which the company stated was the only model it would build for the present, it was neither a small car nor a

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<sup>41</sup>REO Spirit (Oct., 1925), pp. 6, 16.

<sup>42</sup>Trademark Application, 1926, REO Collection.

<sup>43</sup>Automobile Topics, LXXIV (Jan. 8, 1927), 7990.



light one and was not intended to compete in the lowest-price class. Powered by a six-cylinder engine, equipped with hydraulic brakes on all four wheels, and outfitted with an automatic windshield wiper, steering-post lock, touring trunk, locking type tire-carrier, and front and rear bumpers which were included as standard equipment,<sup>44</sup> the car was built, Scott stated, to round out their line and make a "brisk business for the company." This step was taken, he concluded, because "it had become necessary that the company add a model somewhat smaller and lower in price than the old traditional line of Reo products."<sup>45</sup>

The following month REO again was in the center of attention in the motor world. Early in June the company announced a complete new line of Speed Wagons which the New York Times called "the outstanding news in the commercial field." Designed by Charles F. Magoffin who had come to REO at the same time as Sergardi, the new line covered a wide range from half-ton to three tons and wheelbases from 114 inches to 175 inches. Trucks for every type of job were offered in various models including stake, express, and panel bodies. The newest addition to the line was a "Speed Wagon Junior," a light delivery truck which sold for \$895 for the chassis and \$1,085 when it was

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<sup>44</sup>New York Times, May 8, 1927, Sec. 8, p. 14.

<sup>45</sup>Lansing State Journal, May 4, 1927.

equipped with a deluxe panel body.<sup>46</sup> Never before had REO offered such a wide variety of trucks, a fact which underscored the gradual tendency of the company to emphasize the commercial field. Several times in the past truck production had surpassed passenger car output and after 1927 truck sales usually exceeded the number of cars sold.

By the close of 1927 REO had bettered all previous sales and production records. The popularity of the new models, it was reported, had enabled the company during the first nine months to break all previous records for an entire year's production with 37,599 units.<sup>47</sup> By the end of the fiscal year, 40,740 cars and trucks had been produced,<sup>48</sup> a figure which to some extent was made possible by the deferred payment financing the company had arranged for the first time in its history with the Commercial Investment Trust Corporation on all REO cars, trucks, and buses.<sup>49</sup> Total sales amounted to more than \$67,000,000 but net income per share dropped to \$2.04 against \$2.14 in the 1926 fiscal period, a significant factor in the company's attempt to meet keener competition by operating at a closer

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<sup>46</sup>New York Times, June 5, 1927, Sec. 8, p. 17.

<sup>47</sup>Ibid., Jan. 8, 1928, Sec. 10, p. 36.

<sup>48</sup>Stockholders' Minutes, Dec. 20, 1927.

<sup>49</sup>New York Times, May 7, 1927, p. 27.

margin.<sup>50</sup>

Renewed efforts to keep pace with the leading producers in the automotive industry in 1928 were again reflected in REO's operations for the year. On December 8 the company announced the introduction of a new six-cylinder automobile which was christened the "Flying Cloud Mate" and described as a smaller edition of the original car which became known as the "Flying Cloud Master."<sup>51</sup> Available in two and five passenger sport and sedan models, the car was priced from \$1,375 to \$1,495 and was intended to fill the gap between the Wolverine and REO's more expensive models.<sup>52</sup> The same month the company also added a new line of medium-size and heavy-duty Speed Wagons powered by "Gold Crown" engines which the company had recently developed.

Both the new cars and trucks "have met with gratifying public acceptance," the company stated in the annual report for 1928. "The dealer and distributor organization has materially increased due to the complete line of passenger and commercial vehicles with their wide range of prices now offered to the buying public." The officers concluded that this had

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<sup>50</sup>Magazine of Wall Street, XLI (Feb. 11, 1928), 686.

<sup>51</sup>Automobile Topics, XCII (Dec. 8, 1928), 399.

<sup>52</sup>New York Times, Jan. 6, 1929, Sec. 11, p. 4.

<sup>53</sup>Ibid., Feb. 17, 1929, Sec. 10, p. 18.

enabled them to strengthen their "distribution with desirable representation" because the selling organization was not "affected materially by seasonal demands." This had been overcome, they pointed out, by offering a "line of vehicles covering so large a field of transportation" that dealers experienced a year-around demand and the factory was kept busy even during the cold months, whereas they formerly had been forced to resort to a series of lay-offs and part-time work. The result, they stated, was that there had been further improvements in REO's financial position over the previous year.<sup>54</sup>

"In all we seem to be mighty well off as old 1928 draws the curtain," the editor of REO Spirit commented in December and in view of the company's achievement over the past year his statement appeared to be warranted. Production in 1928 had eclipsed all former records with a total output of 47,007 units<sup>55</sup> and employment had reached a new high of 7,200 workers.<sup>56</sup> Many new machines had been installed in the motor wing of the factory, manufacturing facilities had been expanded, and a new bus plant was being readied for production in anticipation of another peak year in REO's business.<sup>57</sup>

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<sup>54</sup>Annual Report, 1928, REO Collection.

<sup>55</sup>Stockholders' Minutes, April 16, 1929.

<sup>56</sup>Dunn, Labor and Automobiles, p. 19.

<sup>57</sup>REO Spirit (Dec., 1928), p. 4.

Throughout the first five months of 1929 the plans of the management for increased volume were substantially fulfilled by actual sales. In February the company shipped 3,250 cars and trucks as compared with 2,467 in February, 1928. "Shipments for the year to date are about 20 per cent ahead of the corresponding period of last year," the New York Times reported. "The heavy carryover of February orders into March indicates shipments of 5,500 units for the current month, against 3,500 in March, 1928."<sup>58</sup> At the end of May it was reported that 20,127 units had been sold compared to 19,632 for the first five months of 1928 which had been the company's previous record.<sup>59</sup> "The rate at which retail deliveries are being reported, the condition of dealers stock throughout the country, and the number of unfilled orders," REO Spirit stated, "seem to assure a continuation of the very satisfactory business we have been enjoying."<sup>60</sup>

On the basis of these encouraging results, Scott decided to step-up REO's overseas activities in a further effort to boost sales. For several years most of the major automobile companies had been operating in Europe and some had established branches in other parts of the world, principally the British

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<sup>58</sup>New York Times, March 2, 1929, p. 27.

<sup>59</sup>Ibid., June 2, 1929, Sec. 2, p. 12.

<sup>60</sup>REO Spirit (May, 1929), p. 21.

Empire and Latin America. Prior to this time REO had exported to foreign countries but had not set up agencies of its own specifically to stimulate and handle sales abroad. However, the opportunities which the foreign market offered became increasingly apparent and on April 1, 1929, a subsidiary, REO Motors Britain, Limited, was organized for the purpose of carrying on the sale of REO products in England. The company, wholly owned by the parent firm,<sup>61</sup> was another attempt by REO to directly take advantage of the growing foreign market and in the years ahead this effort was greatly accelerated.

Simultaneously with the opening of the English agency, REO announced the marketing of a new deluxe edition of the Flying Cloud Master which was known as the "Car of the Month." The plan was to present each month a special car with distinctive upholstery and trim and limit production to one of these models to each dealer.<sup>62</sup> Although the company did not expect this scheme would increase production or sales to any considerable extent, it was an attempt on the part of the management to gauge on a limited basis public acceptance of a higher priced REO car. Already plans were underway to produce a luxury automobile on a full scale and this measure was intended as only a stopgap until the new model could be marketed. It was to be

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<sup>61</sup>Application for Reconstruction Finance Corporation loan, "History of REO," 1940, REO Collection. (Mimeographed.)

<sup>62</sup>New York Times, Feb. 24, 1929, Sec. 10, p. 11.

the last and most spectacular step in the completion of Scott's program to produce a line of automobiles covering most of the price ranges.

The successfulness of REO's enlarged and diversified operations which were financed entirely out of company earnings, however, depended upon continuation of prosperous times. But except for the first quarter of 1929 when REO showed a net profit of \$537,514 compared with a net loss of \$86,487 in 1928,<sup>63</sup> this was not the case. By the end of June it had already become apparent that REO would not equal the records set the year before. Net profits for the first six months of 1929 totaled only \$1,686,358, equivalent to 84 cents a share on the 2,000,000 shares of stock outstanding, compared with \$3,018,144 or \$1.50 a share in the first half of 1928.<sup>64</sup> Production which through May had surpassed that of the previous year likewise fell behind. For the first six months shipments were 23,127 units compared with 26,031 in the same period of 1928.<sup>65</sup> The comparison after nine months of business was even less favorable. At the conclusion of the third quarter ended September 30, REO showed a net profit of \$2,093,655 or \$1.04 a share,<sup>66</sup> contrasted with an accumulated profit of \$4,651,656,

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<sup>63</sup>Ibid., April 26, 1929, p. 36.

<sup>64</sup>Ibid., July 25, 1929, p. 33.

<sup>65</sup>Ibid., July 2, 1929, p. 47.

<sup>66</sup>Ibid., Oct. 31, 1930, p. 41.

equal to \$2.28 a share in the similar period of 1928.<sup>67</sup> By the end of the fourth quarter the company had a deficit of \$1,326,476 after dividends were paid as profits were clipped to \$1,073,524,<sup>68</sup> the last year REO showed a profit in more than a decade.

Throughout the country REO's predicament was multiplied many times. For on Thursday, October 24, 1929, the American prosperity bubble suddenly burst with the precipitous decline of the New York stock market. Frantic efforts by the pooling of banker's funds to shore up the market met with only temporary results and on the following Tuesday, October 29, it plunged so drastically that prices dropped forty points and thousands of marginal speculators were wiped out. Attempts to bolster the American economy proved futile and gradually the sense of optimism which had characterized the 1920's gave way to a feeling of pessimism as America ushered in the 1930's.<sup>69</sup> The Great Depression that had been forecast but repeatedly forestalled abruptly descended upon the nation's business life and the main question for many companies now became one of simple survival.

At REO the problems caused by the onset of the Depression

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<sup>67</sup>Ibid., Oct. 24, 1928, p. 48.

<sup>68</sup>Ibid., March 25, 1930, p. 48.

<sup>69</sup>John Kenneth Galbraith, The Great Crash, 1929 (Boston, 1961), pp. 103-118.



were further intensified by internal dissension. For some time there had been a latent dissatisfaction among an element of the seven-man board of directors with Scott's management, a disaffection that was heightened by the recent financial catastrophe and the decline in the company's profit ratio, particularly after 1925 when the broad expansion and diversification program had been inaugurated. Since that time the profit margin had been cut to meet competition, several additions had been made to the REO line of cars and trucks, restyling had become an annual event, and the major portion of the company's surplus funds had been funneled back into new dies and equipment. Disturbed by these policies which they considered an over-extension of REO's resources, a group headed by Olds which included Donald E. Bates, secretary and treasurer of the company, George H. Smith, purchasing agent, and Carlton M. Highbie, a partner in the Detroit brokerage firm of Keane, Highbie & Company, after October, 1929, began to openly oppose Scott who was supported by H.T. Thomas and Harry Teel.<sup>70</sup>

The controversy which separated the two groups was temporarily resolved at a meeting of the board of directors held on February 12, 1930, when a compromise was effected. As a concession to the Olds faction, Scott agreed to resign as general manager although he retained the office of president,

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<sup>70</sup>Interview with Hubert Bates, Nov. 27, 1961.

and William Robert Wilson was appointed as his successor.<sup>71</sup> An influential figure in Detroit's industrial and banking circles, Wilson had received his start in the automotive field as assistant to the manufacturing manager of the Studebaker Corporation five years after graduating from the engineering school of Armour Institute in Chicago in 1906. Three years later, in 1914, he became the personal aide of John and Horace Dodge and assisted them in organizing the Dodge Brothers Company. In 1919 Wilson had gone to the Maxwell Motor Company where he had been associated with Walter Chrysler in the rehabilitation and reorganization of the Maxwell business out of which the Chrysler Corporation was formed. From there he had moved on to the Murray Body Company where in 1927 he had been elected chairman of the board and president. Since his resignation from the Murray Corporation in 1928, Wilson had devoted his attention to looking after his personal interests which included large holdings in Allied Motors Industries, an automotive and industrial holding company, and Copeland Products, manufacturers of electrical refrigeration.<sup>72</sup>

At the same time Wilson was named general manager, the board of directors also approved a three-year contract at an annual salary of \$35,000 which stated the terms and conditions

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<sup>71</sup>Directors' Minutes, Feb. 12, 1930.

<sup>72</sup>Lansing State Journal, Feb. 17, 1930; REO Spirit (Feb., 1930), pp. 4, 5, 6.

under which he was given the appointment. Besides making him the chief executive officer of the company, agreeing to elect him vice-president and a member of the board of directors, and promising to sell him 30,000 shares of treasury stock at \$12.00 per share, the most important stipulation of the Wilson agreement in terms of the company's managerial structure was the provision for a voting trust which was to run through December 31, 1932.<sup>73</sup> The plan, authored by Scott and conceded to him by the Olds group, was set up for the purpose of assuring the Voting Trustees, composed of Scott, Wilson, and Bates, continuity of control over a period of time and the prevention of attacks on their management either internally or externally. "For the next three years," R.H. Scott stated in explaining the agreement to REO stockholders, "we want this present management to be given the same solid support the management of the past has had, and a voting trust was the most logical and best medium for assuring this result."<sup>74</sup>

Regardless of the changes in management, however, REO losses continued to mount. At the end of the first half of the 1930 fiscal year net loss totaled \$349,397<sup>75</sup> and after nine months of business it was more than \$1,300,000,<sup>76</sup> despite

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<sup>73</sup>Directors' Minutes, Feb. 12, 1930.

<sup>74</sup>Automobile Topics, XCVII (April 19, 1930), 873.

<sup>75</sup>New York Times, July 29, 1930, p. 31.

<sup>76</sup>Ibid., Oct. 30, 1930, p. 43.

efforts to reduce costs by manufacturing their own commercial bodies.<sup>77</sup> Production was barely more than half of what it had been the year before<sup>78</sup> and in only one month, October, did it exceed the figures set in 1929.<sup>79</sup>

Despite the decline in REO's business, the company went ahead with plans to market a luxury automobile and on October 9 announced the introduction of the REO "Royale." Powered by a straight-in-line eight-cylinder, 125 horsepower engine, the first to be made by REO, and styled along "aerodynamic" lines by Amos E. Northrup, chief designer of the Murray Corporation, builders of REO bodies,<sup>80</sup> and Fabio Sergardi,<sup>81</sup> the car was described as the "most beautiful in America." From the "sharply pointed Vee-type radiator" and the "wing-like" front fenders which were swept back and "rolled under at the edges" through the "sloping windshield" where the "exposed sun visor had been eliminated" to the "sweeping rear body panel" which completely concealed the gasoline tank and springs, the "unified contour" of the Royale was "unbroken." Inside the cars were outfitted with many "custom features." "Down pillows backed up by full Marshall springs," "softly padded arm rests," adjustable front

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<sup>77</sup>Directors' Minutes, March 28, 1930.

<sup>78</sup>New York Times, July 2, 1930, p. 35.

<sup>79</sup>Ibid., Nov. 2, 1930, Sec. 2, p. 11.

<sup>80</sup>Automobile Topics, C (Nov. 15, 1930), 124.

<sup>81</sup>Lansing State Journal, Dec. 9, 1930.

seats, "individual sun visors," "folding center arm rests" in front and rear, "smoking sets, including lighters," and "lamps to illuminate the running boards automatically when the doors opened," were standard equipment. "Individual hassocks" or foot rests and cushions covered with "deep pile velvet" completed the "plush appointments" of the Royale.<sup>82</sup>

Following close upon the appearance of the Royale, REO also announced the introduction of new Flying Cloud eights and sixes, each in three body styles--sedan, victoria, and coupe. Patterned after the Royale series, the models ranged in price from \$1,195 to \$1,995 and were equipped with REO's new "silent-second" herringbone gear transmission which was said to eliminate the noise of second-gear driving and permitted easy shifting between second and third at speeds up to forty miles per hour.<sup>83</sup> Two months later new intermediate-size Speed Wagon models featuring "improved appearance, comfort, and performance" and priced from \$895 to \$1,095 were also introduced.<sup>84</sup>

While the new models introduced in the fall of 1930 met with favorable public acceptance, Barron's reported in the spring of the following year, "seasonal influences and business

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<sup>82</sup>Ibid., Oct. 9, 1930; REO Spirit (Oct., 1930), pp. 3, 6, 7, 13; Automobile Topics, C (Nov. 15, 1930), 124-125.

<sup>83</sup>New York Times, Oct. 26, 1930, Sec. 9, p. 6.

<sup>84</sup>Ibid., Dec. 7, 1930, Sec. 10, p. 11.

conditions prevented the realization of any important volume, so that results to date are not a fair indication of the new line's possibilities."<sup>85</sup> Nevertheless, REO's annual statement showed that for the first time in the company's history it had operated in the red. Losses for the year totaled \$1,989,148, production dwindled to 21,297 units, and dollar volume of sales of cars and trucks decreased 38.9 per cent over 1929. The only consoling factor was that REO had bettered the average reduction of 47.3 per cent for the industry, exclusive of Ford and Chevrolet, and had advanced to ninth position in factory sales in the final quarter of 1930 compared with twenty-third place in the corresponding period of 1929.<sup>86</sup>

Concomitant with the issuance of the annual report, R.H. Hudson, export sales manager, disclosed that REO would again start assembling trucks, buses, and passenger cars in Canada. Since 1915 when the original REO factory had been turned over to the production of munitions, the company had been supplying the Canadian market from the home plant. The cause of this new decision was an announcement from Ottawa on February 19 by E.B. Ryckman, Canadian Minister of National Revenue, that a fixed discount of 20 per cent from list prices had been placed for

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<sup>85</sup>"Reo Motors Expanding Its Line," Barron's, XI (April 6, 1931), 20.

<sup>86</sup>Ibid.; Annual Report, 1930, REO Collection; Lansing State Journal, March 24, 1931.

duty purposes on all American automobiles entering Canada for sale. Prior to this time motorcars exported to Canada had entered on a list price, less a discount, and the duty was assessed on the reduced amount. In the past the discount had ranged as high as 30 per cent which had led Canadian automobile manufacturers to ask that a maximum discount be set. The resultant action, a measure affecting almost exclusively the United States, amounted to raising prices on American automobiles entering Canada 15 per cent or more depending on the original price.<sup>87</sup>

Preceded by the Nash Company and the Hupp Motor Corporation, REO was the third American motorcar company to announce production of automobiles in Canada after passage of the Order-in-Council which limited trade discounts on imported cars. On March 24, 1931, the company revealed that it had leased one of the main buildings of the former Dodge Brothers plant in Toronto. Equipped with an assembly line, overhead carriers, and other special equipment, the factory began production on April 1. At the start all parts were imported from the home factory but in time it was expected that an increased proportion of the cars and trucks would be fabricated in Canada. Eventually it was anticipated that besides supplying the Canadian market the plant would also furnish all units for REO's

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<sup>87</sup>New York Times, Feb. 20, 1931, pp. 1, 30; Joseph M. Jones, Jr., Tariff Retaliation (Philadelphia, 1934), pp. 197-198.

sales subsidiary, REO Motors Britain, Limited, because of the passage in England of a higher tariff and the imperial preference she accorded to her Dominions and colonies.<sup>88</sup>

Other evidences of REO's efforts to weather the Depression soon followed. In April the sagging sales organization was bolstered by the formation of the REO Sales Corporation, a firm set up to finance the company's dealerships in Philadelphia, Dallas, Jacksonville, Atlanta, Birmingham, San Francisco, and Charlotte, North Carolina that had failed.<sup>89</sup> Later other agencies in Washington, D.C., Boston, Kansas City, New York, Chicago, Newark, Milwaukee, and Indianapolis were taken over by the company. In the spring of the year plans were revealed for expanding the company's line of passenger cars and new commercial vehicles, both larger and smaller than the present offerings, were also added. "With the consummation of those plans," Barron's reported, "Reo will be in a position to bid more effectively for whatever business develops during the upturn in the cycle of automobile production and sales, now generally conceded to be in its early stages. In providing its sales with wider variety of offerings and the opportunity for increased volume and profits, Reo is preserving a reputation for consideration of its distributors and dealers. The new pro-

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<sup>88</sup>Toronto Daily Mail and Empire, March 24, 1931, clipping, Olds Collection, R.E. Olds Co., Lansing, Michigan; Lansing State Journal, March 24, 1931; Jones, Tariff Retaliation, pp. 235-240.

<sup>89</sup>Directors' Minutes, April 28, 1931.



gram should strengthen Reo's competitive position materially."<sup>90</sup>

But all was not well at REO. The first sign of renewed management difficulties occurred in May of 1931 when notice was given that the Voting Trust would be dissolved on June 30, a year and a half before the prescribed termination date.<sup>91</sup> The reason given for this action was that the Trustees had "noted with satisfaction the conduct of the affairs of the Company since the creating of the Trust, and now feel that the purpose of the Agreement has been sufficiently served so that it need no longer continue."<sup>92</sup> In actuality, however, the Voting Trust had not fulfilled the objective for which it was designed. It had not prevented the recurrence of dissension among the officers since only 500,000 of the 2,000,000 shares of REO stock, most of which was held by company executives, had been converted into Voting Trust Certificates and dissolution of the Agreement which was tied to the Wilson contract, gave indication that further trouble lay ahead.

William Robert Wilson had been brought to REO to try to pull the company out of its difficulties. Since that time, however, REO's problems had multiplied. The Royale, introduced in a period of depression when the trend was toward the

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<sup>90</sup>Barron's, XI (April 6, 1931), 20.

<sup>91</sup>Directors' Minutes, May 21, 1931.

<sup>92</sup>Ibid., June 24, 1931.

smaller car, was a mistake that it was estimated cost REO in excess of \$6,000,000.<sup>93</sup> Several other new models of cars and trucks, produced at great expense, gave REO one of the most complete lines of passenger and commercial vehicles in the industry but this had no effect on improving the company's financial position in a rapidly declining market. By the end of the year sales had dropped off to \$17,043,957, losses soared to \$2,749,238, and production shrank to 13,885 units.<sup>94</sup> Competition from the automotive industry's "Big Three," along with the Depression, had taken the toll of many independents. REO was beginning to feel the pinch.

When it was seen that Wilson's plans to revitalize the company had failed, pressure was brought on him to resign. On September 1, 1931, the three-year contract he had with the company which still had a year and a half to run, was terminated by mutual consent of both parties.<sup>95</sup> Six months later on March 5, 1932, he tendered his resignation as vice-president and general manager and Richard Scott whom Wilson had replaced was again installed as REO's ranking executive officer.<sup>96</sup>

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<sup>93</sup>C.W. Haybarker, "Brief History of Reo," MS, REO Collection.

<sup>94</sup>Annual Report, 1931, ibid.; Stockholders' Minutes, April 19, 1932.

<sup>95</sup>Directors' Minutes, Nov. 24, 1931.

<sup>96</sup>Ibid., March 5, 1932.

After two years of official dissension, the first round in the struggle to control the company had ended in a victory for Scott. In another two years the second round would go to Olds.

## CHAPTER VII

### RETURN TO ACTIVE MANAGEMENT

Nowhere in America was there an area of life untouched by the Depression which had been precipitated by the frenzied sale of nearly sixteen and a half million shares of stock on "Black Tuesday," October 29, 1929. Three years later the nation was engulfed in the throes of the economic upheaval and indications were that the worst was yet to come. Twelve months after the crash six million men walked the streets looking for work. By 1932 unemployment figures rose as high as 80 per cent in some of the highly industrialized cities. The mounting number of banks that failed continued to grow, scores of factories shut down, foreign trade declined from \$10 billion in 1929 to \$3 billion in 1932, and bread lines swelled as the effects of the Depression drifted up into the middle class. The plight of the farmer who had seen little of the prosperity of the Twenties, grew more hopeless as gross farm income fell from nearly \$12 billion to a low of \$5 billion. Within the three year period the physical output of manufacturing fell to 54 per cent of what it had been in 1929. Steel plants were operating at 12 per cent of capacity and the output of pig iron declined to the lowest figure it had been since 1896. Freight shipments were cut in half and several of the major

railroad systems passed into receivership.<sup>1</sup>

The automotive industry was one of those hardest hit by the Depression. By the last year of the Hoover administration the great auto plants were operating at about one-fifth of their 1929 capacity. It has been estimated that in 1930 between one-quarter and one-third of the nation's automobile dealers went out of business. The roster of small independent manufacturers that went under lengthened with each passing year. Among the firms which disappeared in 1930-1931 were the makers of the Stearns, Moon, Kissel, Gardner, Locomobile, Elcar, and Jordan automobiles while the Marmon Company soon followed them. For those companies that managed to hold on, operating losses became an annual statistic and cash reserves slowly began to melt away. Hudson posted its first deficit in 1930 and two years later Studebaker and Nash went into the red. In 1931, the Ford Motor Company which only a season before had outsold the entire line of General Motors, showed a net loss of \$37,181,000 as the Model A experienced the same disfavor that had once overtaken the Model T.<sup>2</sup>

At REO continued financial difficulties and operational losses became of primary concern as the company endeavored to

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<sup>1</sup>William E. Leuchtenburg, The Perils of Prosperity, 1914-32 (Chicago, 1958), pp. 247-248.

<sup>2</sup>Nevins and Hill, Ford: Expansion and Challenge, pp. 571-573.

stay alive in an industry where the well-established trend towards concentration had taken on new meaning. Although the ratio of current assets to current liabilities at the close of 1931 was still a substantial 8.89 to 1 compared with 10.5 to 1 in 1930, these figures did not reveal the actual extent of the company's losses over the previous two years. Since 1929 total current assets had fallen off more than \$10 million while total current liabilities had dropped less than \$1,500,000. Total capital and surplus reserves likewise declined almost \$9 million and operating deficits for the two year period added up to more than \$3,700,000.<sup>3</sup>

By 1932 the prolonged seriousness of the economic situation forced the company to make several changes in its policies. In January REO announced plans to return the manufacture of many parts to its own shops as a measure to increase the productive efficiency of its plants and to provide more work for its own employees.<sup>4</sup> The following month the company discontinued the REO plant at Toronto and completed arrangements with the Dominion Motors, Limited, an independent Canadian firm, for the exclusive manufacture, sales, and service of REO passenger cars and commercial vehicles.<sup>5</sup> In April a new line of Flying

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<sup>3</sup>Annual Reports, 1929; 1930; 1931, REO Collection, Division of White Motor Co., Lansing, Michigan.

<sup>4</sup>Automobile Topics, CIV (Jan. 23, 1932), 905.

<sup>5</sup>Lansing State Journal, Feb. 6, 1932.

Clouds, priced around \$1,000, was introduced by the company<sup>6</sup> and in the summer new Speed Wagons, selling as low as \$625, and a four-ton truck, priced at \$2,295, were announced.<sup>7</sup>

Despite the efforts of the company to reduce costs, REO's pattern of unprofitable operations continued into 1932 as the stagnating effects of the Depression wore on. At the end of March, REO's net loss was \$753,277, almost double what it had been the year before<sup>8</sup> and for the first time since 1911 the quarterly cash dividend was omitted.<sup>9</sup> After six months of business losses totaled \$1,340,181, almost three times more than in the first half of 1931 and after nine months net loss was nearly \$2 million. Cash and marketable securities were reduced by \$4,500,000,<sup>10</sup> creating an alarming imbalance in the ratio between current assets and current liabilities.

The remedy proposed by the directors on December 7, 1932 to correct this situation was to halve the par value of REO's common stock from \$10 per share to \$5, a step which had been taken by several other corporations during the course of the

<sup>6</sup>New York Times, April 24, 1932, Sec. 9, p. 6.

<sup>7</sup>Ibid., June 12, 1932, Sec. 9, p. 7; August 21, 1932, Sec. 8, p. 7; Automobile Topics, CVII (August 6, 1932), 18.

<sup>8</sup>New York Times, April 30, 1932, p. 25.

<sup>9</sup>Directors' Minutes, Feb. 16, 1932; Ibid., Feb. 21, 1932, Sec. 2, p. 7.

<sup>10</sup>New York Times, Nov. 19, 1932, p. 36.

year including Studebaker and Chrysler.<sup>11</sup> By approving this action, Scott stated in a letter to the stockholders informing them of the directors' decision, REO's capitalization would be cut in half which would result in a credit of \$9 million to the company. Of this amount, he said, they recommended that \$4,479,766 would be written off against the fixed assets, \$405,595 would be kept in reserve for "other contingencies," and the remainder would be charged to capital surplus.<sup>12</sup> On December 27 a special stockholders' meeting was held in which formal endorsement was given to the change which became effective immediately.<sup>13</sup>

While this move made the company appear more solvent, the actual gains occasioned by it were shortly wiped out by the failure of the Capital National Bank to reopen following President Franklin D. Roosevelt's bank moratorium in March, 1933. REO's investments in the institution at the time of its closing totaled \$1,096,980, the result of an arrangement made fifteen months earlier. In December, 1931 the City National Bank of which Richard Scott was president and in which REO had deposits of approximately \$600,000, was on the verge of collapse. In

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<sup>11</sup>Lansing State Journal, Dec. 8, 1932.

<sup>12</sup>R.H. Scott to REO Stockholders, Dec. 7, 1932, REO Collection.

<sup>13</sup>Stockholders' Minutes, Dec. 27, 1932; Lansing State Journal, Dec. 28, 1932.



order to avoid the closing of the City National, the Capital National Bank of which Olds was president had agreed to assume all of the deposit liabilities of the former if certain conditions were met. One of the terms was that REO would guarantee the Capital National Bank against loss to the extent of \$375,000 and would also place on time deposit for at least one year the sum of \$1 million. This agreement which was approved by Scott at the time of the negotiations was ratified on December 28 by REO's board of directors who turned over to the Capital National Bank \$395,000 in municipal bonds and \$1 million in cash.<sup>14</sup>

The loss suffered by REO through the closure of the Capital National Bank was the prelude to another unprofitable year and the spark that once more ignited the fires of discontent. During the ensuing months other fuel was added. The costly introduction of new models with refined styling and engineering improvements, the further reduction of prices, continued concentration on passenger car production at the expense of the commercial vehicle business, gradual loss of the small truck market to Chevrolet, Ford, and Dodge,<sup>15</sup> the expense of developing and manufacturing the "self-shifter," an automatic transmission invented by H.T. Thomas,<sup>16</sup> and accumulated losses totaling more

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<sup>14</sup>Directors' Minutes, Dec. 28, 1931.

<sup>15</sup>C.W. Haybarker, "Brief History of Reo," MS, REO Collection; Interview with Robert Frank McKim, Jan. 5, 1962.

<sup>16</sup>Lansing State Journal, April 10, 1933; New York Times, April 16, 1933, p. 16; REO Spirit (April, 1933), p. 7.

than \$1 million by September 30<sup>17</sup> were factors considered by the opposition as sufficient cause for a second attack on the management of Richard Scott.

The incident that touched off the new crisis was the following letter of resignation as chairman of the board of directors sent by Olds to Scott on December 15, 1933:

Dear Mr. Scott,-

I regret that I feel it my duty to resign from the Board of the Reo Motor Car Company. Our relations over the past twenty-five years have been very pleasant.

However, I am not in sympathy with the policy of the present management, so I feel it my duty to take this action rather than have the world blame me for what I am in no way responsible for.

Yours truly,

R.E. Olds (Sgd.)<sup>18</sup>

Immediately the opposition seized upon Olds' resignation as a lever to oust Scott from control and on December 18 a special meeting of the board of directors was called for that purpose. With the lines of support unevenly drawn, the results were a foregone conclusion. Scott was deposed as general manager although he once again was permitted to retain the office of president and Charles W. Avery who was chairman of the board and president of the Murray Corporation in Detroit<sup>19</sup> was elected

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<sup>17</sup>New York Times, August 3, 1933, p. 30; Oct. 23, 1933, p. 29.

<sup>18</sup>Olds to R.H. Scott, Dec. 15, 1933, Olds Collection, R.E. Olds Co., Lansing, Michigan.

<sup>19</sup>Detroit City Directory, 1933, p. 288.

to succeed him. At the same time, management of the company was temporarily vested in an Executive Committee which was given the power to exercise all authority in policy matters until the next stockholders' meeting was held in April, 1934. Olds, who had agreed to remain under the new set-up, was named chairman of the Committee which also included D.E. Bates, George E. Smith, and Avery.<sup>20</sup>

Ten days after the major reorganization of REO's managerial structure, additional changes were brought on by the resignation of C.W. Avery. Named to succeed him by the Executive Committee meeting in its first session on January 4, 1934, was Ray A. DeVlieg who was also appointed works manager in full charge of factory operations, a move which virtually eliminated Harry C. Teel, factory superintendent and cohort of Scott, from all responsibility.<sup>21</sup> For many years works manager of several plants of the Chrysler Corporation, DeVlieg recently had come to REO as assistant to the president.<sup>22</sup>

With Scott and Teel out of the way, the last member of REO's "old management" to be purged was H.T. Thomas. Early in February he was replaced as chief engineer by Ray J. Fitness who also came from Chrysler where for the past three years he

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<sup>20</sup>Directors' Minutes, Dec. 18, 1933.

<sup>21</sup>Executive Committee Minutes, Jan. 4, 1934.

<sup>22</sup>Lansing State Journal, Jan. 6, 1934; Automobile Topics, CXII (Jan. 13, 1934), 607.

had been an experimental engineer. Prior to that he had been associated with several other automobile concerns including Continental Motors, Studebaker, and Dodge Brothers. "The appointment of Mr. Fitness, and his active supervision of the engineering division," the company stated in a public announcement, "will enable H.T. Thomas, veteran head of the Reo staff, to devote virtually all his time to the duties of chief research engineer."<sup>23</sup> In effect, however, Thomas had been demoted just as Scott and Teel before him, the last move of the Executive Committee in laying the groundwork for what turned out to be the first and most bitter proxy struggle in REO's history.

For almost two months following the deposition of Thomas, however, the affairs of management at REO were carried on without any sign that a dispute would result from the recent actions of the Executive Committee. On March 19 a proxy committee consisting of Olds, Scott, Smith, and DeVlieg was appointed to prepare and mail to all the shareholders a notice of the annual meeting to be held on April 17, enclosing with the letter a printed proxy in favor of the committee.<sup>24</sup> Scott signed the notice along with the others and it appeared that he had accepted the limitations imposed upon him just as he had on a former occasion under similar circumstances. Not until April

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<sup>23</sup>Automobile Topics, CXIII (Feb. 10, 1934), 54.

<sup>24</sup>Directors' Minutes, March 19, 1934.

was there any evidence that he would contest the Olds group for control of the company.

The first indication of a proxy struggle came on April 3 when a letter was sent to the REO shareholders by an "Independent Stockholders' Committee" consisting of W.S. Diamond, chairman, Raphael P. Koenig, counsel, and Edward Light, secretary, all New York figures. Charges were made that sales in the past six years had fallen off 83 per cent, operating deficits in the last four years had resulted in a loss to the company of more than \$10 million, and working capital had declined by \$13 million, an "appalling shrinkage," the letter stated, that could not be "attributed alone to the Depression." REO was pictured as "far behind the field" because of the inability of the management to meet the "demands of the times," while other automobile concerns had started a "forward movement in 1933" that had netted them tremendous profits in the first quarter of 1934. Management of the company, they contended, was controlled by 25,000 shares of stock and Olds who they said "dominated" the REO Board of Directors, was listed as holding only 600 shares, having disposed of 26,000 shares in the early part of 1933 when he knew the company had more than half of all its cash tied up in the closed Capital National Bank which he headed. The question put to the stockholders by the committee was whether they wanted the Olds faction which was characterized as having a "self-seeking attitude" and owned

"practically no stock" to continue to dominate the company or whether they would reinstate the Scott group which was said to own about 150,000 shares and was pledged to a "progressive policy of engineering and manufacturing" along with "skillfully planned and aggressive merchandising."<sup>25</sup>

This notice of the Independent Stockholders' Committee was followed on April 5 by a letter sent to the shareholders by R.H. Scott in which he openly associated himself with the group trying to gain control of the company:

I believe the Independent Stockholders' Committee has the best interests of your Company at heart and that your interests will best be served by forwarding to them your proxy.

.....  
So that there may be no misunderstanding, I wish to go emphatically on record with my belief that only by signing the proxy of the Independent Stockholders' Committee will it be possible for the stockholders to obtain proper representation in the management of the Company.

When this is done, our Company again can look forward to recovering its former position in the automotive industry. Once harmony is established within, it should be possible to make the progressive moves necessary to regain our earning power.<sup>26</sup>

These attacks by the "independents" drew a response from the "New Management Committee" on April 7 in the form of a "true statement of facts." Expressing "regret and surprise" over the charges which were said to constitute a "deliberate attempt to create unfavorable reaction to the Company," the

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<sup>25</sup>Independent Stockholders' Committee to REO Stockholders, April 3, 1934, REO Collection.

<sup>26</sup>R.H. Scott to same, April 5, 1934, ibid.

letter named Scott as the instigator of the assault and cause of REO's difficulties:

Whatever responsibility arises as a result of the critical accusations made by the 'Independent Stockholders' Committee' must be squarely placed upon the promoter of this attack, Mr. R.H. Scott. For the past ten years Mr. Scott has been President of the Company, and with the exception of the years 1930 and 1931, he has for the past sixteen years been General Manager. The by-laws of the Company gave to him as General Manager, the full power and authority to manage the business.

They agreed that the results of the operations of the company during the past few years had been unsatisfactory and for that reason, they explained, they had voted to remove Scott. "At the same time that Mr. Scott was removed as General Manager, his brother-in-law, Mr. H.C. Teel, Factory Manager, and several relatives holding important positions were removed," the letter continued, because the time had passed "when stockholders should be required to carry the burden of a family clique on the payroll." Since these people had been dismissed, the statement concluded, "real progress" had been made under the direction of the New Management and "public interest in Reo" had reached the "highest point in years."<sup>27</sup>

Two days later the New Management Committee followed up this initial rebuttal to the Independent Stockholders' Committee with the publication in the April 9 issue of the Lansing State Journal of a letter from Hugh R. Baker of the American Bank Note

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<sup>27</sup>New Management Committee to same, April 7, 1934, ibid.

Company to Olds concerning an investigation he had made of W.S. Diamond:

I received the circular from W.S. Diamond yesterday. Its allegations were so grave that I at once called on his Attorneys. Invited to associate with him, I felt I should know something of his antecedents. I wanted to know his position with respect to Reo shares, the names of those aligned with him, the names of those he had in mind for new Directors, and what he proposed to gain through his action. I therefore put a series of questions to Koenig, Brachsner & Koenig as follows:

Who was Mr. Diamond? Was he in business here? What was his address--in view it was not to be found in the Directory?

A more evasive set of men I have never contacted. They couldn't give me his address because that would be divulging something anent a client. I would have to take their word that he represented a half million (\$500,000) investment in Reo. A list of his associate Reo shareholders? That was impossible because there was only one list and that in his possession! (Imagine one copy only in existence of so important a list!) Who was he? Well, he had money but was in no especial business.

And on the strength of these vague explanations they tho't I instantly should identify myself with them. I however am not used to such leadership. I think you have made mistakes--what business man hasn't during this period of stress and turmoil? And I believe you can rebuild the business which you so remarkably developed during those many years. I therefore enclose our proxies; and you are at liberty to use this letter as you see fit. I feel that if Reo stockholders could see and experience what I did with these men, they would form the same resolution as have I. And I'm sure they would draw the same conclusion as have I. It is this: that the elusive Mr. Diamond is nothing more than a professional proxy seeker. His type is so well known in the financial district where I serve that the matter may be dismissed without more ado.

In a counterattack to the accusations against Diamond in the Baker letter, the Independent Stockholders' Committee



on April 12 replied by levying a new charge against Olds. "Do you want to see the 200,000 shares of Reo stock now in the treasury leave our Company without payment of cash?" the stockholders were asked. Warning that this might happen if Olds was not removed, the Committee issued the following statement to substantiate their contention:

On March 13th, 1934, in New York, Mr. Olds stated to the Chairman of this Committee, in the presence of three other persons, that it was his intention, when he became president after April 17th, to turn over to the Reo Company a Diesel engine, taking as payment the 200,000 shares of Reo common stock now in the treasury. (The Company bought this stock on the open market and paid about \$2,000,000 in cash.)

Mr. Olds knew enough to sell his Reo stock in 1929 when the Company was at the height of its prosperity. Evidently now he knows when to sell his Diesel engine company. He can do this without your permission, if he and his faction remain in control.<sup>28</sup>

This attack on the New Management Committee and Olds in particular, was bolstered the following day by the publication of an open letter R.H. Scott had written to REO stockholders. "It is certainly distasteful to me to be forced into the position of defending myself after thirty years' service with your Company against the odious and untrue statements just made by Mr. Olds and his Committee," Scott said. He then proceeded to outline eight "true facts" which included such observations as: he was not the instigator of the Independent Stockholders' Committee and had no part in its formation; during the period since 1915 the company under his management had profited \$40 million

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<sup>28</sup>Lansing State Journal, April 12, 1934.

despite losses of the past four years; as general manager he was subject to the board of directors, the majority of which was controlled by Olds; and he had demonstrated his good faith in the banking situation at the time of the failure of the City National Bank by personally depositing 70,000 shares of his REO stock in the Capital National Bank "to protect the public of Lansing," while Olds who also deposited 26,000 shares, in some way later extracted his stock and sold it. In conclusion, Scott stated,

Obviously as the largest stockholder in the Reo Motor Car Company, my selfish interest is my investment in the Company. I am not satisfied that the Olds group will do justice to the stockholders and it is for that reason that I have indorsed the activities of the Independent Stockholders' Committee.<sup>29</sup>

The next day in a notice entitled, "The New Management Committee of the Reo Motor Company Answers Two Grave Charges Made by R.H. Scott," a reply was given:

Mr. Scott ... made two statements concerning Mr. Olds, which make it necessary for the New Management Committee to lay bare the abortive attempt of a group, headed by W.S. Diamond of New York City and supported by R.H. Scott to gain control of the Reo Motor Car Company.

This group has launched a series of vicious personal attacks through letters mailed to stockholders, and advertisements in newspapers. The majority of their statements have misrepresented facts, have been irrelevant to the issue and are so ridiculous that they need no answer. However, two statements made by R.H. Scott in his message ... must be challenged--and answered.

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<sup>29</sup>Ibid., April 13, 1934.

The first was Scott's statement that he was not the instigator of the Independent Stockholders' Committee. Proof that he was, the Olds group contended, was a letter from Scott to Diamond dated March 22, 1934, in which Scott wrote that he had notified the Guaranty Trust Company, REO's transfer agents, to furnish Diamond with a complete stockholders' list. Additional evidence, they pointed out, was a letter Scott sent to Koenig on March 26 in which he personally authorized the circulation of a notice to the stockholders stating he approved of the activities of the Independent Stockholders' Committee.

The second "charge" answered by the New Management was Scott's statement that Olds had deposited 26,000 shares of his REO stock in the Capital National Bank and then withdrawn and sold them. In rebuttal, they stated,

... Mr. Olds deposited 25,000 shares of Reo stock instead of 26,000. On May 13, 1933, Mr. Olds withdrew the 25,000 shares and deposited in their place \$230,000 par value Municipal bonds approved by the Board of Directors of the Capital National Bank and the Conservator. This was done in conformity with the provisions in the Guarantee Agreement for the substitution of collateral. Yet Mr. Scott charges that Mr. Olds 'in some way' 'extracted his stock from the Bank.' Mr. Scott failed to say that both he and Mr. Thomas recently told Mr. Olds that they have signed an option for the sale of their stock.<sup>30</sup>

On this note the public campaign for proxy votes came to a close with both sides claiming more votes lined up behind them than the other. Neither was certain of victory, however,

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<sup>30</sup>Ibid., April 14, 1934.

until H.T. Thomas in a surprise move, notified Olds on April 16 that he was turning his votes over to him:

I regret that I had anything to do with the Independent Reo Proxy Committee. I have been with you for over thirty years and must say I consider you the most honorable man it has been my lot to be associated with. Therefore I am through with so-called Independent proxy committees and enclose you my proxy to vote as you wish.<sup>31</sup>

In the evening of the same day, Scott in a public statement, also said that he regretted having had anything to do with the "independents" and announced that he had aligned himself with Olds:

I regret that a difference of opinion as to the policies to be pursued by the Reo Motor Car Company has arisen between R.E. Olds and me, and that certain individuals have sought to take advantage of this difference of opinion.

Mr. Olds and I have been friends for over 30 years. I believe he has at all times sought to do whatever he thought best for the interest of the company. It would be a great misfortune if any personal difference should adversely affect the company.

After further consideration of the facts, I have decided to withdraw as president and director of the company and to whole-heartedly support the new management. I have therefore given my proxy to Mr. Olds and his committee for the annual meeting to be held Tuesday, April 17, 1934.<sup>32</sup>

Scott's decision to defer to Olds no doubt was a difficult one for him to make. Possibly he realized that regardless of the action he took he could not hope to win. Furthermore, it seems that by this time he had developed a dislike and dis-

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<sup>31</sup>H.T. Thomas to Olds, April 16, 1934, Olds Collection.

<sup>32</sup>Lansing State Journal, April 17, 1934.

trust of Diamond and his associates who he thought wanted control of REO only for personal gain. Loyal to the company and desirous that it should remain in local hands, he had come to the conclusion that despite the outcome he would have to resign and reasoned that under those circumstances REO's interests would best be served by the Olds group.<sup>33</sup> Nevertheless, this did not soften his resentment for Olds and those who had supported him and until his death on March 9, 1944,<sup>34</sup> the bitterness he held towards them did not subside.

The defection of Scott, however, left the Independent Stockholders' Committee without any possibility of carrying on the fight for control. In a public statement, R.P. Koenig declared, "I seem to have lost my ace of trumps in the middle of the game." Later addressing the stockholders' meeting, he announced there would be no further contest due to the fact that his committee had control of only 300,000 proxies.<sup>35</sup> When the count was taken, it showed that the management committee had voted more shares of stock than had ever been represented at a REO annual meeting. The actual number was 1,275,997 of which 1,236,056 were in the form of proxies vested in the Olds group.<sup>36</sup>

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<sup>33</sup>Interview with Mrs. Richard H. Scott, Dec. 6, 1961.

<sup>34</sup>Lansing State Journal, March 11, 1944.

<sup>35</sup>Ibid., April 17, 1934.

<sup>36</sup>Stockholders' Minutes, April 17, 1934; Automotive Daily News, April 21, 1934.



After the conclusion of the stockholders' meeting, Olds was asked for his comment on the recent proxy struggle and stated:

It was an interesting fight. I enjoyed it from start to finish and hold no bitterness toward anyone involved. I have implicit faith in the experience and ability of the men chosen for the company's active direction. I have said right along that I was not looking for a job and that my only purpose in seeking to perpetuate the present control was to give Reo a more aggressive management. It is a great company with a great reputation and deserves to grow and prosper. Under this group, with the program now in process of development, I am sure it will.<sup>37</sup>

The program to which Olds referred had been started shortly after the formation of the Executive Committee. At the board of directors' meeting in January he had proposed that a study be made of the advisability of marketing a low-price, four-cylinder car to sell for \$400 and had recommended an inquiry into the capacity of the Continental Motors Corporation of Grand Rapids to produce it for them.<sup>38</sup> The following month when an unfavorable report was made on the Continental small-car program, Olds again had stressed before the board the extreme importance of quickly considering another plan for developing a low-price car and R.A. DeVlieg had been authorized to begin an engineering study to determine what could be done.<sup>39</sup>

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<sup>37</sup>Lansing State Journal, April 18, 1934.

<sup>38</sup>Directors' Minutes, Jan. 15, 1934.

<sup>39</sup>Ibid., Feb. 6, 1934.

The motivation behind Olds' desire to have REO market a low-price car at this time was based on the common idea to which he subscribed that while many people bought more expensive cars in prosperous times, during scarce money periods most of them tended to buy the best automobile they could for the least amount of money. In 1910 he had said,

I have found that during periods when money is scarce and times are dull, the majority of the buying public look for a popular priced car, which has proven practical. In fact, it is hard times that the people look for the greatest bargains in the article which they desire to secure, and seek to obtain that which will give the best satisfaction with the least outlay of money both in purchase price and cost of maintenance....<sup>40</sup>

Now that the nation was in the grip of the Great Depression, Olds returned to the idea and strongly advocated the volume production of a low-price car, a step which he considered vital to the recovery of REO.

Closely following his views on the economic importance to REO of manufacturing low-cost transportation, Olds also thought that lowered maintenance and operating expenditures would appeal to a buying public confronted with limited purchasing power. With this in mind he patented and reputedly invented a device known as a "gasifier" which he attempted to induce the other members of the Executive Committee to produce as an accessory for all REO cars and trucks. Attached between the carburetor and the motor, the gasifier supposedly changed the mixture to

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<sup>40</sup>REO Echo, No. 14, 1910, p. 385.



a highly impulsive gas which held the cylinder pressure throughout the length of the stroke of the engine reducing gasoline consumption about 70 per cent.<sup>41</sup>

The third suggestion Olds posed as a means to rejuvenate the deteriorating sales picture was the adoption by REO of the Hill Diesel engine which was manufactured by a company of the same name. Its predecessor, the Bates and Edmonds Motor Company, was originally incorporated in December, 1899 to manufacture and sell gasoline engines. Arrangements were made with the Eastern Fairbanks Company to handle their output and a satisfactory business was carried on until about 1922 when the Fairbanks firm cancelled its orders, forcing the company to eventually turn from the manufacture of gasoline to oil engines. The fortunes of the company continued to decline, however, and in 1924, Harry Hill who had been factory superintendent and had since acquired the controlling interest, came to Olds and asked him for financial assistance. At that time Olds purchased Edmonds' stock for almost \$420,000. In 1929, when the business was reorganized and the name changed to the Hill Diesel Engine Company, Olds again put money in the concern which raised his total investment to more than \$700,000.<sup>42</sup>

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<sup>41</sup>"R.E. Olds Latest Automotive Invention," Sept. 14, 1934, Olds Collection. (Mimeographed.)

<sup>42</sup>Financial Records, 1929-1940, Hill Diesel Engine Co., Olds Collection.

Since then Olds had tried to encourage close cooperation between the Hill Diesel Engine Company and REO. In 1930 he had equipped a Speed Wagon with a Hill Diesel engine for a trial run to New York.<sup>43</sup> This was followed by similar tests, suggestions on several occasions that REO should investigate the Diesel engine business, and experiments relating to the adaptation of Hill Diesel engines to various models of REO cars and trucks. On this account and because of a statement Olds was reported to have made in the presence of W.S. Diamond, he became subject to a charge by the Independent Stockholders' Committee in the recent proxy struggle that it was his intention if he retained control to turn over to REO the Hill Diesel engine in exchange for 200,000 shares of REO treasury stock.<sup>44</sup> At the time Olds had replied that he had no desire to make such a deal. "In fact," he said, "the Hill Diesel Company, with which I am connected, builds marine and stationary engines only."<sup>45</sup> Although this was not completely true, the sincerity or accuracy of Olds' denial can neither be verified or denied from the available evidence.

Perhaps, however, to avoid the accusation that they were

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<sup>43</sup>Lansing State Journal, Sept. 6, 1930.

<sup>44</sup>Ibid., April 12, 1934.

<sup>45</sup>New Management Committee to REO Stockholders, April 14, 1934, REO Collection; Detroit Free Press, April 15, 1934.

simply pawns in the hands of Olds by the Diamond group which after their stinging defeat in April had again circulated a notice in June charging them with mismanagement,<sup>46</sup> the Executive Committee turned down Olds' offer of the Hill Diesel engine as they similarly had refused his suggestions to manufacture a \$400 car and to produce his gasifier. Unaccustomed to opposition and unwilling to compromise, Olds then resigned as chairman of the Executive Committee. On December 17, 1934 he sent the following letter to the board of directors explaining the reasons for his action:

Gentlemen:

I have sent in my resignation as member and chairman of the Executive Committee of the Reo Motor Car Company.

My reasons are that I have reached a point where I cannot sleep nights and unless I do something I may find myself a nervous wreck, so that I believe I owe it to myself to take steps to relieve myself. Besides I do not wish to be out of harmony with the Committee. We do not think along the same lines. When I went into the proposition it was against my better judgment, but it seemed, under the circumstances, that for the time being there was no other way it could be handled. After getting into the proposition, I realized we must have a low priced car. I at once got samples of the Continental and wanted to take on either their four or six cylinder two-door sedan. We could probably have revamped it and had it ready for the market by June or July and then the agents would have a \$400.00 car, which would enable them to attract the attention of the people to their sales rooms. Now, the Graham people have availed themselves of it, and I venture to say it will be a good thing for them.

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<sup>46</sup>W.S. Diamond to REO Stockholders, June 12, 1934, REO Collection.

Next, I wanted to announce the invention of the gasifier, which would have set fifty million people talking about the Reo. I wanted to put up a Reo sign on the Detroit Opera House where eleven million people from all parts of the country would have seen it every month. This, together with the one-half cent per mile gasifier, would have let the people know that Reo was alive instead of asleep. I am perfectly satisfied that this would have greatly increased our sales to such an extent that we would now be manufacturing instead of carrying over a lot of left over models. This, of course, would have been an accessory, and we could have taken our time towards furnishing it. In the meanwhile everybody would have been talking about it, which would have been an ad worth many times its cost.

Then again, the changes of the stroke of the engine may not be worth its cost, and as for its increasing the mileage to fifteen miles to the gallon is more or less of a question.

The radical change of body at a cost of \$450,-000.00 on top of a passenger car loss for the first eight months of over \$600,000.00 is, in my opinion, very poor judgment. We have a fine looking car and a design that caused the Oldsmobile to have the largest business in the history of the company, turning out five hundred a day while we have handled less than four thousand cars in the whole season.

I would favor the Reo considering taking on the Diesel Engine business. I feel that my new engine recently invented has great possibilities and will make the most ideal engine for bus, truck, marine and direct connected generator service. The Winton-Diesel Engine Company sold out to the General Motors for \$6,000,000.00. Since then, I understand, it has been one of their best paying units.

I hold everyone of the Committee and the Board in the highest esteem and, therefore, regret that I feel it my duty to write the complaints regarding the policies of the business, but I have just reached a point physically where I feel that I owe it to myself to retire from any active management in the company.

Yours truly,

R.E. Olds (Sgd.)47

Even if Olds' suggestions had been followed, however, it seems rather doubtful that REO could have regained its former position in the automotive industry. Competition from Ford, General Motors, and Chrysler, accentuated by the Depression, pointed up the fact that the manufacture of automobiles had almost completely been taken over by big business. The number of small companies that had failed or had been swallowed up by the larger concerns prior to 1929 reached into the hundreds. Under the winnowing effects of the Depression, the names of many other automobile makers soon disappeared, a factor which emphasized the advantages of combination and influenced several of the independents to attempt a merger for financial and competitive reasons.

Automobile men had often talked of the economies in operations which could be effected through a consolidation of some of the smaller motor units but it was not until Pierce-Arrow applied for permission to reorganize in federal court on August 20, 1934 that there seemed to be any reliability to the rumors which frequently circulated through Wall Street and automotive circles. The action of Pierce-Arrow, it was reported, was preparatory to a union with the Auburn Automobile Company and REO.<sup>48</sup> A few days later the names of the Graham-Paige Motor Corporation and the Hupp Motor Car Corporation were

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<sup>48</sup>Lansing State Journal, August 21, 1934; New York Times, August 22, 1934, p. 27.

also linked with the impending merger. According to reports, the Duesenberg, manufactured by a subsidiary of the Cord Corporation which controlled Auburn, would head the line of cars made by the new combination if the merger was completed. Next would come the Pierce-Arrow and Cord, followed by Auburn, and either Graham or Hupp in the low-price class. REO was considered for its Speed Wagon business and it was also thought that its facilities could be used in making the smaller cars.<sup>49</sup>

On several occasions representatives of the Auburn Company which headed the move, flew to Lansing to confer with REO officials but never did the negotiations reach the trading-table stage. Why the talks bogged down is unknown but appears to have been caused in part by the reticence of the independents to give up their independence despite the predicament that each was in and the advantages which consolidation offered. This was particularly true of REO. Proud of their company's record, distrustful of outside interests, and confident that recovery could be accomplished independently, REO's "new management" which in reality was as old as the company itself, was unwilling to face the fact that the company could no longer afford to stand alone.<sup>50</sup> When Olds was asked for his comment on the proposals for a merger by Auburn executives, he said, "We

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<sup>49</sup>New York Times, Sept. 7, 1934, p. 32.

<sup>50</sup>Interview with Donald Davis, Technical Chief Clerk, REO Motor Car Co. and White Motor Co., Jan. 9, 1962.

have listened to what they had to say but have promised nothing.' At the same time he attempted to minimize the prospects 'that anything will come of it.' Donald E. Bates who succeeded Scott as president of the company, confirmed Olds' pessimism and would go no further than to state that, 'Reo might join Auburn and some of the other independent companies in a standardization of tools and dies that could effect great savings in competing with the larger companies.'<sup>51</sup>

For REO such a pronouncement was a clear indication of the severe difficulties the company confronted. Never before had cooperation with a competitor been considered. Now it had become a necessity. In the years from 1929 to 1934, output had dropped from 35,187 to 15,682 units and of this figure only 4,460 were passenger cars, a field where REO continually showed losses which consistently had to be supported by profits from the truck business. Sales in the same period declined more than 70 per cent and reserves were cut by over 65 per cent.<sup>52</sup> The number of dealers across the country at the close of 1933, according to a company report, was reduced to 668 outlets as compared with 756 a year earlier and almost all of the losses, it was stated, were in the small towns<sup>53</sup> where

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<sup>51</sup>Lansing State Journal, August 21, 1934; New York Times, August 22, 1934, p. 27.

<sup>52</sup>Annual Reports, 1929-1934, REO Collection.

<sup>53</sup>Lansing State Journal, April 17, 1934.

REO normally had done the bulk of its business. Added to the problems of the management were the resumed attacks by W.S. Diamond and his Independent Stockholders' Committee as they again tried to whip up support for a radical change in the policies and officers of the company by pointing to the loss of almost \$1 million sustained by REO in 1934.<sup>54</sup>

Under the circumstances of this unhealthy situation, REO officials were forced into a position where cooperation with some of the other independents seemed a desirable alternative and at the meeting of the board of directors on October 9, 1934 the subject was brought up for consideration. The outcome of the discussion was that a decision was made to approach Graham-Paige and the Hupp Motor Car Company to inquire if either would be interested in supplying motor parts for REO in exchange for body designs and dies.<sup>55</sup> Although nothing came of the negotiations with Hupp, Graham-Paige evidenced a desire to cooperate and wanted to extend the provisions of any agreement that would be made beyond the terms originally proposed by REO. At the July 15, 1935 directors' meeting, Robert Graham, speaking on behalf of his firm, suggested that a sales company be formed for the purpose of marketing the products of both REO and Graham-Paige and he further proposed the formation of a body company

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<sup>54</sup>W.S. Diamond to REO Stockholders, n.d., Olds Collection.

<sup>55</sup>Directors' Minutes, Oct. 9, 1934.



to build and market commercial bodies.<sup>56</sup> But once again the reticence and hesitancy of REO's directors came to the forefront and instead of entering into a contract that eventually might have been the basis for a broader and mutually essential agreement, they would go no further than to permit Graham-Paige to use the dies of the Flying Cloud bodies for a consideration of \$7.50 per automobile and to share the expenses of any revisions.<sup>57</sup>

REO's refusal to combine resources and facilities with those of Graham-Paige was due primarily to the fact that this move in effect would have involved a partial consolidation of the two companies and would have limited their own independence. But at the same time, the agreement they made did nothing to improve either REO's competitive or financial position. Losses from the passenger car business annually kept REO in arrears despite profits from the increased sale of commercial vehicles. A contract with Mack Trucks, Inc. to supply them with Speed Wagons which they marketed under their own name and distributed throughout their entire sales organization,<sup>58</sup> in addition to government contracts in 1935

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<sup>56</sup>Ibid., July 15, 1935.

<sup>57</sup>Ibid., July 22, 1935.

<sup>58</sup>Ibid., Oct. 21, 1935; Automobile Topics, CXX (Dec. 2, 1935), 291.

totaling \$3,500,000 worth of business,<sup>59</sup> contributed to the highest production figures REO had shown since 1930 but was still insufficient to prevent the company from posting a loss of \$219,860.<sup>60</sup> Extensive retooling of the 1936 models and compliance with President Roosevelt's plan for introducing the new cars in the fall of the year in an effort to level out production and unemployment<sup>61</sup> had no effect on improving sales. Comparative production figures for 1935 showed that out of the leading twenty-seven companies that manufactured automobiles, REO placed twenty-second and produced less than one-twelfth of 1 per cent of all the cars made in the United States for that year.<sup>62</sup>

After six years of deficit operations caused principally by losses incurred in the manufacture of passenger cars, REO was finally forced to give up automobile production in favor of exclusive concentration on commercial transportation. The first move in this direction was a recommendation by the Executive Committee which was approved by the board of directors on May 18, 1936, to move the truck department into the

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<sup>59</sup>Lansing State Journal, Jan. 1, 1936.

<sup>60</sup>Annual Report, 1935, REO Collection.

<sup>61</sup>Lansing State Journal, Oct. 19, 1935; New York Times, Oct. 20, 1935, Sec. 11, p. 4.

<sup>62</sup>Automotive Industries, LXXIV (Feb. 8, 1936), 176; Lansing State Journal, Oct. 8, 1936.

main assembly plant.<sup>63</sup> Four months later the transfer was completed and the company officially announced on September 3 its suspension of automobile production in order to devote all their engineering and manufacturing facilities to commercial vehicles. In explaining the change in policy, Donald E. Bates said,

We feel that the day has passed when trucks and buses can be considered as side-lines. The truck and bus and trailer engineer has nothing more to learn from the passenger car. Today, he must concentrate his entire attention on the problems presented by the increasing demand for efficiency in commercial vehicles, if he hopes to keep pace with progress.

In the past few years the use of the passenger bus has become more general than ever. As business continues to improve, the demand for trucks and buses of all kinds must inevitably increase. We intend to take full advantage of the opportunities these growing markets offer.<sup>64</sup>

Despite the reasoned explanation and optimism expressed by Bates, the fact that this step was taken was in itself a confession by the management that REO had lost out in the automotive field. While it was true that commercial vehicle manufacture had become an area of specialization and several other companies had profitably given up cars for trucks, REO had done so only because it was no longer expedient nor possible for them to compete successfully with the larger auto-

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<sup>63</sup>Directors' Minutes, May 18, 1936.

<sup>64</sup>Lansing State Journal, Sept. 4, 1936; New York Times, Sept. 5, 1936, p. 19.

mobile producers. It was not a move that was taken by choice but rather one which was forced upon them out of sheer necessity. The proud company that had once ranked among the leaders of the automotive industry had been reduced through competition from big business and the hardships of the Depression to a position where it was now struggling simply to survive.

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## CHAPTER VIII

### LAST YEARS

For Olds the decision to halt the production of passenger cars must have been a rather disheartening climax to his automotive career. Since that day in 1887 when he had experimented with his first horseless carriage, his whole life had revolved around the manufacture of automobiles. While he thought trucks were an important and profitable field of enterprise, he considered it a supplement to REO's business which had always been geared to the production of motorcars. Failure to keep the company among the leading automotive producers had been the cause for the criticisms he had leveled at Scott and the factor which had influenced him to once again actively participate in the management. His primary concern at the time had been to bolster the company's sagging automobile sales and to reclaim a portion of the automotive market for REO. Despite the refusal of the Executive Committee to approve his proposals which had led to his resignation as chairman, Olds had remained with the company in an honorary capacity but when passenger car production was abandoned, he was willing to give this up as well.

Several times before in the thirty-two years since he had founded REO, Olds had resigned from various positions but never

had he completely dissociated himself from the company. Now, however, he had reached the point where he wanted to sever all connections. Less than four months after the decision to stop manufacturing automobiles was disclosed, Olds announced his retirement in a letter to D.E. Bates on December 28, 1936:

Following out my desire to retire from as many obligations as possible ..., I hereby tender my resignation as a Director and Chairman of the Reo Motor Car Company Board.

It is with a great deal of regret that I take this step as my long association with you and the Board has been very pleasant and I have felt that I had your full cooperation at all times.<sup>1</sup>

Through his retirement Olds was spared the difficulty of dealing with the problems which soon after descended upon REO. In the spring of 1937 the company was beset by a sit-down strike, one of a series which paralyzed the nation's automotive plants in that year. On March 10 at 4:20 p.m., ten minutes before closing, the strike was called. Caused by the "firing of fifteen men and a reduction in wages," 90 per cent of the 2,200 employees refused to leave the factory, leased a restaurant across from the plant, and prepared to holdout until their demands were met. Claiming that the REO Employees' Association, a company union was 'dead,' the workers through their representatives demanded recognition of the United Auto Workers as the sole bargaining agency for all REO employees, a forty hour week, a minimum base pay of

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<sup>1</sup>Olds to D.E. Bates, Dec. 28, 1926, Olds Collection, R.E. Olds Co., Lansing, Michigan.

seventy cents an hour, and time and a half for overtime.<sup>2</sup>

For one month the management persisted in refusing to bargain exclusively with the U.A.W., stating they were doing so out of fairness to employees who did not belong to the C.I.O.<sup>3</sup>

Finally on April 7, however, after Governor Murphy had intervened, an agreement was reached which was patterned after the settlement ending the Chrysler strike twelve hours before and provided for recognition of the U.A.W.<sup>4</sup>

At the same time that company officials were negotiating a settlement of the sit-down strike, a new Independent Stockholders' Committee began to attack the management in an effort to obtain representation on the board of directors at the forthcoming annual meeting. The Committee, headed by William Loeb and Frank Vanderlip, Jr., both of whom were wealthy New York financiers, charged in a letter sent to REO stockholders on April 7 that the company was "being allowed to disintegrate through ineffective management" which, they stated, could be overcome by electing directors who had "wide business connections with large vehicle purchasers...."<sup>5</sup> On April 9, D.E. Bates

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<sup>2</sup>Lansing State Journal, March 11, 1937.

<sup>3</sup>New York Times, March 12, 1937, p. 5.

<sup>4</sup>Lansing State Journal, April 7, 1937; Ibid., April 8, 1937, p. 18.

<sup>5</sup>Independent Stockholders' Committee to REO Stockholders, April 7, 1937, REO Collection, Division of White Motor Co., Lansing, Michigan.

replied to these charges. He reminded shareholders that the 1934 Independent Stockholders' Committee had been "definitely discredited" and further stated that although "Mr. Vanderlip notified the Reo Management that he and his associates held substantial blocks of Reo stock" which entitled them to representation on the Board, no evidence of this had been furnished.<sup>6</sup> But three days after Bates sent his notice, the proxy struggle collapsed. After meeting in Detroit with Bates and REO's four other directors, Vanderlip announced that a compromise between the two groups had been effected. He disclosed that the officers of the company were to continue to hold their present positions but as a concession to the independents, the Bates group had agreed to increase the number of directors from five to nine members with the four new seats going to the Loeb-Vanderlip interests.<sup>7</sup> Less than fifteen months later, however, Bates resigned and Rowland Campbell, one of the newly elected directors was named Chairman of the Board and Chief Executive Officer of the company.<sup>8</sup>

During the subsequent years, REO's history was marked by continued adversity and instability. On December 16, 1938, the plant was closed following a petition filed by twenty

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<sup>6</sup>D.E. Bates to same, April 9, 1937, ibid.

<sup>7</sup>Lansing State Journal, April 13, 1937; New York Times, April 14, 1937, p. 41; Newsweek, IX (April 24, 1937), 39-40.

<sup>8</sup>Lansing State Journal, June 22, 1938.



stockholders against the management requesting the appointment of a receiver for the company.<sup>9</sup> After more than a year of litigation, plans for reorganization were approved, a \$2,000,000 loan from the Reconstruction Finance Corporation was obtained, and the company resumed operations under a new name, REO Motors, Inc.<sup>10</sup> Aided by military truck contracts during World War II, REO slowly began to make a comeback but in the immediate post-war period financial difficulties again plagued the company. In an attempt to overcome the reduction in government contracts, a broad diversification program was undertaken. Industrial and marine engines, power lawn mowers, toys, and playground equipment were produced and a truck leasing firm was started. None of these was the solution to REO's problems, however, and in 1954 the company was sold to the Bohn Aluminum & Brass Corporation of Detroit. Soon after the lawn mower and toy divisions were sold, truck leasing was integrated into the REO organization, and new heavy duty trucks and engines were placed on the market.<sup>11</sup> This program of progress was continued by the White Motor Company of which REO became a subsidiary in 1960 and under White's direction the

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<sup>9</sup>Ibid., Dec. 16, 1938; Automotive Industries, LXXIX (Dec. 24, 1938), 803.

<sup>10</sup>Commercial and Financial Chronicle, CIL (Oct. 28, 1939), 2704; CL (Jan. 6, 1940), 135-136; Automotive Industries, LXXXII (Jan. 1, 1940), 31; (Jan. 15, 1940), 77.

<sup>11</sup>Lansing State Journal, April 28, 1955.

company once again attained a measure of the stability and success that was reminiscent of former years.

Until his death in 1950, Olds took no part in REO's affairs nor was he ever called on to try to straighten out the company's difficulties. When he resigned from REO, it was permanent. Except for infrequent visits to the plant he had nothing to do with directing the company's operations, either in an active or advisory capacity. After his retirement he left on a trip to Australia and other extended vacations were taken in the following years. Winters were spent at his home in Daytona Beach and much of the summer season at his cottage in Charlevoix, Michigan. At both places many of his leisure hours were taken up with yachting, the recreation he most enjoyed. His private interests which consisted mainly of real estate holdings were handled by the R.E. Olds Company, an investment firm he had established in 1912, and outside of occasional consultations as to the disposition of his estate, the last years of his life were lived free of business responsibility.

The only new undertaking of any significance that Olds initiated was the establishment of a home for retired religious workers, one of his last charitable acts although in his lifetime he had never been a large philanthropist. A member of the Baptist church since his marriage to Metta U. Woodward in 1889, Olds had conceived of the idea, he said, because he

had been so "greatly disturbed" by the number of retired ministers and missionaries who were unable to be accommodated in retirement homes that he "determined to do something to relieve the situation." Following out his purpose, he purchased the Daytona Terrace Hotel in Daytona Beach on April 7, 1942, for \$60,000 and a short time later opened the seventy-five apartments to the new occupants.<sup>12</sup> In his last years, the home which he named "Olds Hall" and operated as a non-profit, self-sustaining, and interdenominational organization, was Olds' greatest interest. Whenever he was in Florida he frequently stopped in to visit with the residents and until the end of his life he often stated that he had never done anything that gave him more satisfaction.<sup>13</sup>

For Olds this was the capstone to a long and successful career. Celebrating his eighty-sixth birthday in June, 1950, he still appeared to be in good health. But on July 28 while vacationing at his summer home at the Belvidere Club in Charlevoix, he complained of "not feeling very well" and was driven back to Lansing where he was admitted to the hospital for observation. Diagnosed by the attending physicians as suffering from the "complications of old age," Olds returned home a few

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<sup>12</sup>Ibid., April 12, 1942.

<sup>13</sup>Interview with Mrs. Gladys Olds Anderson, Feb. 8, 1962; John Conger Prince, Olds Hall, A Residence for Retired Ministers and Missionaries (Nashville, 1955), p. 17. Copies are in the possession of members of the Olds family.

days later where his condition became more critical and death overtook him on August 26,<sup>14</sup> one week before the demise of his wife. Three days later he was buried in the family mausoleum, the last of the automotive pioneers to be laid to rest.

In his lifetime Olds had done much to rank him alongside of the foremost automotive figures. He had pioneered in the development of the horseless carriage, demonstrated the potentialities of the mass car market through the success of the curved dash, initiated quantity production methods into the industry, insisted that the producer must receive cash for his product, helped to fix Detroit as the center of automobile production, provided the training and stimulus for the men upon whom a generation of automotive history was built, and produced two cars, both of which were leaders in their day. These achievements were sufficient to earn him the title "Father of the Automobile." Beyond the efforts of any other individual, he had done more to establish the infant automotive industry and pave the way for those who followed. On this the reputation and significance of R.E. Olds still stands today.

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<sup>14</sup>Lansing State Journal, August 27, 1950.

## BIBLIOGRAPHICAL ESSAY

By far the most valuable collection of materials for a biography of Ransom E. Olds are the manuscripts since they offer information on the middle and later years of his career which are not covered by any other source. This is particularly true of the R.E. Olds papers (Michigan State University Museum, East Lansing, Mich.) and the R.E. Olds Collection (R.E. Olds Co., Lansing, Mich.) which contain the private correspondence, newspaper clippings, and similarly useful data on Olds after 1903. Equally helpful for the history of the REO Motor Car Company is the REO Collection (Division of White Motor Co., Lansing, Mich.) which includes the minutes of the directors' and stockholders' meetings from 1911-1937, all of the annual reports after 1908, letters to the stockholders, stock records, and official company papers. "Brief History of Reo," an unpublished manuscript by Charles W. Haybarker, a former employee, covers rather superficially REO's history to 1940 but is of some value because it is the only secondary source available on this topic. The Roy D. Chapin papers (Michigan Historical Collection, University of Michigan, Ann Arbor, Mich.) furnish useful information on activities at the Olds Motor Works, particularly during the year 1901.

Although Olds himself did not write a great deal about

his career, a few things do exist. The most important of these is an article, "The Horseless Carriage," Michigan Engineers' Annual (1898), 92-96, in which Olds describes the first trial run in his 1887 steam-powered carriage and experiments with his 1892 and 1896 vehicles, subjects on which little factual evidence remains. Another article, "Olds Blazed Trail to Fame with Car," Old Timers News (Jan., 1946), 10-12, is a recollection by Olds of his boyhood, partnership with his father, and efforts to get started in the automobile business. Its value resides in the fact that it was written late in his life and depicts how he viewed his early career in retrospect.

Two other works, although they were not authored by Olds, are sources of primary information about him. One is Olds' testimony in the Selden patent case, United States Circuit Court of Appeals for the Second Circuit: Columbia Motor Car Company and George B. Selden vs. C.A. Duerr & Company and Ford Motor Company et al., Transcript of Record on Appeal from the Circuit Court of the United States for the Southern District of New York. These published proceedings, apart from briefs and printed oral arguments, consist of twenty-two volumes, a copy of which can be found in the Automotive History Collection of the Detroit Public Library. Volumes IX (pp. 631-658) and XVIII (pp. 1472-1517) contain the direct and cross examination of Olds in which he

was questioned concerning the dates and construction of his first automobiles. The other is a biography, Duane Yarnell, Auto Pioneering. The Remarkable Story of R.E. Olds (Lansing, Mich., 1949). The significance of this book is that in essence it is an autobiography since Olds assisted in its composition and according to his daughter was the "ghost-writer."

Several publications which are reminiscences of people associated with Olds or the automobile industry are helpful on specific aspects of his career. Gasoline Age, Development of the Automobile and Gasoline Engine in Michigan (Lansing, Mich., 1946), written by James P. Edmonds, an acquaintance of Olds, is a favorable sketch of Olds' experiments with a gasoline automobile and his subsequent formation of the Olds Motor Vehicle Company. According to the author, the manuscript had been submitted to Olds for his examination and was "as correct as it can possibly be made." Frederick L. Smith, Motoring Down A Quarter of A Century (Detroit, 1928) is a useful history of the Olds Motor Works from 1899-1908. The book, however, is colored by Smith's dislike of Olds to the extent that Olds is not even mentioned. Motor Memories (Detroit, 1947) is a recollection by Eugene W. Lewis who was associated with the Timken Roller Bearing Company of the men who founded the automobile industry, many of whom he knew personally, including Olds. Charles F. Kettering and Allen Orth, American Battle for Abundance, A Story of Mass Pro-

duction (Detroit, 1947) credits Olds with the contribution of the assembly line in the development of mass production methods in the automotive industry. Benjamin Briscoe, "The Inside Story of General Motors," Detroit Saturday Night, XV (Jan. 15, 1921), 2ff.; (Jan. 22, 1921), 2ff.; (Jan. 29, 1921), 2ff.; (Feb. 5, 1921), 2ff. has a good discussion of the attempt to merge REO, Buick, Ford, and Maxwell-Briscoe in 1908. Olds Hall, A Residence for Retired Ministers and Missionaries (Nashville, 1955) was written by John Conger Prince, one of the residents, and is a brief account of the motivation and history of Olds Hall from its organization in 1942 to 1955.

Another important source are the newspapers. Particularly useful for descriptions of his 1896 automobile and formation of the Olds Motor Vehicle Company, Olds Motor Works, and REO Motor Car Company are The State Republican and Lansing Journal (Democratic) which merged in 1911 and became The State Journal. The Detroit papers have good coverage of the organization of the Olds Motor Works in 1899, the early automobiles produced by the company, the fire which destroyed the plant on March 9, 1901, and the machinists' strike later that year. However, The State Republican also carried many of these notices as it often reprinted news dealing with Olds which appeared in the Detroit Free Press, a morning paper. After 1901 when the Olds Motor Works began to transfer its operations to Lansing and especially after 1904 when Olds formed the REO



Motor Car Company, the Lansing papers are again the chief source of newspaper information.

Of the many automotive journals, a few are of special significance for a study of Olds. Automobile Topics has good coverage of his career after 1900 and is particularly useful since there is an index to its contents in the Automotive History Collection of the Detroit Public Library. Automotive Industries contains much helpful information on Olds and REO from 1920-1937. The annual issues list the gross sales, unit output, and percentage figures of the industry's total production for each of the major companies. Other periodicals of lesser importance but especially pertinent for the early years of the automotive industry and Olds' activities before 1904 are The Automobile which after 1917 became known as Automotive Industries, Automobile Trade Journal which was originally the Cycle and Automobile Trade Journal, Horseless Age and Motor Age which merged in 1918 under the latter's name, and Motor World.

Interviews are also a valuable source of information on Olds, his companies, and his associates. The members of his immediate family who are still living are his daughters, Mrs. Gladys Olds Anderson and Mrs. Bernice Olds Roe. Another person who knew Olds most of his life is Mrs. Richard H. Scott, widow of his closest business associate and successor as General Manager and President of REO. Among those who have

a knowledge of REO's managerial affairs are Robert Frank McKim who was given employment with the company in 1910 and advanced to the position of Secretary, Hubert Bates, son of Donald E. Bates who became President of REO in 1934, John T. Clark, former Export Sales Manager, and Donald Davis, Technical Chief Clerk. Peter Chapman, Ray North, Carl Scheibels, and Raymond Young are employees who have worked at REO for over thirty years. Two known survivors who were acquainted with Olds at the Olds Motor Works are Mrs. Horace Loomis, wife of one of the company's engineers, and Oliver Barthel, a former accountant, who, however, was too ill to be questioned. In addition there are some other people who were associated with Olds but who refused an interview.

Several scholarly histories of the automotive industry have been written which contain much helpful information about Olds or topics related to him. One of these is Lawrence Seltzer, A Financial History of the American Automobile Industry (Boston, 1928) which focuses on an economic analysis of the rise and growth of the major automobile companies and includes an appendix which cites the annual financial statistics of each of them, including REO, through 1926. Similarly useful books are Allan Nevins and Frank Ernest Hill, Ford: The Times, The Man, The Company (New York, 1954) and Ford: Expansion and Challenge, 1915-1933 (New York, 1957) which are a biography of Henry Ford and a history of the Ford Motor

Company but also a description of the development of the automotive industry in the setting of national affairs with frequent comparisons between the major automobile producers. William Greenleaf, Monopoly On Wheels (Detroit, 1961) is the most detailed and comprehensive study of the Selden patent. A student of Allan Nevins at Columbia University, Mr. Greenleaf originally wrote this work as a Ph.D. dissertation which grew out of his assistance on the Ford volumes. Ralph C. Epstein, The Automobile Industry (New York and Chicago, 1928), Arthur Pound, The Turning Wheel (New York, 1937), and John B. Rae, American Automobile Manufacturers, The First Forty Years (New York, 1959) are the best general histories available on the automobile industry. All of them have good discussions of Olds' career through the formation of the REO Motor Car Company.

Among the many other secondary sources that deal with the automotive industry there are a few which have a particular interest for a study of Olds. John C. Long, Roy D. Chapin (Bethlehem, Pa., privately printed, 1945) is a highly favorable biography yet it has a good description of Chapin's trip from Detroit to New York in a curved dash Oldsmobile. Floyd Clymer, Historical Motor Scrapbook, 8 vols. (Los Angeles, 1944-1955) contain a collection of advertisements and newspaper notices of the early automobile companies, including the Olds Motor Works and REO. Hi Sibley, Merry Old Mobiles

On Parade (Chicago, 1951) is a short illustrated account of the early history of the major automobile manufacturers which has many interesting pictures, diagrams, descriptions, and anecdotes.

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