The Fall and Rise and Fall and Rise of Chrysler Corporation

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by Aaron Harwig
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ACKNOWLEDGMENTS

I originally conceived this project in the spring of 1996. I had planned to complete it a year ago, but as is often the case, even the most carefully laid plans fail when unforeseen circumstances come up. Fortunately, I believe the delay was a blessing in disguise. I could have never completed a project of this scope with justice a year ago, and I feel thankful that today, I have.

None of this would have been possible without the help and encouragement of many. Of course, when the length of a project stretches over two years, the thank you list gets pretty long. All of those listed below have contributed greatly to the success of this thesis, and I gratefully acknowledge them.

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In Loving Memory
Muggsie Sue
March 19, 1986-November 26, 1997
INTRODUCTION

Few inventions have influenced everyday life in the United States like the invention of the automobile. Initially a toy of the eccentric, the new motorized contraptions elicited scorns from the general public who simply could not comprehend the potential such a means of transportation offered. At the American auto industry’s birth in 1896, horses offered the most reliable way to get around on the muddy trails which connected one community to another.

The early automotive pioneers refused to give up in the face of these odds. Engineering advancements, such as interchangeable parts, and application of mass production principles brought cars to the public in quantity and, most importantly, at low cost. The fledgling auto industry quickly gained the faith of the consumer, and soon, these four-wheeled conveyances dotted the landscapes, supported by an ever-improving system of roads.

The results of the automotive revolution are immediately apparent around everybody. It has allowed people flexibility in where they live, work, and travel, creating a society of mobility never seen before. It has created an auto industry so important and influential that it mirrors the nation’s economic health. It determines style and social status, a society where terms like “Cadillac,” “Mercedes-Benz,” “Honda,” and “Ford” reflect the people who drive the automobiles bearing those names. Simply put, the automobile has revolutionized every aspect of human existence in the twentieth century.

Sadly, historians devote less attention to the subject of automobiles than other topics of comparable influence and merit. Connoisseurs of the Civil War or George Washington, for example, can walk into any public library or bookstore and satiate their hunger for knowledge with little difficulty. The person who desires to learn more about automotive history, unfortunately, travels a harder road. Beyond the world of coffee table
books, filled with large glossy pictures but utterly devoid of insight, precious little effort has gone into chronicling this extremely important part of not only the United States', but the entire world's, history.

This project represents an effort to address a small part of that regrettable inadequacy, and it aspires to work on two levels. The first level is readily apparent: it addresses the history of Chrysler Corporation from 1969 to 1998. The second level encompasses the first; it regards the challenges the American automobile industry needed to confront and address to survive on several levels. Specifically, this project will attempt to document and explain the successes and failures of Chrysler's products (i.e. automobiles and light trucks) in the American marketplace during this thirty-year period.

Chrysler Corporation was chosen for study for one major reason. As the United States' Number Three automotive manufacturer, and as the smallest member of what has commonly been known as "The Big Three" (General Motors and Ford Motor Company represent the other members as the US's #1 and #2 automakers, respectively), Chrysler has had to use its smaller financial resources more judiciously to keep up with its larger competitors. How the Corporation spent its money, and ultimately, how the automotive consumers spent their dollars, influenced Chrysler's financial state more keenly than similar decisions would at GM and Ford. Hence, Chrysler has long maintained a more precarious perch than its competitors, which makes for a compelling story about success and failure.

1969 was carefully chosen as the starting point for this story for several reasons. First, Chrysler introduced its new generation of full-sized automobiles--the traditional symbol and strength of the American automotive industry as well as what Chrysler was typically known for--in 1969. Second, American auto manufacturers dominated the home market and hardly considered imported cars a threat to their livelihood--a situation which would barely last into the 1970s. Third, the federal government had just begun by 1969 to
get involved in environmental and safety regulations for the automobile, involvement which would significantly influence automotive engineering, not to mention costs to the manufacturer and consumer, in a fashion never seen before.

External factors provide critical influences concerning any historical study, and Chrysler’s story proves no different. In addition to governmental regulation, several other important factors have affected Chrysler’s actions and fortunes. Consumers’ needs and desires change quickly; those who address the consumer at the earliest stages with the best product will reap the rewards, while those who react slowly and poorly will suffer the consequences. To merely address this is not enough; manufacturers must build these vehicles with quality in mind. This philosophy helped Japanese automakers gain a foothold in the American automotive marketplace in the 1970s, another very important factor in Chrysler’s history.

Also, economic and world events significantly influenced Chrysler’s performance in the marketplace. As the nation’s economic fortunes rose and fell, so did the citizens’ abilities to pay for expensive automobiles. Likewise, the cost and availability of fuel determined what, if anything, the consumer purchased. As the smallest of America’s automobile manufacturers, Chrysler couldn’t help but be impacted by such factors. All of these factors lay the groundwork for a fascinating tale.

This tale begins in 1875 on the Kansas prairie with the birth of Walter Percy Chrysler. The second son of Henry and Anna Chrysler, Walter learned the values of independence and hard work from his parents. As a boy, Walter worked at many small jobs. His dream was to follow in his father’s footsteps and work in the railroad industry.

Henry, however, had different ideas on what Walter should do with his life. Henry refused his permission for a railroad apprenticeship for his son, urging Walter to go to college instead. But Walter would not give up, defying his father and taking a job as a janitor at a roundhouse. Walter’s dedication and enthusiasm towards railroad work won
him admiration from higher-ups, who eventually persuaded Henry to abandon his stance and allow Walter to pursue his dream.

Walter enjoyed working on the railroad, building his mechanical skills to the highest levels. His ambition led him and his young family across the country, gaining promotions as he moved from one railroad company to another. Eventually, Walter found work with the Chicago and Great Western Railroad as a master mechanic—a fateful stop which would profoundly influence Chrysler’s life and destiny.

A business trip with the CGWR led Chrysler to Chicago in 1908, where the Chicago Auto Show was taking place. While attending the Chicago Auto Show during a break from business, Chrysler found himself captivated by a new Locomobile. He immediately determined he must have it. The steep $5000 asking price failed to deter Chrysler, who took out a loan and spent all his savings to acquire it. Upon bringing it home, Chrysler dismantled and reassembled the vehicle several times until he completely understood how it operated. Three years later, Chrysler found himself out of a job after a falling-out with the president of the CGWR. Chrysler relocated to Pennsylvania to take a position as works manager with the American Locomotive Company—another key move which would influence the United States’ industrial and automotive histories.

It was here where Chrysler realized his calling—to work in the growing automotive industry. In 1912, James Storrow, a high-ranking official with General Motors, approached Chrysler with a job offer at Buick, a position similar to the one Chrysler held at ALC, but at only half the salary. Chrysler didn’t hesitate. He performed magic at Buick, implementing efficiency measures which raised productivity while lowering costs. Soon, Chrysler was requesting $50,000 a year in salary and stock—and getting it.

When GM underwent reorganization in 1915, Chrysler took over the presidency of Buick, signing a three-year contract worth the kingly sum of $500,000 a year in cash and benefits. But Chrysler’s time at GM was far from royal bliss, as Chrysler and GM
president William Durant clashed frequently and heatedly. Chrysler grew tired of Durant’s ego and shenanigans, and in 1919, he retired—a multimillionaire at age 44. Chrysler found retirement boring, however, and soon found himself looking for, and being sought for, new opportunities.

In 1920, Willys-Overland, an automobile manufacturer drowning in $50 million worth of debt, approached Chrysler to save their company. After demanding and receiving a two-year, $2 million contract, Chrysler worked the same miracles he had at Buick, slashing Willys-Overland’s debt as he enhanced his great reputation. Only halfway into his Willys-Overland contract, the Maxwell-Chalmers Motor Car Company, a company with even worse financial problems, persuaded Chrysler to lead them as well. After his obligation to Willys-Overland ended, Chrysler fully devoted himself to saving Maxwell-Chalmers.

Maxwell-Chalmers found its financial standing improved under Chrysler’s leadership. However, history notes Maxwell-Chalmers for more than being merely another Chrysler success story. It was here where Chrysler realized his ultimate goal—producing an automobile which bore his name. Maxwell-Chalmers would provide the means to bring this automobile to market.

Chrysler put into words what his car would offer:

“I have been convinced for years that the public has a definite idea of a real quality car... adequately roomy for five, economical to own and operate, and, above all, real quality from headlight to taillight.”

To design his new automobile, Chrysler hired three highly-gifted engineering consultants—Carl Breer, Owen Skelton, and Fred Zeder—who had honed their skills at

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Studebaker and would work for Chrysler for over a quarter-century, building Chrysler the company’s reputation for engineering excellence. The vehicle, the Chrysler Six, debuted in 1924, priced to compete against Buick, Chrysler’s former employer. Featuring an economical yet powerful six-cylinder high-compression engine—the first engine of its kind in the U.S.—and four-wheel hydraulic brakes, the new Chrysler proved a popular and financial success, selling 32,000 copies. Shortly thereafter in 1925, Maxwell-Chalmers was reorganized as the Chrysler Corporation.

Chrysler Corporation ascended quickly into the upper echelon of automakers. Chrysler added more models to its line, with the first Imperial introduced to compete in the high end of the market in 1926. 1928 represented a watershed year for Chrysler; the corporation went global with factories in England and Belgium, introduced DeSoto to middle-range car buyers, purchased the financially-troubled Dodge Brothers company on the cheap to compete in the mid-priced range, and surprised the industry and buying public by bringing out the low-priced Plymouth to compete with top-sellers Chevrolet and Ford.

While the Great Depression in the 1930s affected all aspects of business and the economy, Chrysler weathered the troublesome waters quite well. Walter Chrysler boasted that he never slashed a penny out of Chrysler’s development budget during the Depression, and the investment paid off. Chrysler Corporation sold more cars in 1932 than in 1929—the only automaker who could make than claim. Plymouth’s timely introduction and affordable price helped keep the company moving forward. Soon, Chrysler held the #2 ranking in the auto industry, behind only GM and, incredibly, ahead of Ford.

Chrysler did suffer its share of setbacks in the 1930s, most notably the Airflow automobile. A well-engineered vehicle which offered tremendous interior room, the Airflow crashed in the marketplace upon its debut in 1934 because buyers found its advanced aerodynamic styling too radical. A 1938 recession sent sales plunging to half of
the previous year's levels. But Chrysler continued strongly under K.T. Keller, whom Walter Chrysler had appointed president of the company in 1935 after his retirement from day-to-day operations. The introduction of the Fluid-Drive transmission in 1939, a predecessor of the automatic transmission, provided further confirmation of Chrysler's engineering innovation.

The 1940s marked substantial changes in Chrysler's history. On August 18, 1940, the company mourned the death of Walter Chrysler, its patriarch and chairman. The chairman's seat remained vacant for the remainder of the 1940s, but the company continued on, introducing a newly-styled line of automobiles in 1941. As a result, Chrysler Corporation sold over 900,000 vehicles, one of its best years ever. But that automotive prosperity would draw to a sudden and dramatic close with the onset of World War II.

By February 1942, all auto production had ended as Chrysler, along with all other automakers, devoted itself to the war effort. Chrysler's strongest contribution to winning the war came in the form of 25,000 Sherman and Pershing tanks. Chrysler also manufactured millions of rounds of ammunition and 438,000 trucks and furnished engineers for the Manhattan Project.

Victory in 1945 left the American public with high spirits, additional money in their pockets, and a serious need for new cars--the ultimate dream scenario for the automakers. Chrysler, like its competitors, dusted off their pre-war designs and sold everything they could build. The Big Three automakers brought out new designs in 1949, and while GM and Ford explored more modern styling themes, Chrysler clung to K.T. Keller's mandate for practical, and thus conservative, transportation. "Chrysler," proclaimed Keller privately, "builds cars to sit in, not piss over." ²

This conservatism hurt sales as buyers opted for more exciting-looking cars from Chrysler's competitors. It eventually caused Chrysler to lose its #2 ranking to Ford for good in 1953. But these staid vehicles hid some highly-respected cutting-edge technology, such as the ultra-powerful hemispherical (or Hemi) engine and Air-Temp air conditioning system--both models of performance and efficiency.

By 1955, L. L. "Tex" Colbert had taken the helm at Chrysler, and the corporation's "Forward Look" vehicles, products of design guru Virgil Exner, had hit the market. The Forward Look launched Chrysler into the forefront of automotive styling and represented a radical departure from Keller's practicality mandate. Buyers liked what they saw and bought it, as DeSoto's and Dodge's respective sales gains of 85% and 160% reflected. On the engineering front, Chrysler introduced the push-button Torque-Flight transmission as well as one of the corporation's hallmarks--the torsion-bar suspension.

Unfortunately for Chrysler, success would prove fleeting. In its zeal to take the industry lead in styling, and pressured by buyers' whims, Chrysler moved up the introduction of an all-new line of cars by one year, to 1957. The new cars made a stunning visual impact--longer, wider, lower, with huge tail fins--and attracted even more buyers. But the rush to bring the car to market led to design flaws and poor assembly, with widespread complaints of premature rusting. This fiasco marked the beginning of Chrysler's reputation for lower-than-average quality--a dubious distinction the company has struggled to shake free from since. A major recession in 1958 further complicated matters, as sales plunged by half and Chrysler reported its first yearly loss since the Great Depression.

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The 1960s marked many significant developments at Chrysler. In 1960, the corporation introduced another design trademark: unibody construction, in which the vehicle’s body and frame are constructed as one piece. It also unveiled the Valiant to compete in the growing compact car marketplace. 1961 registered two significant milestones: the discontinuation of the DeSoto line, a casualty of poor sales and no longer needed in Chrysler’s marketing plan, and the arrival of Lynn Townsend, an accountant who would lead the company into the mid-1970s.

Chrysler misjudged the market and its competitors in 1962, introducing downsized large cars with bizarre and awkward-looking design cues. Potential buyers blanched, and sales crashed through the floor. Townsend—who had been hired after the cars were approved for production—made some shrewd spending and production moves to cut losses. By 1965, a more conventional line of large cars, including the Dodge Monaco and Plymouth Fury, came to market and helped propel Chrysler to a 65% sales gain. The company was so confident of its future that it expanded its interests beyond automobiles and invested in the leasing and realty businesses.

Townsend gained accolades for his emphasis on production in volume, but the company’s philosophy on expansion and large vehicles failed to change with the times. But few could foresee these changes. In 1969, government regulation was at a minimum, consumers could obtain gas cheaply and easily, only eccentrics drove Japanese cars of shoddy quality (so the public thought), and the mantra “the more car, the better” remained a valid marketing tool.

Thirty years later, the automotive landscape would look much, much different. These convictions would change drastically in ways never imagined. These changes, and Chrysler’s responses, would tell a fascinating story in automotive history—the likes of which the United States may never witness again.
The end of the 1960s marked more than the end of a decade for the American automobile industry. It also signaled the disappearance of the old way of doing things. With little interference from the federal government, combined with insignificant (and thus, lightly regarded) competition from foreign automakers, manufacturing and selling automobiles represented a simpler enterprise. That scenario would change very quickly once 1970 dawned.

Many events took place which would affect the entire American automobile industry in general and Chrysler Corporation in particular: the passage of the Clean Air Act by Congress in 1970 and the enforcement of bumper collision standards in 1973, and the beginning of dramatic growth in the imported car market, a movement spearheaded by a conglomeration of Japanese manufacturers. All these developments would have serious repercussions on Chrysler’s actions for years to come.

More than anything else, however, aggressive marketing in the wrong fields combined with overaggressive market expansion sent Chrysler down the wrong path. Ultimately, for any automotive manufacturer to survive and succeed in the marketplace, its vehicles have to offer a combination of value, quality, and style. It must meet a need in the marketplace. Here was where Chrysler slipped, offering models the public didn’t necessarily want while ignoring or entering too late popular segments of the market, losing money and image in the process.

At the start of the 1969 model year, Chrysler Corporation appeared to the casual observer as an automaker in a position of great strength. In 1968, Chrysler had claimed eighteen percent of the automotive marketplace, selling over 1,850,000 vehicles, with its lineup of Dodge trucks and vans setting a sales record. The $7.4 billion dollars generated
by these sales marked the seventh consecutive year of record gross earnings and a tripling of the sales total from the early 1960s. Chrysler posted net earnings of $290.7 million for the 1968 campaign.

For 1969, Chrysler Corporation offered one of the freshest and most comprehensive automotive lineups in the industry, offering within its four nameplates—Chrysler, Plymouth, Dodge, and Imperial—a wide variety of sizes and styles, none of which had been introduced before 1967. They included the compact Plymouth Valiant and Dodge Dart, the intermediate-sized Plymouth Belvedere and Dodge Coronet, and the new-for-1969 standard-sized Plymouth Fury; Dodge Polara; Chrysler Newport, 300, New Yorker, and Town & Country; and Imperial LeBaron. Chrysler even offered an imported subcompact—the European-built Simca.

Chrysler's performance image came from none of these volume vehicles. It was derived from the smallish, albeit popular, muscle-car market. Chrysler invested heavily in the popular muscle-car market—sporty, highly powerful, youth-oriented automobiles—in the form of the 1969 Plymouth Barracuda, GTX, and Road Runner and Dodge Charger, Super Bee, and Dart GTS.

Times change quickly in the automotive marketplace, however, and Chrysler failed to realize this. The muscle-car market was reaching its peak in 1969, yet Chrysler continued to invest its marketing heavily into the field. For instance, Dodge marketed their muscle cars under the “Scat Pack” moniker, proclaiming “They roar out defiance as they feed your love for performance.”

Nowhere was this more apparent than in the introduction of the Dodge Charger Daytona. Created to win races on the NASCAR stock car circuit, the Charger Daytona featured such outrageous features as an aerodynamic nose cone which added eighteen

inches to the length of the vehicle as well as a huge spoiler in the rear which towered over the roof of the car. While the Charger Daytona proved an outstanding race car, it was ill-suited for street use. Worse yet, Chrysler lost thousands of dollars on each Charger Daytona sold, but “winning races, not making money” was the primary purpose for the car’s existence² Although this loss was not particularly significant, it indicated some reckless spending habits—habits which would become all too common within Chrysler.

The big news for Chrysler in 1969 came through its introduction of a newly-restyled line of full-size cars—the corporation’s bread and butter vehicles and the ones with the largest profit margins. The new cars featured what Chrysler called “Fuselage” styling—curvaceous styling intended to imply the look of modern jet airplanes. Dodge pronounced its new Polara “luxury in a big package,”³ while Chrysler boldly proclaimed, “Your next car is as much of tomorrow as it is today.”⁴

The automotive press seemed to like the new cars from Chrysler. In testing a Chrysler Newport Custom, Motor Trend largely applauded the redesign. The magazine thought “replacing the rather loose, shaky feel of ’68 with a compact, solid feel in both ride and handling, without sacrificing, but rather increasing comfort, has been a big step forward.” Motor Trend, however, took Chrysler to task for chintzy interior trim, calling it “gaudy.”⁵

Unfortunately for Chrysler, the public found the new big cars less than enthralling. In practice, the Fuselage styling looked “bulbous” and “better suited to small cars.”⁶

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Launch problems with the new line also hurt availability and harmed quality. The public's decision spoke loudly on the bottom line. Although Imperial posted its best sales year ever (only 19,000 units, however) and Dodge reached its second-highest sales level ever, the corporation's overall sales fell to 1,746,820. Gross profits dropped to $7.1 million, while earnings shrank to $88.7 million. 1969 did offer one historic move for Chrysler; in May the Corporation and Mitsubishi Heavy Industries of Japan announced plans for an automotive joint venture, one which would influence Chrysler for years to come.

1970 proved a memorable and challenging year for Chrysler Corporation, although very few of the incidents which made it memorable and challenging directly concerned its current automobiles. New car introductions were limited to the compact Plymouth Duster two-door sedan, an instant sales success which tripled Chrysler's compact sales; the high performance Plymouth Superbird, a clone of the gas- and money-swilling Dodge Charger Daytona, which had been discontinued; and the Dodge Challenger and Plymouth Barracuda performance coupes, meant to challenge Ford's Mustang and General Motors' new Chevrolet Camaro and Pontiac Firebird.

While the Duster proved a shrewd financial move by Chrysler—merely a restyling on the Valiant platform, thus reducing investment costs while vastly increasing sales—Chrysler's decision to overhaul the Barracuda and introduce a Challenger counterpart for Dodge was foolhardy. Granted, the cars looked sleek and sporty, although some critics complained about their wide, almost unwieldy look. And they accelerated among the best in the class. But the muscle car craze had reached its zenith. Insurance companies raised rates to extremely expensive levels or even refused to insure muscle cars because of the largely young, largely reckless drivers who drove them. Nevertheless, Chrysler continued to promote itself as the keeper of the flame for muscle
cars, hoping for a turnaround which never came. Dodge called its Challenger “the sports car with the big difference,” while Plymouth bragged of its “Rapid Transit System” line of muscle cars, “Anybody can offer a car. Only Plymouth offers a system.”

Unfortunately for Chrysler, these proclamations failed to capture sales. They instead sounded tired and anachronistic, and they baffled the corporation’s loyal, older customers. All this translated into a $27.4 million loss in the first quarter of 1970.

A financial loss is cause for concern in any business, but this decline in fortune brought Chrysler Corporation’s immediate survival into doubt in dramatic fashion. On June 19, 1970, the Penn Central Transportation Company filed for bankruptcy after the Nixon administration reneged on its pledge to issue $200 million in loan guarantees to the Eastern railroad company. Wall Street went into a panic as investors identified other companies similar to Penn Central—large companies which had recently lost money and had large sums of short-term IOUs. Chrysler fell into this grouping; investors reacted by blacklist Chrysler. Stock prices dropped, and Chrysler soon found itself facing the very real, very frightening prospect of bankruptcy. Only the persuasion of Chrysler’s leaders to its creditors saved the company, as the banks infused Chrysler with additional hundred-million dollar lines of credit. Nobody knew it then, but this incident represented a sign of things to come later down the line.

Yet another event took place in 1970 which would affect profoundly affect Chrysler in the future. The environmental movement had taken root in 1970 with the very first Earth Day, and the quest for a cleaner earth had entered the political arena. In December 1970, the Clean Air Act, a bill sponsored by Maine Senator Edmund Muskie, was signed into law. The bill demanded dramatic reductions of carbon monoxide, oxides

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9 Moritz 120.
of nitrogen, and hydrocarbons—the amounts of which stunned the automotive industry. These numbers “were arbitrary and adopted with little serious thought,” something even Muskie admitted. From the automotive industry’s point of view, the Clean Air Act was good in thought but poor in execution. The demands would raise prices and lower performance and driveability—i.e. smoothness, no hesitating or stalling when accelerating.

The Clean Act also exposed the American Auto Industry’s waning leadership in technology. Smaller imported cars, particularly those from Japan, had an edge in technology and efficiency. This edge made it easier for the imports to meet the new regulations. The American manufacturers, meanwhile, would have their hands full in getting their older, less advanced engines to meet the standards. Often, the Americans would fall short, producing cars which failed to match the imports’ smoother feel. All of these contributed to the United States’ reputation for shoddy cars.

All in all, 1970 proved an unfortunate year in Chrysler’s history. Car sales fell again, to 1,353,304, reducing gross profits to $7 billion. The corporation posted a $7.6 million earnings loss. Chrysler and Imperial sales dropped twenty-eight and forty-four percent, respectively, while Dodge and Plymouth intermediate sales plunged thirty-four and fifty-six percent. Meanwhile, the imported car market had posted a sales record—1,230,961, or fifteen percent of the market, almost equaling Chrysler’s market share. Worse yet for Chrysler, Volkswagen, Toyota, and Datsun, the top three imports, all set sales records, while Honda, Mazda, and Subaru all entered the marketplace.

Clearly, the import market would not go away. Chrysler’s lone bright spot came in the form of Dodge trucks, which set a sales record at just over 145,000.

Chrysler offered much more in the way of new products in 1971. The corporation applied the Fuselage look introduced on the 1969 full-size models to its intermediate-sized
cars—the Dodge Coronet and Charger and Plymouth Satellite. Dodge received a version of the compact Plymouth Duster and called it the Demon, giving Plymouth a version of the Dart Swinger in return, which Plymouth named Scamp. Also for 1971, Dodge introduced an all-new full-sized van—a vehicle whose basic design would last through the twenty-first century.

Like Chrysler’s full-sized cars, the fuselage look on the Coronet, Charger, and Satellite was controversial. Some considered the new look awkward and “humpy,” while others thought the new look was “tastefully executed.”

Motor Trend, in a test of a Plymouth Satellite sedan, praised the vehicle’s strong engine performance but condemned its poor brakes and uncomfortable, badly-assembled seats.

Quality proved a constant concern with Chrysler products, and the new Dodge Tradesman and Sportsman vans reflected this. Motor Trend compared the Dodge vans to its competitors at Volkswagen, Ford, and Chevrolet, who had also introduced a new van, and lamented, “If only Detroit would offer VW’s quality at a competitive price. . .”

Motor Trend also found nothing significant to recommend the Dodge over its competition, saying “the three Detroit-made vans. . .are so alike as to be practically indistinguishable.”

Motor Trend reached this conclusion in spite of Dodge’s claim that its new vans were “built with thirty-one great advantages.”

1971 also marked the official beginning of Chrysler’s partnership with Mitsubishi. Both companies were eager to consummate the joint venture agreed upon in 1969; Chrysler, having no desire or financial ability to design and build its own small car (even though Chrysler Chairman Lynn Townsend announced plans for one in 1969), wanted to

11Langworth, Dodge Buyers Guide 111.
14ibid. 82.
gain a stronger foothold in the subcompact market by importing Mitsubishi’s vehicles. Chrysler’s need for a subcompact was made even more urgent through GM, Ford, and American Motors’ forays into the market in 1971 via the Vega, Pinto, and Gremlin, respectively, while Chrysler’s small Simcas sold poorly and were becoming unprofitable to certify to federal safety standards. Mitsubishi, meanwhile, desired to enter the American marketplace via Chrysler’s large, established dealer network. It seemed like a sweet deal for both parties.

That deal almost did not happen. Chrysler originally proposed purchasing thirty-five percent of Mitsubishi and was shocked to find out the corporation lacked the cash to carry out such a deal. Not even Chrysler Chairman Lynn Townsend realized how thin the coffers had gotten. Chrysler could only afford to purchase fifteen percent, which Mitsubishi accepted. Both sides got what they wanted otherwise, but the deal further exposed Chrysler’s messy financial dealings and prophesied further trouble ahead.

Chrysler began importing Mitsubishi-made vehicles in 1971 under the Dodge Colt nameplate. To complement the Colt, Chrysler brought over from its British subsidiary the new Plymouth Cricket. Both, although similarly sized, proved to be very different vehicles. Road and Track, for instance, considered “the Colt’s suspension and handling flaws as especially unfortunate in light of the excellent interior, engine, and driver accommodations”, but proclaimed the Cricket “entertaining to drive” while knocking its strangely designed interior and instrumentation.16

All of this activity translated into a better year for Chrysler. Overall sales increased by 6.7% over 1970 levels, to 1,444,333 cars. $8 billion in gross profits and 169,000 truck sales set new records. Chrysler also sold 56,000 Colts and Crickets, each representing

about half the total, although Chrysler had hoped to sell more. For 1971, Chrysler earned $83.6 million.

Two large events influenced Chrysler's automotive lineup for 1972. The first, the Clean Air Act, began to exert its influence in design, marketing, and performance. Because of the cost of meeting stricter emissions standards, automakers had less money to spend on new styling for vehicles. In addition, Chrysler was forced to drop all of its image-bearing, highest-performance vehicles because of the expense of trying to certify them to meet the new standards. (Chrysler probably couldn't have sold them anyway because the cost of insurance and gasoline made them unreasonable to purchase.) Engine power dropped across all vehicle lines as a result of meeting the new standards.

Chrysler's car lines remained largely status quo for 1972, with no major introductions or changes. On the technology front, Chrysler offered its "Sure-Trak" braking system, a predecessor of modern-day anti-lock brakes, on the Imperial. Trucks were a much different story, as Dodge brought out an all-new line of light-duty pickups--the bread and butter of the truck market.

"When you have a truck that's been known for years as a rugged, hell-for-leather tough guy, changing its looks without changing its image isn't easy. But Dodge did it. The best of both has been combined to make this Dodge the only all-new pickup for 1972." So Dodge introduced its new trucks. Dodge declared the new trucks featured all the durability and strength one would expect in a pickup while combining a ride and interior which rivaled the comfort of automobiles.

Motor Trend largely concurred with Dodge's views. The editors appreciated the new pickup's styling and car-like ride, thinking these "[hid] its basic work-like nature."
But quality issues once again came to the forefront as the magazine complained about a malfunctioning tailgate and numerous squeaks and rattles.

Ultimately, Dodge’s claims were embraced by consumers. The new trucks helped Chrysler obliterate the truck sales record of 1971 by 120,000 units, to 288,782. Meanwhile, Chrysler’s little-changed cars also set a new sales record of 1,565,555. Plymouth’s six-year-old Valiant, which had firmly established a reputation as a well-designed, reliable compact, led all lines with over 300,000 deliveries, while the Dodge Colt registered a twenty-percent sales gain. $9.8 billion worth of gross earnings also set a record, with Chrysler posting a net profit of $220.5 million. Overall, 1972 was a great year for the Chrysler Corporation.

Much like 1972, Chrysler’s lineup of vehicles remained largely unchanged for 1973. The Plymouth Cricket vanished; the British compact never performed up to sales expectations, with sales dropping fifty percent in 1972. Chrysler continued to back away from its performance image, which no longer sold vehicles, towards one of luxury, which did. Motor Trend summed up this transition accurately: “The guys who were among the first to give you pavement-melting performance now offer quiet good taste. . . .All that drag-strip terror just isn’t relevant anymore.”

Most of Chrysler’s 1973 models featured different looking front ends. But these redesigns came not through Chrysler’s choice, but from government decree. For 1973, federal requirements stipulated that all cars must survive a five mile-per-hour frontal impact without damage. This stipulation meant well but was enacted poorly. All automakers, including Chrysler, could do was attach large, heavy bumpers—virtual battering rams—to the fronts of their cars. This had the unfortunate effect of adding

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weight to the cars, thus diminishing performance and fuel economy even further, and raising repair costs on collisions higher than five miles-per-hour. The new bumpers, intended to reduce headaches, instead caused more of them for automakers, consumers, and insurance companies, raising costs all around.

Overall, though, Chrysler enjoyed its best year ever in 1973. Both the Chrysler-Plymouth and Dodge Divisions reached sales totals of over one million for the first time, generating $11.8 billion in gross profits, another record. Net profit was $255 million. Truck sales, helped by the introduction of the Dodge Club Cab, the first extended-cab pickup truck, remained at record levels. Chairman Townsend and President John Riccardo were naturally pleased by this performance; both “believed Chrysler was in a good position” to start 1974.20

At the end of 1973, a casual observer could take Townsend and Riccardo at their respective words. The statistics seemed to support the leaders’ optimism. But storm clouds were gathering. An energy crisis was beginning to take root, and Chrysler’s overall good fortunes belied this significant happening. Strong sales in the first half of the 1973 campaign overcame slumping second-half fortunes.

Under the old system of building automobiles, Chrysler had prospered, posting profits four out of five years. But it would be over the next five years where the effects of governmental regulation and economic events would become evident. An era had ended. Would Chrysler thrive in the new one?

If the seeds for Chrysler Corporation’s near-immolation at the end of the 1970s were planted during 1969-1973, the seeds began to germinate during 1974-1978. Lackluster products, increasing inroads by the Japanese imports, further struggles to meet stringent government regulations concerning emissions and fuel consumption, reckless corporate spending habits, and national and worldwide economic strife took their toll on Chrysler. Indeed, if one could describe Chrysler in one word during these five years, that word would be “decline.”

Despite 1973’s sluggish finish, Chrysler expected a good year in 1974. It continued to put “a greater emphasis on comfort, serviceability, convenience, and safety” while wanting to prove that “crashworthy cars need not be ugly.” This philosophy marked a major departure from Chrysler’s not-too-far-gone days as a torchbearer for performance. Rather than lead, Chrysler seemed content to follow its American counterparts—particularly General Motors, which was at the height of its sales powers. This conservatism, which seemed like sound reasoning in 1974, would backfire with graphic results before the decade ended.

The introduction of a newly-restyled line of full-size cars marked the big news for Chrysler in 1974. “Our corporate philosophy,” according to Chrysler in its 1974 sales brochures, “is to build well-styled cars with engineering differences that set them apart from the crowd.” Put another way, Chrysler intended to build a GM-school full-sized car.

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2 ‘74 Chrysler. Chrysler Corporation, August 1973: 3.
and build it better. The new vehicles’ resemblance to their GM competition was no accident.

In a comparison test, *Motor Trend* took the cream of Chrysler’s new large cars, the Imperial, and put it up against the Cadillac Sedan deVille and Lincoln Continental. *Motor Trend* deemed the new Imperial “very likely the best of the long line of Imperials”\(^3\) in praising its instrument layout, four-wheel disc brakes (the first application to any domestic large car), and handling. But overall, the Imperial’s GM leanings couldn’t help it defeat the Lincoln, a Ford product, for top honors.

Unfortunately for Chrysler, the timing for the introduction of the new line of big cars could not have been worse. War in the Middle East involving Israel and its Arab neighbors in late 1973 exposed America’s hunger for oil in the worst possible way, triggering the infamous Oil Crisis. Gas rationing constricted the freedom to travel and plunged the nation into a recession. Large cars, with their ravenous thirst for fuel, quickly became taboo in dealers’ showrooms. Chrysler, which had invested millions in its primary line of vehicles, was left holding the bag.

So it all seemed ironic that the compact Plymouth Valiant and Dodge Dart, stalwarts in the Chrysler lineup since 1967, the oldest vehicles Chrysler offered, kept the company buoyant in 1974. They met the public’s sudden demand for smaller cars in dramatic fashion. The Valiant set a sales record for the fifth consecutive year, while the Dart also set a record and represented 37.5% of all Dodge sales. In addition, Chrysler had also introduced three new models: the Dodge Ramcharger and Plymouth Trail Duster sport utility vehicles and the Plymouth Voyager full-sized van. The latter two vehicles represented a departure for Plymouth, being the first trucks carrying the Plymouth

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nameplate since before World War II. While these vehicles didn’t perform as well as hoped given the gas crisis, they did help pad the company’s bottom line.

Given the gruesome disaster of 1974, Chrysler needed every bit of padding it could conjure up. The recession and energy crisis hit the entire auto industry hard, even the imports, which suffered their first sales drop in years. For Chrysler, hard times meant an $800 million decline in gross earnings and a $52.1 million loss. The lone bright spot came in the form of the all-new Dodge Colt, with a comparatively small 43,000 sales; this, however, represented an increase over the previous year--the only “captive import” (i.e. an imported car sold by a domestic car company) to post an increase. Outside of being the fiftieth anniversary of the introduction of the first Chrysler automobile, 1974 offered precious little for Chrysler to celebrate.

Many major developments took place in 1975 which influenced Chrysler’s actions and performance--on the road as well as in the marketplace. On the automotive front, Chrysler redesigned its intermediate-sized coupes, moving away from Fuselage styling towards something more formal and conservative, very ornate, almost baroque. Like Chrysler’s full-sized cars, the new coupes liberally borrowed styling cues from General Motors. With its Chevrolet Monte Carlo, Pontiac Grand Prix, and Oldsmobile Cutlass, GM owned the rapidly-growing personal luxury segment of the market, and Chrysler felt it could chisel out a significant portion of the pie through mimicry. The muscle car era had officially died (the Dodge Challenger and Plymouth Barracuda withered away at the end of 1974, along with such competitors as the AMC Javelin and the Pontiac GTO, the latter considered the father of the muscle car), and Chrysler needed to find another market to break into.

In this case, the “follow the leader” mentality Chrysler employed may not have been very inspired, but it proved to be one of Chrysler’s few smart moves in the 1970s. From this group of cars, which included the Plymouth Fury and Dodge Charger, came one
of Chrysler’s most successful models, one which helped keep the company from
disappearing into oblivion. That car was the Chrysler Cordoba.

Chrysler’s designers originally conceived the Cordoba as a premium Plymouth, but
applied the Chrysler badge to it for one simple reason: they believed it would sell better.
They ladled on the glitz and pizzazz befitting an automobile carrying the Chrysler
nameplate. Thus, the first “small Chrysler” was born. The Cordoba was a foot shorter
than any other Chrysler, although at over 215 inches, the Cordoba was no midget.

To promote its new entry, Chrysler spared nothing. It unabashedly promoted the
Cordoba as “the new small Chrysler.” It recruited the services of actor Ricardo
Montalban to promote the virtues of, among other things, the Cordoba’s available
Corinthian leather upholstery. The Cordoba’s style reflected that of the times, with
advertisements boldly proclaiming, “Surely, you will want to test drive this exciting new
Chrysler, if only to prove conclusively that you can find no finer motoring among those
models that qualify as personal automobiles.”

Chrysler’s hunch that the new vehicle would sell better as a Chrysler paid off big
time. 150,000 buyers found the Cordoba exactly what they were looking for. In 1975,
Chrysler sold more Cordobas than all the full-sized Chrysler models put together. In fact,
the Cordoba alone outsold the entire Chrysler lineup for 1974. Simply put, the Cordoba
was an unqualified success story. It was a victory Chrysler needed badly, however, for the
Cordoba represented the only good news for Chrysler in 1975.

For 1975, federal emissions standards necessitated the installation of catalytic
converters on automotive exhaust systems. Catalytic converters removed pollutants from
car exhaust through a chemical reaction, which was intended to make for cleaner-running


\[5\] ibid. 3.
cars. But catalytic converters had plenty of negatives going against them, including reduction of performance via increased backpressure in the exhaust system, added cost to manufacturing (extremely rare platinum constituted the most expensive component), and the required use of more costly unleaded gasoline. (Cheaper leaded fuel would render the converters inoperable). Worse yet, catalytic converters actually reduced fuel economy—a major problem in the gas-starved mid-1970s—while emitting sulfuric acid into the atmosphere. It appeared that the benefits of cleaner-burning vehicles were offset by the additional amount of fuel burned to power them. Chrysler had no choice but to install the devices on its vehicles and follow another well-intended but misappropriated federal regulation.

Even larger news came on the regulatory front in 1975 through the passage of the Corporate Average Fuel Economy Act, or CAFE for short. CAFE mandated that all vehicles put together in an automaker’s lineup meet a certain average for fuel economy. For instance, to meet the first CAFE standard in 1978, 18 miles per gallon, a manufacturer would have to sell a smaller car averaging 22 miles per gallon to offset a full-size car with an average of 14 miles per gallon. The standard would increase to 27.5 miles-per-gallon in 1985. The penalty in failing to meet the standard: a $6.5 million fine for every tenth of a mile below the required average. Clearly, “Congressional legislation was going to change life in Detroit dramatically...Washington had never laid a firmer hand on Detroit.”6 That hand would exert a tremendous influence on what Chrysler would design, build, and sell from here on out.

1975 ended on many somber notes. Townsend, who could no longer lead Chrysler effectively into this new phase of manufacturing automobiles, took early retirement in October; Riccardo succeeded him. Chrysler-Plymouth sales fell again, in spite of the

6Moritz 3.
Cordoba’s success, as did Dodge. Even the aged Dart and Valiant, the saviors of 1974, suffered large sales decreases. Things got so bad that Chrysler was forced to offer rebates to sell their vehicles—a dubious first for the industry.

Perhaps worst of all, terrible sales of Chrysler’s flagship Imperial (only 8800) forced the discontinuation of the luxury line. Imperial sales had slid backwards since 1969, and during its history, Imperial had nipped Lincoln for second place in the American luxury market only twice, in 1957 and 1964, and never seriously challenged Cadillac for supremacy. Chrysler could only blame itself; for it had for several years promoted the Imperial not as a luxury make with its own identity, but as merely an upscale Chrysler. Imperial enjoyed neither the exclusive reputation nor the name respect of Cadillac and Lincoln, and its sales reflected that. All told, Chrysler lost $259.6 million on $11.6 billion in sales in a miserable, recession-crippled year. But Chrysler still had high hopes for 1976, hopes which rested on an all-new duo of compact coupes, sedans, and wagons.

The Dodge Aspen and Plymouth Volare represented Chrysler’s big news for 1976. The Aspen and Volare would replace the Dart and Valiant, which remained available for one final year. Rather than follow in GM’s footsteps, the Aspen and Volare took some of their cues from the Ford Granada and Mercury Monarch, Ford’s compacts, which, in turn, featured some influences from upscale Mercedes-Benz.

Advertising reflected Chrysler’s high expectations for the Aspen and Volare. Dodge touted the Aspen by claiming “For a small car, it’s unbelievable,”7 while Plymouth believed its Volare offered “full-size comfort in a small car.”8 Chrysler expected 400,000 to 500,000 in sales from the its new compacts, which the cars met successfully. Motor

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Trend even named the duo "Car of the Year" for 1976. "This year," wrote the magazine, "we came away with...a definite opinion we had seen something new." ⁹

The Aspen and Volare, combined with a resurgent economy, spearheaded Chrysler to dramatic, record-breaking new heights—a striking contrast to the previous year. Ward's hailed the Aspen and Volare as "the most successful introductions in Chrysler history," ¹⁰ with combined sales of nearly 550,000—over 40% of all Chrysler Corporation sales. Trucks also did their part to bring Chrysler back to prosperity, with Dodge's vans and Ramcharger setting market records in leading truck sales to a record 441,850 units. Money rolled into Chrysler Corporation in 1976 in amounts never before seen in history—$422.6 million in earnings on $15.5 billion in sales. Even the Chrysler New Yorker Brougham, a rebadged 1975 Imperial which had underperformed so badly in the marketplace the previous year, quadrupled its sales.

The bad times appeared to be ending for Chrysler when 1977 began. The strong economy showed no signs of slowing. GM's new line of downsized large cars represented the industry's major story, but Chrysler, along with Ford, continued to offer a traditionally-sized line of full-sized cars. While GM's new cars hurt sales of the large Dodge Royal Monaco and Plymouth Gran Fury, the Chrysler-badged line of large cars actually enjoyed their best sales totals in years.

Chrysler's big news for 1977 came with the mid-year introduction of the Chrysler LeBaron, a Chrysler even smaller than the Cordoba, and the similar Dodge Diplomat. Based on the Aspen/Volare platform, the LeBaron and Diplomat featured more formal styling befitting Chrysler's intentions—that of a near-luxury compact. The LeBaron and Diplomat, Chrysler believed, represented "the beginning of a totally-new class of

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automobiles.” Motor Trend, for one, was impressed with the LeBaron’s rich-looking interior and value for the money in proclaiming “there’s every indication that Chrysler has designed and built a rolling success story.”

Overall sales totals for the Chrysler Corporation increased slightly over 1976 levels, with $16.7 billion in gross earnings reported. The truck market continued to be hot, and Dodge set another record for sales at nearly 475,000—this in spite of a six week strike at the truck plant resulting in lost production and revenue. However, Chrysler’s profit margin dropped to $163.2 million, less than half of 1976’s record net earnings. Chrysler was not concerned, but perhaps it should have been. Inefficiency was growing, with Chrysler seemingly oblivious to it.

One automotive writer, in assessing Chrysler’s potential for 1978, believed the company was in a position of “unquestioned, solid vitality” and predicted an “exceptional” year for the corporation. This view held some credence, for the national economy continued to be strong, and Chrysler was making some significant moves. The corporation had dropped the large Dodge Royal Monaco and Plymouth Gran Fury, victims of slow sales as well as the CAFE standards which officially went into effect. In addition, Chrysler introduced two new Mitsubishi-made coupes: the Dodge Challenger and Plymouth Sapporo. Most notably, Chrysler was about to introduce two revolutionary new cars: the Dodge Omni and Plymouth Horizon. The Omni and Horizon represented a series of firsts: Chrysler’s first subcompacts, their first cars with front-wheel drive, and the first American-made cars with space-saving transverse (sideways) engine mounting—a design which saved space. Overall, Chrysler appeared to be trimming down in weaker areas while bulking up in stronger ones.

Chrysler had long delayed putting out a subcompact until it felt the time was right. The U.S.'s leading subcompacts, GM's Chevrolet Vega and Ford's Pinto, suffered from serious design flaws which helped contribute to the American auto industry's declining reputation for quality. The Vega's aluminum engine was prone to overheating, while a faulty design in the Pinto's gas tank allegedly made the car vulnerable to explosion in a collision. GM and Ford never made any money on their subcompacts, despite millions of sales, because of diminished profit margins to correct these problems.

Chrysler made good use of its resources in developing and building the Omni and Horizon. The original design came from Simca, the French subsidiary of Chrysler, while Volkswagen, which had recently opened a plant in the U.S., would provide engines and manual transmission. Unlike the Vega (which was discontinued in 1977) and Pinto, the Omni/Horizon duo offered a more practical four-door design, and unlike the Pinto and Chevrolet Chevette (the Vega's replacement), Chrysler's subcompacts offered the weight-saving and traction advantages of front-wheel drive. When Bob McCurry, Chrysler's group sales vice president, declared, "We have learned from our competitors, and we think we now have the right car and the right people packaging, the right engineering and the right design for this segment of the marketplace," he appeared to know what he was talking about.14

The Omni and Horizon gained many accolades from the automotive press in 1978. Road and Track concluded, "The Omni-Horizon is one of the most sensible cars to come out of Detroit, . . . from what we've seen so far, we'd say Chrysler's recovery is right on the Horizon. . . .and Omni."15 Motor Trend observed, "'Omni' is from the Latin meaning

15"Plymouth Horizon." Road and Track March, 1978: 60.
‘all,’ and it looks like Chrysler’s got just that with these new front-drives.” The magazine awarded, for the second time in three years, its “Car of the Year” award to a Chrysler product.

Despite all this good news, 1978 would quickly turn bleak for Chrysler. The Aspen and Volare, so critical to Chrysler’s success, hid some disturbing secrets. When these secrets revealed themselves, first to the hundreds of thousands of Aspen and Volare owners and then to the general public, Chrysler would pay dearly in terms of money and reputation for years to come.

The lean years of 1974 and 1975, years in which the Aspen and Volare were designed and developed, forced Chrysler into some serious financial belt-tightening. In choosing the areas in which to cut costs, Chrysler made some major mistakes...mistakes which, in the near future, would nearly destroy the company. These mistakes included Chrysler’s failure to allocate money for properly designing and producing the Aspen and Volare. The cars’ image quickly turned from that of well-designed automobiles of the future to among the worst cars ever built and sold in automotive history.

The list of problems associated with the Aspen and Volare grew to grotesque levels. Ghastly design problems led to engines that stalled, brakes that failed, and hoods that flew open without warning. Front fenders on nearly-new cars blistered with rust because the factory failed to apply rustproofing to the sheetmetal. These problems ended up costing Chrysler over $200 million in recalling 3.5 million Aspens and Volares for repairs at no cost (financially, at least) to the consumer. For this, the compacts earned another “honor”: the Center for Auto Safety’s “Lemon of the Year” distinction. In attempting to save money in designing the Aspen and Volare in the mid-1970s, Chrysler

instead lost money as well as its reputation. Grumbled one Chrysler executive off the record: "We pissed away a car."\textsuperscript{17} It would not be the last time this would happen.

Despite 1978's economic prosperity, a year in which nearly 11,000,000 were sold (over 2,000,000 of which were imports), Chrysler posted a bad year. Chrysler-Plymouth division sales dropped 10%, while Dodge sales decreased 5%. Chrysler's line of imported cars plunged 14%, an amazing feat given the strength of the import car market, which showed no signs of flagging. Among the few successes: nearly 500,000 truck sales--another record--and sales increases for the Chrysler LeBaron and Dodge Diplomat--the only cars to post a sales increase over 1977 levels. But even the LeBaron and Diplomat's success carried a qualifier; the compacts cannibalized Chrysler by stealing sales from the Aspen and Volare.

1978's bad luck finally prompted Chrysler into dumping their European subsidiaries to Peugeot and Citroen. Chrysler rarely made money in Europe, and the subsidiaries created a drain on the company's dwindling resources; in fact, Chrysler held on too long and was paying the price. Chrysler lost $204.6 million on shrinking gross earnings of $13.6 billion. When an automobile manufacturer loses money and sales in an economically healthy year, it indicates serious problems. As bad as Chrysler had it in 1978, things would get much, much worse.

Financial strife would not represent the most significant development for Chrysler in 1978, however. This story began not at Chrysler, but at Ford Motor Company. On July 13, Henry Ford II, chairman of Ford and Henry Ford's grandson, fired the company's highest ranking executive, the president of Ford.

The executive's name was Lee Iacocca.

\textsuperscript{17} Moritz 16.
Iacocca had worked for Ford his entire career. His successful tenure at Ford included credit for the development of the sporty Mustang, which created a new market and made Ford millions, and the Lincoln Mark III, a personal ultra-luxury coupe which found great favor with buyers and raised Lincoln to a higher level of respect. Indeed, Iacocca’s firing was not the result of lackluster performance on Iacocca’s part, but rather, because of clashes of personality and ego between Iacocca and Ford.

Iacocca, at 54, was, like Walter Chrysler, too young and impatient to retire permanently. Chrysler Corporation realized this and went after him during the summer and fall of 1978. After a few months of coming to terms on a financial package, which included a promise to elevate Iacocca to the chairman position (something Iacocca wanted at Ford but knew he would never get as long as Ford was alive), Chrysler introduced Iacocca as its new president on November 2, 1978. Only the current chairman, John Riccardo, held more power...but not for long.

The possibility of a new start at Chrysler excited Iacocca. Indeed, a new era at Chrysler had begun. But Iacocca’s enthusiasm for the future waned quickly when he realized the depths of the nightmare he had entered.
CRITICAL MASS:
1979-1981

During 1979, 1980, and 1981, Chrysler Corporation looked little like a car company; it instead resembled an exercise in erasing years of corporate mayhem. Chrysler's history during these three years concerns automobiles only minimally, with the exception of the K-car's introduction in 1981. Rather, Chrysler's history tells a story of paying the price for its long-standing bad habits and its ensuing desperate acts to survive.

Chrysler's disorganized leadership, misreading the market, and bringing substandard products into production, helped in no way by other circumstances beyond its control, brought the company to the brink of destruction. Chrysler fell into this position over a period of years, as its actions over the previous decade testify. By 1979, the time of reckoning had arrived.

Lee Iacocca recognized that Chrysler was in trouble at the dawn of the 1979 model year when he arrived to work. On the same day Chrysler announced Iacocca's arrival as president and chief operating officer, it declared its biggest quarterly loss ever--$159 million. Iacocca, however, had yet to discover for himself the depths of the "state of anarchy" Chrysler was in.\(^1\) As Iacocca acclimated himself to his new position, the disorganization and chaos blew his mind. "This company took twenty-five years to become decadent," remarked Iacocca. "I mean rotten to the core."\(^2\)

Iacocca was shocked to find how little communication between departments existed at Chrysler. For instance, engineers would design a part for a vehicle and hand it over to the manufacturing department, who were expected to put it into production.

\(^2\)Moritz 225.
However, in many cases the design given to manufacturing proved unfeasible for production--too expensive or complicated to build. As a result, the company would lose time, and ultimately, money, in redesigning the part. All of this could have been prevented had the groups worked together more closely in the first place. Iacocca described Chrysler’s organization of conducting business as “a bunch of mini-empires, with nobody giving a damn about anyone else was doing.”

Communication problems extended beyond engineering and manufacturing. Often, Chrysler’s leaders had no idea what was going on inside their own company. When Iacocca recalled his interview for the Chrysler presidency in 1978, he remembered thinking that Chrysler “could be turned around in a year,” based on what Chairman John Riccardo had told him. When Iacocca began working, he soon realized that “even (Chrysler’s) top management didn’t have a very good idea of what was happening.” It took well over a year to turn things around; the corrupted way of working at Chrysler had become so entrenched. At the end of 1979, J. Paul Bergmoser, Iacocca’s successor as president, remarked, “I have a terrific accountant’s report that tells me we lost a billion dollars. What I don’t have is an analysis to tell me how the hell we lost a billion dollars.” In one of the greatest ironies at Chrysler, the corporation, run by men rich in financial backgrounds such as Lynn Townsend and John Riccardo, couldn’t even account for and explain the huge financial losses the company had suffered through over the years. Nobody seemed to know what was going on or what anybody else was doing in management.

Lack of communication also affected the relationship between sales and manufacturing. Rather than the dealers telling the factory what to build based on what the

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3Iacocca 152.
4Iacocca 144.
5Moritz 228.
customers bought, the factory would instead tell dealers what they were producing and would have to sell. This was Chrysler's notorious way of building and selling cars through the sixties and seventies. Dubbed the "sales bank," this philosophy demonstrated everything wrong with Chrysler and represented the largest factor which led to Chrysler's downfall.

The sales bank had some advantages in theory. By building cars without dealer orders, the factory could build up an inventory to supply dealers with a steady stream of cars in times of increased market demand. Thus, when a market upswing occurred, the company would find itself prepared to cash in handsomely.

Building cars without dealer orders also allowed the factory workers to hone their skills in manufacturing a better product. Practice in building cars, it was assumed, would lead to a higher level of quality. The sales bank also kept the factories running during slack times in the sales season, which sometimes, but not always, saved money as opposed to shutting the plant down temporarily.

In initiating the sales bank in the 1960s, then-Chairman Lynn Townsend figured he had made one of the greatest decisions of his career. "You cannot sell cars without an inventory," declared Townsend, "(and) you'll never learn how to build a quality car with the plant down."6 Theories, however, often fly out the window when put into practice. The sales bank demonstrated this in dramatic fashion.

Building cars for an inventory involves major speculation. Since the market can change rapidly, the sales bank often entails a great deal of risk. A manufacturer could find itself with a surplus of a product it can not sell, losing lots of money in the process. In the 1974 and 1975 recession years, for example, Chrysler banked heavily on its new full-size models, producing a surplus. When the energy crisis hit, Chrysler found itself stuck with

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6Moritz 101.
thousands of cars it could only sell through deep discounts, thus reducing or even eliminating its profit margins. Incidents like these happened all too often throughout the 1970s.

When building an inventory of vehicles, the corporation also has to account for costs in storage and maintenance. Chrysler's inventory of unsold vehicles often reached into the hundreds of thousands. Land costs to store these vehicles extended into the millions of dollars. In addition, these vehicles, sitting out in the open, exposed to the elements, required a great deal of maintenance. Trucks roamed the storage yards, charging batteries, filling tires, and replacing broken parts. Sometimes cars would fall into such disrepair that they had to be junked. More than a few cases of weeds growing through floorboards were reported. These represented even more lost costs.

Regarding the "building quality" philosophy of the sales bank, Chrysler bankrupted that theory through the pressure to meet sales quotas. In 1979, Chrysler needed to build 2.3 million cars and trucks to reach the break-even point. For Chrysler, this represented a tremendous amount of volume, and the factories strained to meet it. As a result, quality suffered terribly. Workers stressed by pressure and lack of time were reduced to slapping cars together haphazardly. Of course, not all of these cars had buyers waiting for them, necessitating the securing of more storage lots. The deplorable condition of these cars made them even harder to sell once they did reach the dealerships. Quality proved so poor that the dealers "got into the habit of expecting to rebuild the cars when they received them."7

In the 1970s, Chrysler's level of production often deceived those who tried to measure the company's health. While it produced a lot of cars, it sold many of these cars at a loss. No business of any kind can survive long conducting its affairs in such a manner.

7Iacocca 172.
Iacocca knew it, and he called the sales bank “completely ass-backwards in my book.”\(^8\)

The sales bank “was like a deadly worm chewing at Chrysler’s innards.”\(^9\) It was literally killing Chrysler, and changes were needed, fast.

Iacocca knew that in order to implement these changes, he needed some strong allies supporting him, people he could trust and get along with. Although Iacocca represented the future of Chrysler, he realized he was still the new guy on the block. Iacocca’s time at Ford had taught him the value of alliances, and he brought those lessons to Chrysler...along with many of his former co-workers.

Iacocca quickly set about building his power structure, establishing what some observers called the “Gang of Ford.”\(^10\) Paul Bergmoser, a retired vice-president of purchasing, was tapped as Chrysler’s president. Jerry Greenwald, an up-and-coming financial executive overseeing Ford’s highly successful Venezuelan operations, was personally persuaded by Iacocca to assume the role of chief financial officer. Gar Laux, a former general manager of Ford’s Lincoln-Mercury division who had since gone into automotive retailing, became Chrysler’s head of sales and marketing. Robert S. “Steve” Miller, Jr., a Ford finance man, joined Chrysler’s treasury department. Already at Chrysler was Harold “Hal” Sperlich, an engineer whom Ford had fired the year before Iacocca, and who himself had persuaded Iacocca to come to Chrysler. In fact, of all these men, only Greenwald and Miller had not been forced out of Ford via firing or early retirement. Hence, Iacocca had plenty of empathetic souls working with him at Chrysler.

Lost in all this transition was the heart of Chrysler’s existence in 1979—its lineup of cars and trucks. Chrysler made some significant news with the introduction of several

\(^8\)Iacocca 162.
\(^9\)Moritz 100.
new models. They included the Dodge Omni 024 and Plymouth Horizon TC3, sporty two-door hatchbacks based on the Omni-Horizon platform; the Mitsubishi-made Dodge Colt and Plymouth Champ subcompact hatchbacks and Dodge D-50 and Plymouth Arrow mini-pickups; and a new line of full-size sedans—the Chrysler Newport and New Yorker and Dodge St. Regis. Although times were getting tough, Chrysler had no plans of throwing in the towel yet.

The automotive press warmly received most of Chrysler’s new products for 1979, especially those made by Mitsubishi. In praising the Colt’s fit-and-finish and fun-to-drive quotient, Motor Trend proclaimed the Colt “the finest car ever to bear the name.” Motor Trend also held the new D-50 pickup in high esteem, saying, “to pass this little jewel off as simply a truck is to completely ignore its sporting personality.” Regarding the Horizon TC3, Motor Trend considered it “the most radically different thing to hit Chrysler-Plymouth showrooms in years;” while Car and Driver called the 024 “the best road car Chrysler makes.” These new vehicles seemed just the thing to pick Chrysler up out of the doldrums. It didn’t happen for a myriad of reasons, which became apparent as 1979 moved along.

In 1979, as in years past, Chrysler continued to bank heavily on its full-sized models. The Newport, New Yorker, and St. Regis, corporately called the R-body, were supposed to represent Chrysler’s new, smaller generation of full-size cars—still a very healthy segment of the market. They competed against GM’s large cars, downsized in 1977, and Ford’s big cars, which also shrank for 1979. Chrysler’s R-bodies, on the surface, seemed to have a lot going for them, such as sleeker styling than its competition

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and the longest wheelbase in the class. Unfortunately for Chrysler, the R-bodies never had a chance, partially from events beyond its control, but largely because of the corporation’s own ineptitude. (“R-body” is merely a term to designate Chrysler’s full-sized car platform of the late 1970s. Automotive manufacturers routinely assign a letter to a platform to identify it during development before models are named. The letters themselves have little significance, and terms like “K-car” and “C-body” follow the same rules.)

Like the Aspen and Volare before them, the R-body car program had suffered from production woes. Cost cutting in the mid-1970s left the program short of the necessary funds to design, test, and build the cars properly. Running prototypes became available for testing less than a year before the cars’ scheduled introductions, leaving too small a window to make significant changes. As a result, the cars’ introductions were delayed until early winter of 1978-79--the slowest time in the car sales season.

Worse yet, Chrysler began promoting the R-bodies before the dealers had a sufficient supply to sell to customers. Chrysler built up plenty of hype for its new large cars, but when the customers went to check out the car, they often found no car to look at. Recalled Sperlich, “We went out, fired our marketing salvo, put people into the showrooms, and then shipped the cars. It was terrible.”15 The automotive press didn’t help things, either, as they were largely unimpressed with the new vehicles. *Motor Trend*, for instance, called the New Yorker “a boulevard cruiser in every sense of the word” (something of an insult from an enthusiast’s magazine) and blatantly stated “about half the staff did not like the New Yorker.”16

Adding to the mess, the cars that customers did find were among the worst Chrysler had ever built. The cars’ plastic front fascia tended to discolor and bubble.

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15Moritz 235.
Windows rattled, letting in wind and water. Exterior trim fit poorly. The R-body set new lows for assembly quality. Given Chrysler’s recent track record for quality, that said a lot. It appeared Chrysler had inadvertently succeeded in creating a worse car than the Aspen and Volare. The company still wasn’t heeding the lessons of history.

The R-body cars already had plenty going against them. But what happened in early 1979, halfway around the world, would doom them, and nearly the entire company, to oblivion. On January 16, the Shah of Iran fled his Middle Eastern nation. A few weeks later, Ayatollah Khomeini took power and established a fundamentalist Islamic, anti-American government. Suddenly and dramatically, a major source of oil for the United States dried up.

Suddenly for Chrysler, it was 1974 all over again.

Chrysler once again found itself peddling newly-designed large cars to a market that didn’t want them. Granted, Chrysler couldn’t foresee this development. Ford and General Motors also suffered in this regard. Unlike its competitors, however, Chrysler couldn’t afford such a blow. Chrysler wasn’t strong in 1974, and it was even weaker in 1979.

The second Oil Crisis sent the entire domestic auto industry reeling. As gas prices doubled, cars sales slammed to a halt. Only the smaller cars seemed to weather the storm fairly well. Even here, however, Chrysler’s fortunes suffered.

Because of Chrysler’s reliance on Volkswagen for engines for the Omni, Horizon, 024, and TC3, sales of the fuel-efficient subcompacts were limited by Volkswagen’s capacity. Volkswagen could only build 300,000 engines annually, and Volkswagen needed engines for its own vehicles. As a result, Chrysler lost thousands of potential sales...and money it desperately needed.

Further hampering Chrysler’s attempts to survive were the increasing public revelations that Chrysler suffered from serious financial problems and mismanagement.
That, combined with continuing quality issues, made customers very hesitant to purchase a Chrysler product. The public wondered whether Chrysler would survive to back up its cars. Few customers wanted to deal with the problems of owning an “orphan” car, with the resulting problems of finding parts and service as well as negligible resale value.

The bottom line for the 1979 Chrysler campaign told a graphic tale. Chrysler lost $1.1 billion on $12 billion worth of car sales. Chrysler-Plymouth divisional sales fell by eight percent; Dodge lost five percent of its market share. Overall market share dropped to below ten percent, the first time that had ever happened. The truck market, in which Chrysler had thrived so well for so many years, crashed. Van sales fell by half, truck sales by about a third, and utility vehicles by a fifth.

One of the few bright spots came through Chrysler’s import sales--up by a third. Imported cars, overall, represented one of five new car sales--the highest penetration in history. Japan had long concentrated on building small cars and building them well, and the public recognized that in these gas-starved times, buying every one they could. At least Chrysler could participate in this part of the marketplace; it needed everything it could muster to compete.

Chrysler’s problems were unprecedented. “Chrysler,” noted Ward’s, “managed to lose more money than any U.S. corporation in history.”17 There was no more denying it. Chrysler was in serious, serious straits. In the summer of 1979, Chrysler found itself staring death in the face. Drowning in debt and extended to the limit in credit from the banks, Chrysler had only one hope for survival. That hope was a long shot.

The United States Government represented that shot.

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Iacocca and Riccardo felt that the costs of regulation had promoted Chrysler's plunge into the red and believed the government should extend a hand. As Iacocca put it, "the government helped us get into this mess, so the government should be willing to help us get out."\footnote{Iacocca 197.} As Iacocca's statement reflects, the auto industry and the federal government had become adversarial in their relationship. To think help from the government would be forthcoming immediately was foolish.

Initially, that assumption proved correct. Riccardo, who at this point was Chrysler's leader only in name, spent his final weeks at Chrysler lobbying in Washington for financial concessions while Iacocca ran the company. Riccardo first asked Congress for a freeze on regulations. Congress barely listened to that proposal; if Ford and GM could meet regulations, why couldn't Chrysler?

When that failed, Riccardo proposed a refundable tax credit. Riccardo's line of thinking went like this: businesses ought to receive tax breaks when they lose money. Since Chrysler, according to Riccardo, was losing money because of government regulatory demands, the government would refund Chrysler an amount of money based on what Chrysler spent on meeting federal safety and pollution standards. Chrysler would pay the money back from its future earnings. This proposal had precedent; American Motors Corporation had received a federal tax credit in 1967, but that had been for only $22 million. Chrysler, in contrast, asked for $500 million in 1979 and $500 million in 1980. Congress, however, knew full well that Chrysler was suffering primarily from its own financial ineptitude and thus denied Chrysler's second proposal.

This left one last option--ask the government for federal loan guarantees. Given the government's previous unwillingness to help Chrysler out, the possibility didn't look
promising. It was the only hope left for Chrysler’s survival, though, and the corporation had no choice but to pursue it.

John Riccardo, however, would not lead this round of Congressional calls. On September 20, 1979, Riccardo resigned the chairmanship of Chrysler, three months earlier than planned. Riccardo knew that his time with Chrysler had ended. Iacocca greatly respected Riccardo’s efforts in the ten months the two had worked together:

John was sacrificing himself to save the company. He was over his head and he knew it. Although it meant the end of his own career, he bent over backward to make sure the transition would go as smoothly as possible. He blew himself out of the water to bring Chrysler back to life. And that is the test of a real hero.19

Iacocca was now the undisputed number one man at Chrysler. He had realized his career goal of heading an automotive manufacturer. Now he had to deal with the consequences... and Congress. The future of Chrysler, as well as Iacocca’s own future, hung in the balance.

“Should the Government Save Chrysler?” became the question on everybody’s minds. It ignited a fierce ideological debate on whether or not the government should get involved in saving companies that had seemingly failed under the free enterprise system. Opposition to Chrysler’s proposal was strong and hostile. Those who opposed governmental assistance thought Chrysler should suffer the consequences for its poor business decisions. They believed Chrysler ought to file for bankruptcy and leave the government out of it.

There were other issues to contend with, though. Dissension between Iran and the United States, which triggered the second Oil Crisis, had sent the U.S. spiraling into a

19Iacocca 145.
recession. Inflation and unemployment climbed. Interest rates shot through the roof. The economy had reached highly unstable levels. Society was suffering as a result.

The costs of a Chrysler bankruptcy would have drained the already weak economy even further. First, a bankruptcy would have destroyed what little consumer faith the public still had in Chrysler. Second, a bankruptcy would result in dealers losing their lines of credit, which provided the money to purchase cars for their stores. Obviously, dealers cannot sell cars if none sit on the lot for sale; thus, the dealerships would have to close their doors for good. Third, the federal Treasury Department estimated that bankruptcy would cost the country $2.7 billion in unemployment and welfare. The 600,000 Chrysler employees and affiliated workers that would lose their jobs would add half a percentage point to the growing unemployment rate—a tremendous jump. Fourth, bankruptcy court proceedings were predicted to last into the late 1980s, significantly diminishing the dollar amount of assets to be recovered. Finally, many financial observers predicted that, ultimately, the taxpayers would carry the brunt of the load in shouldering a Chrysler bankruptcy; one survey put the total dollar amount at $16 billion. Bankruptcy offered a no-win prospect for everyone. This helped strengthen Chrysler’s case for loan guarantees.

Chrysler also gained support from two of the highest-ranking individuals in the Executive branch. G. William Miller, Secretary of the Treasury, publicly voiced his support for government assistance for Chrysler. President Jimmy Carter also stood behind Chrysler’s bid, declaring his intention to sign bills Congress authorized to help Chrysler. Congressional support, however, remained dicey. Hearings between Chrysler officials, specifically Iacocca, and Congress members often erupted into heated affairs, with much venting but little progress made. Many members loudly voiced their unwillingness to help Chrysler out.

Iacocca came prepared to prove to Congress, and the nation, that Chrysler was no longer the same company that had squandered its money in disgusting lapses of basic
Iacocca outlined how he had overhauled the company's chain of command, with thirty-three of Chrysler's thirty-five vice presidents having resigned. He explained Chrysler's commitment to smaller cars and front-wheel drive. Most importantly, he espoused the virtues of the upcoming K-car--a small six-passenger family car which could deliver forty miles per gallon on the highway--to be introduced for the 1981 model year. Iacocca eloquently demonstrated that a different Chrysler Corporation had been established, that it intended to be in business for a very long time--plenty long enough to pay off any and all governmental loans.

In the end, Iacocca's testimony, combined with the weak state of the national economy, worked in Chrysler's favor. Chrysler's failure would have devastated the economy to such an extreme that it threatened national security. A Chrysler failure would have affected the entire nation. Iacocca made a point of this by noting that of the 435 Congressional districts, only two did not have a Chrysler dealer, factory, or supplier. Shortly before Christmas, 1979, Congress approved the Chrysler Loan Guarantee Act 271-136. The Senate followed the House in its approval, albeit by a narrower margin of 53-44. That was all Chrysler needed, with President Carter keeping his word and signing the Act into law. Chrysler got the Christmas present it sought--a chance for survival.

To think, however, that this "present" represented a "gift" could not be farther from the truth. First, the government took all of Chrysler's assets as collateral. Second, Chrysler had to give the government 14.4 million shares of stock warrants, which could be redeemed once Chrysler's stock prices hit $13.00. (At the time of the deal, a share of Chrysler stock hovered around a face value of $3.50.) Thus, the government could cash in once Chrysler became profitable.

By no means did the government give Chrysler $1.2 billion to use however it wanted. To access these loans, Chrysler had to extract $2 billion of concessions from various parties. These parties ranged from domestic and foreign banks, to suppliers, the
United Auto Workers, and state and local governments. In fact, securing a promise for loans from the federal government proved the easy part. Getting concessions from these hundreds of other parties would take much, much longer.

Amazingly, the United Auto Workers represented the easiest part of securing the concessions. Relations between workers and management in the American auto industry had historically been marked with strain, mistrust, and confrontation. For Chrysler to sit down with the union and explain how desperately the two parties needed to cooperate demonstrated the polar opposite of what labor negotiations, in this case, had become. Iacocca laid it on the line for the workers: "I've got thousands of jobs available at seventeen bucks an hour. I've got none at twenty."20 The UAW realized a lower paying job was better than no job at all, especially given current economic circumstances, and sacrificed over $460 million in salary and benefits. Suppliers who kept Chrysler fed with parts, and thus depended on Chrysler for their own survival, provided $180 million in relief. Much of that relief came in the form of stock purchases, which gave the suppliers a financial interest in Chrysler’s survival, and thus incentive to give Chrysler a better deal on parts.

This left the banks to carry the brunt of the concessions, which, naturally, proved very unpopular. The banks felt Congress "had dealt them a raw hand."21 The banks also resented the Treasury Department’s pressure to buy $750 million worth of Chrysler stock as well as suggestions of low-interest loans for Chrysler, thus reducing the banks’ profit margins. Chrysler struggled along for six months as it negotiated concessions from the hundreds of banks, some of which Chrysler owed hundreds of millions of dollars, others of which Chrysler was indebted to for only five-figure amounts. Iacocca thought that

20 Iacocca 232.
21 Moritz 308.
“compared to dealing with the banks, the congressional hearings were as easy as changing a flat tire on a spring day.”

Unlike the suppliers and autoworkers, the banks’ survival did not depend upon Chrysler.

The profit issue, combined with federal pressure, did persuade all the banks to sign off on the $655 million worth of concessions on their part. It was better to supply the money now and realize a better chance to regain it than to go to bankruptcy court and run a large risk of getting nothing. On June 24, 1980, Chrysler officially succeeded in meeting all the criteria for concessions and could now draw upon the first $500 million in federally guaranteed loans. It came just in time, for two weeks earlier Chrysler had effectively shut down when a loan for $150 million from the state of Michigan ran out. Chrysler now had the money to resume business and pay suppliers.

As one might expect, the focus on Chrysler’s lineup of vehicles for 1980 got lost in the focus on the government bailout. Of course, Chrysler couldn’t really afford to offer anything new. The Cordoba received its first major redesign and gained a Dodge counterpart named the Mirada. The two cars could hardly be called all-new or state-of-the-art, however, for they rode the same rear-wheel drive platform as the Aspen, Volare, Diplomat, and LeBaron. The R-bodied cars gained a Plymouth counterpart named the Gran Fury, a curious move given the R-body’s slow sales.

Given all the speculation about Chrysler’s future, it didn’t surprise anybody to see Chrysler “top” 1979’s disastrous showing. Although Iacocca had taken to promoting the future viability of Chrysler in television and print ads, his influence didn’t pay off—yet, anyway. A series of ads from Chrysler which frankly discussed and addressed public concerns represented a nice public-relations exercise, but did nothing for the bottom line.

\[22\] Iacocca 239.
The numbers spoke graphically. Gross profits declined by $3 billion, to $9.2 billion. Chrysler-Plymouth divisional sales plunged 33%. Dodge fell 32%. The largest cars fell the most; in fact, Chrysler was forced to sell Aspens and Volares, then in their final year of production, for prices below those of the Omni and Horizon.

The disastrous returns continued. Trucks crashed another 28%. Chrysler's imports dropped 8%--the only imports to show a loss in a year when Japanese carmakers experienced their best year ever, claiming a record 27% of the marketplace. Worst of all, Chrysler eclipsed the record it set in 1979 for the largest loss ever by a corporation in a single year: $1.7 billion.

1980 ranked among the worst years ever in the American auto industry. The poor economy not only hurt Chrysler, but General Motors, Ford, and American Motors as well. The four automakers set records for losses individually and collectively, totaling over $4 billion. Yet the Japanese success signaled that American automakers misfortunes could not be solely blamed on the economy. The Japanese offered what plenty of Americans wanted--more efficient automobiles, better quality and service, and higher technology. Prices of Japanese cars proved to be a non-factor, with many customers paying a premium for what they believed was a better car. Fortunately for Chrysler, it had what it believed was a strong alternative to the Japanese. Its long-awaited K-car was ready for introduction, and it couldn't come soon enough. Iacocca declared it "the last train in the station. If (Chrysler) failed here, it was all over." Nobody challenged his assertion.

The K-car would represent everything The New Chrysler Corporation, as Chrysler was now billing itself, stood for. The K-car project had begun in 1977, before Iacocca arrived to lead the company. Chrysler designed the K-car to hold six passengers while

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23Iacocca 252.
surpassing CAFE standards. To do this, engineers needed to maximize the amount of interior room while keeping exterior measurements and weight to a minimum.

Compared with the Aspen and Volare, the K-cars’ predecessors, the K-car resembled models of efficient car design. While over two feet shorter, the K-cars contained almost all the passenger space as the older models. Weight losses of nearly a ton contributed greatly to performance and fuel economy; the K-cars could get by with smaller, four-cylinder engines to provide satisfactory acceleration, while the Aspen and Volare needed six- or eight-cylinder engines for power. Designers even took into consideration the length of train cars for shipping; by making the K-cars just short enough, the company could maximize the number of cars it could fit on a train. For a company that had lost nearly $3 billion in two years, this was an important consideration.

The K-cars would be marketed under the names Dodge Aries and Plymouth Reliant. Chrysler spared nothing in advertising the cars. The K-cars’ EPA mileage average was featured prominently in ad copy: 25 city, 41 highway. Plymouth declared the Reliant “America’s first full line of fuel-efficient, six-passenger, front-wheel-drive cars.”24 The Dodge Aries sales catalog took a more brash approach. In an patently obvious dig at the Japanese, Dodge declared, “America’s not going to be pushed around anymore!”25 These declarations represented the first emergings of Iacocca’s “Buy American” theme which would pervade his tenure as Chrysler’s chairman.

At the K-car launch ceremony, held at the Jefferson Avenue assembly plant in Detroit where the cars were built, Iacocca declared, “This is the beginning of the reindustrialization of the American automobile industry.”26 He then drove a yellow...
Reliant coupe off the line--but not before the car stalled, the result of a dead battery. The incident prophesied the immediate future of Chrysler.

In its zeal to make money and become profitable, Chrysler made a huge mistake in selling the K-cars. Advertisements bellowed the K-cars’ siren call of a low, $5880 base price. Customers who visited the showrooms found something quite different. Rather than finding $5880 basic transportation, or even comfortably equipped K-cars in the $7000 range, they discovered virtual miniature limousines loaded with high-profit options retailing for $8000 and even $9000. Few were willing to pay such high prices, and initial sales of K-cars fell below predictions. By the beginning of 1981, Chrysler found itself down to its last million--literally.

Chrysler faced the clock yet again in its struggle to survive. The public caught wind of Chrysler’s further troubles, and sales fell again. Chrysler had already used two-thirds of the loan guarantees; it needed desperately to access the final third because the company couldn’t even afford to built as many cars necessary to survive. Again, Chrysler made the rounds to its banks, suppliers, and the UAW for concessions. To pacify the banks, Chrysler gave them 12 million stock warrants in exchange for the forgiveness of $1.1 billion in debt. Complicating matters, the Carter administration was about to leave. Ronald Reagan entered office in January, 1981, and while the Republican administration indicated it would honor the pledges made by the previous administration, it would do little beyond that for Chrysler.

Chrysler realized its survival remained in doubt. The economy remained in the doldrums; interest rates soared as high as twenty percent, which severely hurt new car sales. This forced Chrysler to offer a “floating rebate” which made up the difference between 13.5 %, the going rate for financing before the latest economic crisis, and whatever the going interest rate was at the time. It was a costly way of doing business, but it represented Chrysler’s only option.
Chrysler’s troubles, meanwhile, concerned Mitsubishi greatly. Mitsubishi worried that its affiliation with Chrysler harmed its own fortunes, as the 1980 statistics testify. As other Japanese manufacturers saw their sales climb and set new records, Mitsubishi witnessed its Dodge- and Plymouth-badged cars falter.

The two companies reevaluated their partnership in early 1981. Chrysler required Mitsubishi’s four-cylinder engines to meet CAFE standards, and Chrysler still needed Mitsubishi’s cars to fill out its product line. Mitsubishi, however, knew it needed to step outside of Chrysler’s shadow. In exchange for Mitsubishi’s continued help as a supplier of engines and vehicles, Chrysler agreed to give up its exclusive sales rights of Mitsubishi vehicles by 1983, at which point Mitsubishi would start its own dealer network and begin selling cars under its own name. In addition, Chrysler would promote its Mitsubishi-made cars as having more of a connection to Mitsubishi than Chrysler (e.g. instead of advertising a Colt as a Dodge Colt, the car would be advertised as Colt-Built by Mitsubishi Motors, Sold by Dodge Dealers.)

Obviously, Chrysler could not maintain this pace of losing money and reputation. It was then that Chrysler began to contemplate approaching Ford for a possible merger. Given Iacocca’s recent history with Ford, it seemed like strange bedfellows, but desperate times called for desperate measures.

In the theoretical merger, Ford Motor Company would absorb Chrysler Corporation, with Chrysler and Dodge becoming divisions of Ford. The Plymouth nameplate would vanish. Ford would gain a version of the K-car; as it was, Ford had no entry into the growing front-wheel-drive compact segment of the marketplace and wouldn’t have one for a few years. Chrysler would also supply its small multi-use van/wagon, or minivan, scheduled for a 1984 introduction. By combining Ford and Chrysler, the larger Ford Motor Company would be at 75% of GM’s car sales in the U.S. market. Ford would also top GM in overall truck sales in the U.S. In addition, Ford
would also attain the #1 ranking in the Canadian and Mexican markets over GM. For the first time in decades, General Motors would face serious competition for supremacy in decades.

Ford, however, had no interest in merging with Chrysler. Ford was hemorrhaging red ink itself, nearly equaling Chrysler's loss in 1980 with a $1.5 billion loss of its own. Although some of Chrysler's points made sense, Ford, too fearful of taking on a company with a large history of money problems, dismissed the idea out of hand. One of the most intriguing ideas in American automotive and business history failed to come to fruition. Chrysler would have to succeed or fail on its own merits.

Fortunately, Chrysler learned quickly from its mistakes of peddling high-priced K-cars. "We had no business reaching for the wealthier customers," conceded Iacocca. More reasonably equipped K-cars began arriving in showrooms, and sales rose.

The automotive press had mixed reviews of the K-cars. Motor Trend admired the duo greatly, awarding them "Car of the Year" honors--the third time in six years a Chrysler product gained that distinction. "In this part of the new decade," wrote Motor Trend, "passenger comfort, ride and drive, styling and design, and, most importantly, dollar value are more relevant than all-out performance. In these classes, the K-car simply outscored the competition." Motor Trend thought the K-car represented a milestone not only for Chrysler, but also for the entire American automobile industry. The K-car, according to the magazine, "shows all car-conscious people everywhere a large slice of uncompromised American know-how."

Road and Track, a magazine with a longtime bent towards imported and performance cars, found the K-cars less enamoring. The editors offered this synopsis:

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27 Iacocca 254.
29 ibid. 74.
Some find (the K-cars) acceptable as transportation cars, others find them seriously lacking in refinement and innovation. All agree they’re not enthusiasts’ cars. As one editor said, “It’s the least offensive car I’ve driven lately...there’s nothing about it that seriously annoys me.” But in the $7000 to $10,000 class, is that enough?30

In 1981, it was enough for Chrysler. Once the K-cars started selling well, things began to look up for the company. Chrysler even posted its first profitable quarter since 1978, between April and June, 1981. Although that profit was a very modest $11.6 million, for a company that had lost over $3 billion over the past three years, it represented cause for celebration.

Also cause for celebration was Chrysler’s overall increase in sales for the 1981 model year. Chrysler-Plymouth sales rose 9% to just over 500,000, of which the Reliant accounted for 40% of the total. Dodge jumped 15% to slightly over 370,000; the Aries also accounted for 40% of this total. Gross profits rose to $10.8 million. In another depressed year for automobile sales, Chrysler managed to increase its market share. Given Chrysler’s problems, this represented an achievement worthy of great respect.

Major concerns still existed, however. Chrysler’s Mitsubishi-made vehicles dropped another 12%, while Chrysler’s truck sales remained in free-fall, plunging another 25%. Ultimately, Chrysler lost $475 million in 1981.

But Chrysler held something it hadn’t held in a long time—hope for the future. Its K-car gave Chrysler a solid foundation on which to build its small-car programs well into the 1980s. And despite its money woes, Chrysler succeeded in meeting the CAFE fuel economy standard of 22 miles per gallon. In fact, Chrysler obliterated the benchmark with a corporate average of 25. Chrysler wasn’t yet running smoothly, but unlike two years

30 “Dodge Aries Station Wagon.”  
*Road and Track*  February 1981: 58.
earlier, it wasn't stalling out. Given how bad things had been, it was a fortunate position to be in.
The results of radical changes do not reveal themselves overnight. Instead, they make themselves apparent over an extended period of time. For Chrysler, and for the United States, the fruits of the decisions made between 1979 and 1981 would blossom during the following half-decade. The time between 1982 and 1987 would reveal whether or not the federal government made the right decision in extending help to Chrysler. The time would also reveal whether consumers bought into the “New Chrysler Corporation” and its products.

Looking at Chrysler Corporation’s product line for 1982, one could certainly believe that the company’s products merited its self-promotion as a whole new car company. Chrysler had voiced its commitment towards becoming America’s first front-wheel drive car company as well as its intention “to remain a full-line producer... (building) a full line of cars in three sizes: small, smaller, and smallest” during its troubled times.\(^1\) In 1982, Chrysler offered tangible evidence of this commitment through its line of automobiles. One only needed to look back five years to see the differences.

In 1977, none of Chrysler’s automobiles featured front-wheel drive. In 1982, eighty-five percent of its cars were powered through the front wheels. Regarding size, none of Chrysler’s domestically produced automobiles rode a wheelbase (that is, the length between the front and rear wheels) shorter than 112.7 inches in 1977. In 1982, those cars represented the largest cars Chrysler offered.

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Nothing represented the transition of Chrysler from the standard-bearer of large, rear-wheel drive, gas-guzzling cars to that of small, front-wheel drive, fuel-efficient vehicles better than the Chrysler Town & Country station wagon. The 1977 version, a traditional large wagon, was nearly 228 inches long, weighed almost 5000 pounds, and relied upon a 440 cubic inch V-8 for power. The 1982 Town & Country, in stark contrast, was, at about 179 inches, over four feet shorter, weighed slightly over half as much (2660 pounds), and only needed a 135 cubic inch four-cylinder engine to get around. It went without saying that the newer Town & Country got far more out of a gallon of gas than its ancestor. It represented a new size and type of automobile for a new era of automotive design and needs.

For 1982, Chrysler expanded its commitment to smaller cars in dramatic fashion. The R-bodied cars vanished quietly during the 1981 model year, drawing to a close one of Chrysler’s most ignominious exercises in car design and manufacturing. The LeBaron nameplate was applied to an upscale K-car variant of the Aries and Reliant, while Dodge received a version of the LeBaron called the 400. In introducing the LeBaron, Chrysler called it “a new generation of Chrysler automobile...We’ve kept the best of the past and added the best in contemporary automotive engineering.”

The old LeBaron carried on with a different name--the New Yorker. The “new” New Yorker, along with the Dodge Diplomat and its corporate twin, the Plymouth Gran Fury (also “new” for 1982), represented Chrysler’s offerings in the full-sized car market. Amazingly, these cars were originally considered compacts when introduced in 1977--a strong indication of how quickly cars had shrunk. Even the first-generation Chrysler Cordoba, the original “small Chrysler” introduced only seven years earlier, dwarfed everything in Chrysler’s lineup in 1982. Motor Trend was among those who noticed

Chrysler's remarkable transition to smaller cars and called Chrysler's accomplishments "a succession of modern industrial miracles."³

During 1981, Chrysler had also revived the Imperial nameplate. Mechanically identical to the Cordoba and Mirada but wearing different sheetmetal, the Imperial continued unchanged in '82 as Chrysler's flagship model--a curious designation, for the Imperial, a large, rear-wheel drive, V-8 powered coupe, seemed to contradict everything the New Chrysler Corporation stood for. Meanwhile, the Omni/ Horizon and Cordoba/Mirada continued largely unchanged, as did Chrysler's trucks, vans, and Mitsubishi products. The 024 and TC3 received name changes to Charger and Turismo, respectively, while Chrysler introduced a pickup version of the Charger called the Dodge Rampage, supposedly to compete with GM and Ford's upcoming small trucks. (It would die in 1984.)

Perhaps the biggest news of 1982 came with Chrysler's reintroduction of the convertible to the automotive marketplace. Convertibles had disappeared from automakers' lineups during the 1970s, with Cadillac producing the "final" convertible, an Eldorado, in 1976. Chrysler itself had pulled out of the convertible market in 1971. Although advances in air conditioning had played the major role in the decline of convertible sales, threatened federal rollover collision standards convinced manufacturers to discontinue their convertible models. Certification of convertibles to such standards would have made convertibles too expensive to build and sell.

However, the government never enacted these rollover standards. Chrysler decided to see whether a market still existed for new convertibles, selecting the LeBaron and 400 as candidates for convertible production. Assisted by the American Sunroof

Company, which removed the roofs of LeBaron and 400 coupes and replaced them with convertible tops, Chrysler put out a small amount of convertibles. The convertibles proved very popular; Chrysler, which had only intended to produce 3,000 of them, sold 23,000. The convertible proved that Chrysler could lead in identifying and addressing new market areas, and since that time, Chrysler has offered the highest-selling convertible in the segment.

Taking note of Chrysler’s rapid product rejuvenation, the automotive press tested several Chrysler products in 1982. *Motor Trend* tested a Town & Country wagon and came away “impressed with the humble K-car.” Although the magazine failed to find the imitation wood gracing the wagon’s sides endearing, saying it “looked fake even from half a block away,” it stated, “there’s no denying the comfort of the seat, the stability of the ride, and the silence of the interior.”

Chrysler had hit the mark it had hoped to hit with the Town & Country.

*Motor Trend* failed to find the New Yorker quite as impressive. Calling the car’s lines “boxy” and “dated” while criticizing its “dearth of high-tech touches,” *Motor Trend* nonetheless called the New Yorker “a legitimate luxury alternative for the cost-conscious middle American.” The New Yorker, like the convertibles, also filled a niche in the marketplace. It didn’t hold the prestige of a Cadillac, but at only $11,500, it wasn’t priced like one, either. The New Yorker, which eventually underwent a name change to Fifth Avenue, proved one of Chrysler’s consistently strongest sellers and biggest moneymakers through the 1980s. Again, Chrysler was identifying underserved sections of the marketplace, addressing them, and reaping the rewards, as opposed to letting other manufacturers identify them and then following in their footsteps.

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Quality, however, continued to be a concern. Although it had improved somewhat, and in spite of Lee Iacocca's proclamations of Chrysler's commitment to quality, it still failed to reach the high standards set by the Japanese. *Car and Driver* was particularly unmerciful in its observation of an Aries. The only place *Car and Driver* found "quality" were the words "quality engineered" on a badge affixed to the dashboard. Underwhelmed by the Aries' unrefined manner, the magazine declared, "We got your K-Car, Mr. Iacocca, but where did you put that quality you mentioned?" Three factory recalls in the first year further underscored *Car and Driver*'s concerns. Quality proved a constant concern throughout the 1980s and beyond for Chrysler.

In 1982, the United States remained in the throes of recession. High interest rates and generally slower growth in the market hurt car sales. The 8,222,000 total industry sales represented a 44% drop since 1978. 1982 represented the nadir of the recession.

For Chrysler, however, its fortunes proved better than expected. Although its overall output dropped 25%, its market share increased. LeBaron sales increased, while shrinking gas prices contributed to increasing sales of Chrysler's rear-wheel drive sedans and trucks, which themselves posted a 31% sales gain. Best of all, Chrysler posted its first yearly profit since 1977, at $170.1 million. While it took the sale of Chrysler Defense to General Dynamics in March, 1982, to achieve this profit, for a company which had lost well over $3.5 billion since 1978, any year-end profit represented cause for celebration.

The nation finally began to shake itself from recession in 1983, and Chrysler's fortunes reflected that. New mid-sized cars, based on an extended K-car platform, represented the biggest news of the year. They included the Dodge 600 and Chrysler E-Class, which debuted in the fall of 1982; a front-wheel drive New Yorker joined them.

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the following summer. To distinguish the New Yorker from its older, rear-wheel drive companion, Chrysler added “Fifth Avenue” to its moniker.

Chrysler had high hopes for its intermediates. Dodge, in marketing the 600 as a performance family sedan, described the car as “built to be driven; designed to be enjoyed” and called it “unquestionably, the right car at the right time,” a reference to its efficient size and economy. Dodge also declared in an ad campaign that 38 out of 50 members of the Society of Automotive Engineers found the 600 more appealing than the Mercedes 300D, which raised some eyebrows and drew some guffaws from the automotive press. Meanwhile, Chrysler promoted its New Yorker as “(taking) front-wheel drive and luxury to the superb,” declaring, “We’ve re-engineered the American luxury car.”

Car and Driver considered the 600 a nice first step in the right direction, but nothing more. “What’s there is plenty good,” wrote the magazine, “but still more is needed,” a reference to the 600’s falling short in meeting the standards in power and refinement set by the imports. Regarding the New Yorker, Motor Trend called it “a front-wheel drive tourer which bridges the gap between yesterday and tomorrow,” praising the New Yorker’s far better handling over its predecessor.

The new mid-sized cars, keyed by an improving economy, helped Chrysler reach heights never seen in the company’s history, heights most people could not even imagine Chrysler could attain so quickly considering its recent struggles. Chrysler’s overall sales increased 19% from 1982’s levels, while its market share grew to 13%. The E-Class,
New Yorker, and New Yorker Fifth Avenue led the Chrysler-Plymouth division’s sales surge of 20%, while all Dodges, except the Mirada, experienced sales gains in propelling sales of the Dodge Division to a 17% rise.

Even Chrysler’s rear-wheel drive sedans continued to sell strongly. Chrysler had originally intended the E-Class/600/New Yorker trio to replace the older Gran Fury/Diplomat/Fifth Avenue (corporately known as the M-body) around 1983 or 1984, thus becoming an all front-wheel-drive company. Buyers still found the older cars attractive, however, and since Chrysler had paid off the stamping presses years ago, the three cars enjoyed high profit margins. Chrysler decided to keep the cars in production for the near-future, which provided a steady, sizable source of income.

The bottom line for 1983: Chrysler earned $975 million, destroying the previous record set in 1976. Most significantly, Chrysler paid back all of its loans to the federal government in 1983. A stock sale in spring generated so much demand that Chrysler had to more than double its initial allotment of 12.5 million shares to 26 million—and even then, Chrysler sold every one of those shares within an hour. Demand pushed Chrysler stock prices from $16 5/8 to $35. That sale raised over $432 million, which went towards paying off the first installment of the loans. The following July, Chrysler paid back the remaining amount, over $800 million, and later purchased all of the government’s stock warrants for $311 million, which generated a $60 million profit for the nation. On July 13, 1983—five years to the day that Iacocca had been fired by Ford, Iacocca declared, “This is the day that makes the last three miserable years all seem worthwhile. We at Chrysler borrow money the old-fashioned way. We pay it back.”

1984 would continue the good times for Chrysler. It dropped its poorly selling rear-wheel drive coupes—the Cordoba, Mirada, and Imperial. The Cordoba nameplate had

13Iacocca 279.
served Chrysler well during the tough times in the 1970s, but it had outlived its usefulness to the company, at the end selling only 13,000 units—less than ten percent of its peak levels in the 1970s. The Imperial, meanwhile, proved an absolute disaster. Little more than a grossly overpriced Cordoba, the Imperial sold less than 10,000 copies in three years—well under Chrysler’s hopes for 25,000 annual sales. One highly-respected automotive writer called the Imperial “an classic old-line Detroit con job” and a “counterfeit car,” blasting the car’s outmoded chassis and high price. Once again, the Imperial nameplate faded away.

Chrysler introduced three new products in 1984. The first was turbocharging for its four-cylinder engines. Turbochargers allow an engine to put out more performance without harming economy. Exhaust gases from the engine are fed into the turbocharger, which forces more air into the engine, thus increasing the engine’s power. Although other manufacturers had offered turbochargers on a few vehicles, Chrysler was the first to commit to it on most of its car lines.

The faster, spunkier, turbocharged Chrysler cars transformed their personalities and left the automotive press highly impressed. Motor Trend tried out an ‘84 New Yorker with the turbo and noted, “The ‘84 is now a well-balanced vehicle... (the) ‘83 was a bit on the sluggish side.” After testing a Dodge 600 ES Turbo, Car and Driver announced, “Dodge is back, and we warn the world’s automotive war rooms to call up sandbags for the battle.” Chrysler was now mounting a serious challenge to the imports’ monopoly on fun-to-drive cars.

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The introduction of the Chrysler Laser and Dodge Daytona represented another significant story for Chrysler in 1984. Intended to compete against the traditional, rear-wheel drive high-performance sport coupes such as the Ford Mustang, Chevrolet Camaro, and Pontiac Firebird, Chrysler called the Laser and Daytona "a definitive statement of motion technology." Chrysler desired to take its commitment to front-wheel drive into areas of the market traditionally dominated by rear-wheel drive cars, and the Laser and Daytona represented one fashion of meeting this commitment. Car and Driver noticed this commitment in a test of the Daytona and applauded Chrysler for it:

Chrysler’s new sports coupe is a significant happening for people who like to drive. This car is also significant for Chrysler, (for) it has . . . combined the best of American, Japanese, and German methodology. It’s that . . . (which) could make Chrysler the leading American manufacturer of performance cars. Again, this was a sign of how far Chrysler had come in leadership and development.

Nowhere else was the above statement proved so definitively than in Chrysler’s biggest news for 1984. This news represented not only the biggest news for the year, but one of the biggest automotive developments in the last few decades. It created an all-new segment of the marketplace and revolutionized how families travel.

This news was Chrysler’s introduction of the first minivan.

Hal Sperlich had originally conceived the idea for a minivan while at Ford in the late 1970s. Iacocca also supported the minivan concept while at Ford. Henry Ford II, however, had no interest in producing a minivan. When Sperlich and Iacocca joined Chrysler after their firings, they found themselves with the authority to implement the
minivan project, and they exercised it. However, the decision to approve the minivan did not come easily. Although many Chrysler officials thought a new small truck to compete with GM, Ford, and the imports would represent a smarter investment, Chrysler concluded that a minivan would make more money for the corporation, since it could use more existing car components than a truck could.

The minivan, code-named T-115 and sold by Dodge and Plymouth dealers under the names of Caravan and Voyager, respectively, rode, like so many new Chrysler products these days, a platform based on the K-car. Shorter and higher than most station wagons, the minivans held seven passengers in comfort or over 100 cubic feet of cargo, representing a more efficient use of space. Unlike traditional vans, which were based on truck underpinnings, the minivans rode and handled like passenger cars, thus contributing to higher maneuverability and ease of driving. The minivan combined the best of both worlds, creating a new concept in transportation. Plymouth described its Voyager as “the most versatile vehicle in America”19 and told potential buyers, “You have to drive it to believe it.”20

Motor Trend, among others, found the new minivans highly impressive. The magazine thought a pre-production minivan had “enough trick stuff to make you think it’s Japanese”21—a high compliment given the widespread esteem for Japanese vehicles. After testing a regular production model, Motor Trend’s opinions held strong:

After a five-year gestation period, Chrysler’s big gamble appears ready to pay off. If so, the firm should find itself on the inside track to a market segment that analysts feel will be one of the hottest of the ‘80s.22

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20Ibid. 3.
The minivan proved more popular than anybody could have expected. Chrysler sold over 125,000 of them in 1984--an exceptional number for a newly-created market. The minivans helped Chrysler’s truck sales pass the 500,000 mark for the first time ever, doubling 1983’s mark. The robust economy, combined with Chrysler’s improving reputation, sent the corporation well beyond 1983’s success levels. On record gross profits of $19.6 billion, Chrysler made $2.38 billion, selling more than twice as many vehicles as it had the previous years. Several car lines, most of them smaller vehicles, posted gains of twenty percent or more.

In 1984, Chrysler also accomplished two things that GM and Ford could not. First, Chrysler boasted the lowest recall rate among American manufacturers, at a tiny two percent. GM’s recall rate, in comparison, was 14%; Ford’s was 33%. This small recall rate indicated that Chrysler was finally paying more attention to quality, an important factor in selling cars and keeping them sold. Maintaining that quality in later years proved more difficult, however.

The second came in the form of CAFE standards. Chrysler’s corporate rate, at 27.7 miles per gallon, met the high CAFE standards. GM and Ford, meanwhile, failed to meet CAFE requirements for 1984 and needed to use mileage credits earned in past years to avoid paying fines. This, too, proved that Chrysler could meet the challenges of federal regulations. Only five years earlier, Chrysler had cried for federal relief from regulations. Now, Chrysler, the smallest of the Big Three, with fewer financial resources and workers, was coming through where larger Ford and GM could not.

Chrysler’s fortunes in 1984 impressed nearly everybody. It had cut down its executive workforce to more efficient levels. It was also taking less time to manufacture cars, as these cars shared more parts than in the past. As a result, Chrysler only needed to sell half as many cars in 1984 (1.1 million) as it did in 1979 to make a profit. The results of this efficiency showed on the balance sheet. The future had never looked so bright.
Chrysler’s fortunes begged the question: What to do with all the cash? Sperlich made a strong case on behalf of the engineers to look toward the future with the investment in new products and platforms. At the dawn of 1985, the K-car platform was entering its fifth season of usage—no longer a new design. The Omni/Horizon platform dated back eight seasons. And the M-body platform had reached its tenth birthday. Over in the truck line, Chrysler’s trucks and vans dated to the early seventies and were falling behind the times—and out of customer favor. Replacing at least some of these lines would keep Chrysler competitive in the future.

Iacocca, however, had different ideas. Getting bored with the car side of business, Iacocca instead wanted to expand Chrysler’s interests beyond automobiles. It appeared that Iacocca wanted to raise Chrysler into the realm of General Motors and Ford in acquiring side projects which would raise Chrysler’s image as a diverse corporation to be taken seriously on the international level. It seemed to be a direct contradiction of Chrysler’s latest advertising motto: “We don’t want to be the biggest. Just the best.”

Chrysler nevertheless went ahead with its chairman’s hopes and began a buying spree into other corporations, rather than investing in its own products. Chrysler spent $405 million to acquire a consumer finance company from Bank of America to augment Chrysler Financial. Chrysler dropped another $642 million into Gulfstream Aerospace, a manufacturer of jets. Gulfstream had a backlog of orders extending back several months, insuring its immediate profitability for Chrysler. But neither the Gulfstream nor the Bank of America purchases did anything for Chrysler’s automotive interests.

These purchases prompted Chrysler to reorganize as a holding company with four branches: Chrysler Motors, Chrysler Financial, Gulfstream, and an empty branch labeled “Chrysler Technologies.” This fourth branch would be filled by a company to be

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purchased later. Chrysler's energies were obviously not focused on renewing its domestic product line in 1985, but rather in making money in other ventures. Instead of designing and building better cars which would draw new and repeat customers, Chrysler found itself more interested in raising its stock prices even further for short-term profit.

Chrysler did not completely ignore the automotive business in 1985. Chrysler's newfound wealth also enabled the company to expand its stake in Mitsubishi to 24%. Although the two companies had become more self-reliant than in the past, with Chrysler producing more of its own engines and Mitsubishi selling its vehicles independently since the fall of 1982, they still needed one another for maximum profitability. Chrysler still required Mitsubishi's supply of engines, while Mitsubishi's dealer network remained in a fledgling state, too small to support Mitsubishi completely.

This closer relationship led to the establishment of a joint venture called Diamond-Star Motors, a title which combined Mitsubishi's diamond logo and Chrysler's famous corporate pentastar symbol. Following in the footsteps of a similar General Motors-Toyota venture in 1984--a venture that Iacocca had, ironically, vehemently opposed on anti-trust grounds--Chrysler and Mitsubishi announced that the companies would build a plant in Normal, Illinois which would manufacture sport coupes marketed under the Mitsubishi and various Chrysler nameplates by 1988.

Those cars, however, would come later. For 1985, Chrysler's lineup remained largely status quo. The Chrysler LeBaron GTS and Dodge Lancer, two mid-sized four-door hatchbacks with a sporting flair, and a new Dodge/Plymouth Colt imported from Mitsubishi represented the year's biggest new. Among other lines, the Aries and Reliant, Chrysler's bread and butter cars, received a slight facelift, but that was about it.

Chrysler felt proud about the LeBaron GTS and Lancer. Chrysler called the LeBaron GTS "a force to be reckoned with in the sports sedan class" and claimed that it
outperformed similarly-sized sedans from BMW and Mercedes. Dodge claimed the Lancer represented “a world-class automotive achievement” and “the ultimate Dodge.”

The automotive press partially verified Chrysler’s claims. *Motor Trend* lauded the LeBaron GTS as “certainly the best sedan in the company’s history, and unquestionably on the leading edge of its class.” *Motor Trend*, however, grumbled about the excessive chrome trim and the choice of the LeBaron name for the car, saying “Why would they want to associate it with those other totally different LeBaron cars?” --an allusion to the older, less sporting sedans and wagons the magazine held in lower esteem.

*Road and Track* offered this similarly mixed assessment of the LeBaron GTS:

The LeBaron GTS shows progress in many important areas. Ten years ago we wouldn’t have believed Chrysler could produce a car with this efficiency of space and fuel, with this performance and handling. . . .But this new small Chrysler also is good enough to make us wish for a more sophisticated engine and transmission.

*Road and Track* also berated the LeBaron GTS’s below average fit and finish. *Car and Driver*, meanwhile, drew the same conclusions the other magazines did. It called the LeBaron GTS “the most intriguing sedan built in America these days. . . .a car that, if it were a little more refined, would be *the answer* (to the imports).”

Overall, Chrysler was doing a lot better building and designing cars. Unfortunately, the company did not quite keep up with the standards set by the imports in

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24 1985 Chrysler LeBaron GTS. Chrysler Corporation, 1984: 5.
28 “Chrysler LeBaron GTS.” *Road and Track* April 1985: 54.
the technology and quality departments, let alone set new ones. Chrysler could master the fundamentals but could not, or would not, follow through on the details.

The 1985 model year for the automobile industry reflected that of the overall economy--strong and productive. The Chrysler-Plymouth Division sold more cars in 1985 than in any year since 1977, while the Dodge Division sold more vehicles for the first time since 1978. Chrysler also sold over 175,000 imports--the most since the 1979 and 1980 campaigns.

Minivans continued to bolster truck sales, which set another record. Chrysler sold 210,000 minivans in 1985, an impressive feat considering that General Motors and Toyota had entered the market. Their entries, however, did not match the Chrysler products’ car-like attributes which attracted minivan buyers; GM’s Chevrolet Astro and GMC Safari were merely downsized vans, while Toyota merely put seats in its van originally designed for delivery service in Japan. They proved largely noncompetitive against the Chrysler minivans.

1985 also was the year that the overall CAFE standard was supposed to top out at 27.5 miles per gallon. GM and Ford’s troubles in meeting the standard forced the federal government to roll CAFE back to 26 miles per gallon. Chrysler, however, met the original standard with little concern. Ironically, the Fifth Avenue, Diplomat, and Gran Fury were hit with $500 gas guzzler penalties for not meeting the minimum 22.5 miles per gallon standard required for all cars, the only American cars to fail to do so. The trio contradicted Chrysler’s stated goal to sell only small, fuel-efficient cars. Customers kept buying them, though, so Chrysler kept building them.

Chrysler grossed over $21 billion in 1985, another record. Profits, however, dropped to $1.6 billion, still the second biggest profit in history, but an $800 million drop from 1984. Chrysler’s spending spree into other ventures, combined with a strike which shut down some factories, accounted for this loss. Although 1985 still proved a very
good year, Chrysler still needed to be cautious in the allocation of its funds—caution Chrysler failed to heed during the 1970s.

The big news in 1986 came not from Chrysler, but from Honda and Ford. In 1986, Honda introduced a new Accord, its best Accord ever. During the early 1980s, the Accord gained the reputation as one of the best cars Japan had to offer. Offered in two-door and four-door versions, the Accord was lauded by the press as a well-designed, well-built, fun-to-drive automobile.

Most importantly, the Accord appealed to the young, educated, and wealthy. These were customers Chrysler needed to attract to sustain its momentum. Out of all its models, Chrysler’s LeBaron GTS and Dodge’s Lancer represented the closest challenges to the Accord. None of its other offerings even approached the Accord’s talents or panache. While the press respected the LeBaron GTS and Lancer, it felt that the two cars could not match the Accord’s quality or driving feel.

Ford, meanwhile, released its mid-sized Taurus to high acclaim. The Taurus and its Mercury companion, the Sable, featured a radical aerodynamic design which made some people think the 21st century had arrived. The Taurus looked like nothing else on the road, and it looked great. The press drooled over it, and the public liked what it saw. The Taurus represented the most serious challenge to the imports yet.

Chrysler didn’t seem to pay much attention to the new Accord, while Iacocca laughed at the Taurus, calling it a “flying potato.” Those calculations proved to be major mistakes. By the end of the 1980s, the Accord would become the first imported car to become the #1 selling automobile, while the Taurus competed seriously for this honor, itself taking top billing in the 1990s.

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30Levin 102.
Chrysler really had nothing to offer to counter the Accord and Taurus in 1986. Chrysler did, however, still have the financial resources to design a vehicle which could compete in this very important upscale, mid-sized area of the market. Engineers and designers lobbied hard to implement such a design. But Iacocca, whose ego had seemed to grow exponentially with Chrysler's balance sheet, declined such overtures. Iacocca seemed to be satisfied "with the 1970s body and interior designs which (he) loved."\(^3\)

Iacocca had failed or refused to recognize, however, that those dated designs had driven consumers, particularly the younger and wealthier ones, into imports.

In 1986, Chrysler appeared to continue to enjoy great fortunes to the untrained eye. Chrysler sold nearly 1,400,000 vehicles in grossing a record $22.5 billion. Unmentioned in those statistics, however, was the fact that Chrysler needed to offer rebates to prod buyers to purchase their cars--cars which were beginning to show their age. This cut into Chrysler's overall earnings, which at $1.4 billion represented the second consecutive yearly drop. The robust economy continued to keep Chrysler afloat, but as 1979 had proved, a bad economy combined with an outdated product line and shrinking profits could drive a company to the brink of death. Chrysler, though, had seemingly forgotten this lesson for the moment.

1987 went down in Chrysler's history as one of its most active years ever. It brought out several new models, including the subcompact Dodge Shadow and Plymouth Sundance; new LeBaron coupes and convertibles; and the Dodge Dakota truck, which the division called "the first true midsize pickup ever made,"\(^3\) an allusion to the Dakota's larger dimensions when compared to its main competition, the Chevrolet S-10, GMC.

\(^3\)ibid. 109.

\(^3\)ibid. 109.
S-15, and Ford Ranger. Chrysler also introduced an extended-length version of its
minivans which offered more passenger and cargo space.

Although Chrysler touted most of its new cars as being all-new, that hardly proved
to be the case. They continued to ride the basic K-car chassis, which showed its age
compared to the more technically advanced competition. Smarter consumers largely
recognized the same cars wrapped in new packaging and looked elsewhere. Recycling old
components hurt Chrysler’s reputation and prestige in the eyes of many potential buyers.

*Car and Driver* confronted this issue when it tested a Sundance Turbo, coming
away with an overall ambivalent view. One editor called it “well-executed, competent,
ship-shape machine” at a bargain price.33 Another proclaimed it “another successful dip
into the parts bins”34—an unintentionally backhanded compliment concerning the
Sundance’s humble origins. A third editor, however, found the Sundance plagued with
accessories and controls that felt “clunky or cheap.” He concluded, “The ideas behind
(the Sundance) were fine and dandy, but they got lost between the planning and the
plant.”35

The new LeBarons presented similar ambivalence. Among the best-looking cars to
come off a Chrysler drawing board, the cars’ sexy new looks failed to hide their low-tech,
unpolished mechanicals. The automotive press universally agreed the new LeBarons
looked stunning and were better than the vehicles they replaced, but that proved to be the
extent of the compliments. *Road and Track* thought the LeBaron “felt in many ways like a
leftover from the previous decade.”36 *Car and Driver* thought that Chrysler was “getting
better and better at preparing new toppings, but the meat underneath has been aging too

long."\textsuperscript{37} The editors took Chrysler to task for its continuing failure to concentrate on the details. Wrote one, "Any car that looks this good ought to leave its drivers cheering. Instead, the LeBaron Turbo leaves me numb, and I feel cheated."\textsuperscript{38} Wrote another, "The competition marches on with fresh designs. It's high time Chrysler did, too."\textsuperscript{39} No question about it--Chrysler was getting stale. It could no longer count on bringing out variant upon variant of the K-car platform and expect the customers to keep buying them. That may have worked in 1984, but 1984 had been three years ago--a long time in the car business.

Nor could Chrysler expect the great economic times to continue. The economy softened in 1987, which led to shrinking domestic as well as imported car sales. Only two of Chrysler's car models posted sales increases for 1987, the Dodge 600 sedan and the Mitsubishi-built Conquest sports car. Even those lines posted minimal gains, as overall, Chrysler-Plymouth division sales fell by over 100,000 units, while Dodge sales shrank 15\% under 1986's levels. Meanwhile, Chrysler made the same mistake with the Dakota pickup as it had with the K-cars, loading the trucks with expensive options which resulted in sales well below expectations.

On $26.3 billion in gross earnings, Chrysler did manage to earn $1.3 billion. Much of its earnings came from Chrysler Financial and Gulfstream, which had over $1 billion of orders to fill. This offset some of the losses from the automotive end of Chrysler's business. However, had Chrysler invested in more modern technology for its cars rather than in non-automotive ventures, Chrysler would very likely would not have suffered such losses. Nevertheless, Chrysler still continued ahead in its purchases, buying the

highly-esteemed but small Italian sports-car maker Lamborghini as well as Electronics Systems, which filled out the “Technology” segment of its holdings.

Chrysler’s biggest news for 1987, however, came from none of these developments. The monumental event of 1987, the one that would influence Chrysler’s fortunes in profound ways, was Chrysler’s purchase of American Motors Corporation, the United States’ smallest car company that many observers and historians deemed America’s last independent car company. It begged the question: Why on earth would Chrysler want to purchase an automaker that routinely lost money and historically struggled to survive... even more so than Chrysler had?

The plan to purchase American Motors had plenty of strikes against it. The company was in debt for hundreds of millions of dollars. It had a reputation for selling cars with bizarre styling cues well off the beaten path. In 1987, it offered only one AMC-badged car, the Eagle, a cramped, inefficient four-wheel drive station wagon which had been introduced in 1980 but traced its origins to the 1970 model year. Most of American Motors cars’ wore the Renault nameplate, a nod to the French automaker which owned the controlling interest in AMC. These cars had earned a terrible reputation for quality and design, far, far worse than even Chrysler’s reputation. All this contributed to AMC’s abysmal market share of less than one percent.

What Chrysler really wanted, however, was American Motors’ biggest asset—the Jeep division. The mid-sized segment of the sport-utility vehicle (or SUV) market was beginning to take root in the mid-1980s, and Chrysler had nothing to offer. Chrysler’s SUV offerings were limited to the large Dodge Ramcharger, which was showing its age and inefficiency (its Plymouth Trail Duster counterpart was dropped in 1981), and the Mitsubishi-made Dodge Raider, a tiny four-wheel drive which most buyers found off the mark. Worse yet, Chrysler had no firm designs with which it could enter the market.
Jeep’s product line backed up the respect its buyers had for the brand. Its highly popular Cherokee and Wagoneer models had debuted in 1984. They represented newer designs than General Motors’ Chevy Blazer S-10/GMC Jimmy S-15 twins and Ford’s Bronco II. The Cherokee and Wagoneer also were the only mid-sized SUVs to offer four doors—an important consideration for families. In addition, AMC had just introduced a new six-cylinder engine which made the Cherokee and Wagoneer far and away the most powerful vehicles in the class.

Jeep’s attractiveness extended beyond the Cherokee and Wagoneer. AMC brought out a new Wrangler, the descendent of the old military-style Jeeps, for 1987. Jeep also offered the Grand Wagoneer, an ultra-luxury SUV which had been introduced in 1963 but still sold in handsomely profitable numbers, appealing to wealthy buyers. On top of all this, AMC was already well into planning the Grand Wagoneer’s replacement, with a predicted introduction date in 1991 or 1992.

Jeep represented the state-of-the-art in buyers’ minds. Jeep’s buyers were on average younger, more educated, and richer than buyers of other brands. This proved an important consideration for Chrysler, whose own customers tended to be older, less educated, and poorer. Jeep’s customers would represent a healthy shot in the demographics department for Chrysler.

Chrysler originally wanted to purchase only Jeep from Renault. Renault, however, wasn’t that stupid. They knew Jeep was about the only attractive component of AMC. Renault told Chrysler that in order to get Jeep, it had to take everything else. This scared many executives at Chrysler, particularly Sperlich, who had long urged putting the corporation’s money into designing new products, and financial executive Bennett Bidwell, who feared the results of adding AMC’s debt and employee obligations to Chrysler’s balance sheet.
Iacocca heard Sperlich’s and Bidwell’s concerns, and then ordered negotiations to begin with Renault over the purchase of AMC. Over the weekend of March 8, 1987, negotiations to purchase AMC, which had begun in the summer of 1986 and survived the assassination of Renault’s chairman that November, came to a close. Chrysler became the new owner of AMC...or, stated another way, Jeep and everything that came with it.

Upon the deal’s announcement, Time Magazine called the Chrysler/AMC merger “a daredevil wheel deal. . .the most daring move that Iacocca has made as the architect of Chrysler’s dramatic comeback from near bankruptcy in 1979.” Autoweek assessed the merger with Chrysler “(having) to swallow some prunes and endure the subsequent digestive upset” in order to secure the plums of the deal. Autoweek respected Chrysler’s courage in buying AMC, saying “less adventurous companies would simply walk away from the table; the guys at Chrysler, it seems, have cast-iron gullets.”

Chrysler spent $1.5 billion dollars to acquire AMC. In addition, Chrysler assumed responsibility for $800 million in AMC debt. Chrysler’s fixed costs also increased dramatically, which led Standard & Poors to put Chrysler on their credit watch list.

But Chrysler had gained much in the deal. Rather than spending money on developing its own sport-utility vehicle, which by the time it came to market in several years would have cost billions in development and lost sales, Chrysler became an immediate force in the SUV market. Jeep increased Chrysler’s share of the truck market to over 20%, totaling nearly a million units yearly.

In addition, Chrysler gained production space, including a brand-new, $400 million plant in Bramalea, Ontario. Chrysler’s lack of plant space had originally planted the seeds for the AMC merger; during 1986, Chrysler had contracted AMC to build some Fifth

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Avenues, Diplomats, and Gran Furys in AMC’s underutilized Kenosha, Wisconsin plant. Chrysler also gained the rights to sell a new, Renault-designed mid-sized car to compete against the likes of the Ford Taurus and Honda Accord.

On August 5, 1987, at the final AMC stockholders meeting, AMC Chairman Joseph Cappy drove Chrysler Chairman Lee Iacocca into the event in a vintage World War II Jeep. Thus, the deal was consummated, officially and symbolically. It marked the final act in a dramatic turnaround for Chrysler Corporation. At the dawn of 1982, Chrysler feared for its own survival. At the close of 1987, Chrysler found itself so strong that it could absorb other companies.

Things were not altogether well for Chrysler, though. Its products were losing their prestige and appeal. The gains made in 1982-1984 were beginning to fade by 1987. Aside from the new Jeep, little sat on the drawing board which could excite consumers. Plus, the economic bliss appeared to be fading. Chrysler seemed to show some lackadaisical traits—traits which resembled those it demonstrated during the 1970s.

Few within the company, most notably Iacocca, took note of recent developments and recognized the similarities between what was beginning to happen and what took place only a decade before. The next five years would prove quite interesting for Chrysler. Could the success of the early 1980s be replicated, or would the problems of the late 1970s begin anew?
To the casual observer, Chrysler appeared to be on top of the world when the 1988 model year dawned. Earning yearly profits in the billions of dollars, Chrysler seemed strong--so strong that it could acquire the prestigious Jeep vehicle line, becoming an instant player in the burgeoning sport utility market. The move, many predicted, would propel Chrysler to heights never before seen.

Lee Iacocca certainly believed this, as he observed when introducing Jeep as the newest member of the Chrysler family:

During my forty years in the car business, I’ve been privileged to witness and be a part of some of the most exciting and innovative automotive events this country has ever seen. But, I have to tell you, the one that excites me more than all the others is the recent joining of two great American symbols...the Chrysler Pentastar with the new Jeep. It’s a bold venture for us, because we’re about to embark in a bold new direction for the future.¹

Iacocca had reached icon status in America, and it appeared that Jeep would put the capstone on his career at Chrysler.

When one looks deeper, though, one will find an automobile company with serious health problems. To acquire Jeep, Chrysler took on hundreds of millions of dollars in debt from American Motors and Renault. Chrysler’s products had become seriously dated; it had run the K-car platform into the ground, basing numerous cars with various missions on it, which led to serious compromises in design and performance.

The biggest omen for Chrysler's fortunes in the late 1980s-early 1990s came on October 19, 1987—"Black Monday." The Dow Jones industrial average plunged 508 points, nearly a 25% drop. Chrysler's stock, selling at $45 before the crash, crashed to $25—less than what Chrysler had paid during its aggressive share buyback policy during the mid-1980s. By 1990, high-ranking executives at Chrysler feared a reprise of what took place during 1979 and 1980. Once again, Chrysler faced its own mortality, considering mergers or even its demise altogether.

This loss of fortune, combined with the Japanese automakers' growing prestige in spite of the increasing value of the yen, forced Chrysler to reconsider its ways of doing things. It was during this era when Chrysler revised its structure of designing and building automobiles, implementing systems which fostered communication and cooperation, a la Japan, while doing away with the traditional American system of hierarchy. However, the benefits of the new ways, and the cars which came about by working these ways, would not arrive for several years. Chrysler's concern was surviving until these cars arrived.

1988 was a year of transition for Chrysler. In addition to adding the Jeep line to its array of nameplates, Chrysler paired its Jeep dealers with a new car line called Eagle. Eagle's mission, according to Chrysler, was to produce "cars that are distinctive. Exciting. Personally Expressive. . . .Never mere basic transportation." This belied the fact that Eagle was created primarily to sell the Renault-based vehicles Chrysler acquired in the AMC merger. They included the French-built Medallion, a quirky, low-selling compact introduced a year earlier (gone by 1989), and an all-new sedan assembled in Canada called the Premier.

The Eagle Premier seemed to have a lot going for it. Chrysler certainly hoped so, for Renault expected Chrysler to sell 300,000 of them by 1992 or else pay millions of

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dollars in penalties. It featured a roomy interior and sharp handling, two big plusses in the meal-ticket mid-sized sedan market. Plus, the automotive press loved it. Calling it "capable" and "roomy," *Car and Driver* predicted it "a sure bet to scare the hell out of its competition."³

Unfortunately, the Premier was saddled with several faults. It had weak brakes, which *Car and Driver* noted. Its angular styling flew in the face of the Ford Taurus’ aerodynamic lines, which were becoming all the rage in automotive design. The Premier’s goofy ergonomics confused and aggravated drivers. The Premier’s Renault origins also saddled it with suspicion of its long-term reliability. Finally, Chrysler failed to promote the Premier in advertisements as much as it should have. The results were easy to predict: "Americans car buyers responded as if they had never heard of the car, which indeed most of them hadn’t."⁴ All of these factors conspired to hold the Premier’s sales well below expectations.

More big news in 1988 for Chrysler came with the introduction of the new Chrysler New Yorker and Dodge Dynasty, corporately known as the C-body. Based on the K-car platform, like every new Chrysler product since 1981, Dodge described the Dynasty as "redefining the American family sedan,"⁵ while Chrysler proclaimed, "These aren’t cars with just a lot of plush appointments to sit on. They’re great driving cars with a responsive V-6, advanced front-wheel drive, and outstanding handling."⁶

These declarations held many contradictions. The designers had tried their best to create decent cars, but the styling constraints mandated by Iacocca made this goal virtually impossible. They tried to equip the C-bodies with interiors more in tune with the tastes of

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younger buyers-- "European in theme with muted fabrics (and) bucket front seats." But Iacocca blasted the concept, ordering the cars to wear gaudy velour upholstery and fake wood inside.

The exteriors of the C-bodies looked equally dated. Blocky and square, Car and Driver remarked upon seeing a Dynasty, "Chrysler has decided to turn back the calendar and revive the flying brick." Motor Trend, meanwhile, called the New Yorker "traditional luxo-think in a lightly salted contemporary vein." Again, Chrysler designers urged styling similar to the Taurus, and again, Iacocca rejected the suggestion.

More than anything else, the narrow K-car platform harmed the C-bodies, which were intended to replace Chrysler’s well-worn M-body rear-wheel drive cars in the full sized market. Buyers of larger cars expect the back seats to accommodate three passengers comfortably, which the C-bodies were incapable of doing. In addition, the narrow platform, combined with the cars’ length, contributed to unstable handling. The C-bodies had no pretensions of capturing younger buyers, instead catering to Iacocca’s generation, which was beginning to die off. Chrysler’s cars were quickly becoming "a generation gap on wheels."

Two other minor but noteworthy events took place in 1988. For the first time in history, Chrysler equipped its M-body cars (Chrysler Fifth Avenue, Dodge Diplomat, Plymouth Gran Fury) with driver’s side airbags, a nod to federal safety standards which required passive restraints on a percentage of an automaker’s vehicles. Chrysler also built its last domestically-produced station wagons, the Chrysler LeBaron Town and Country, Dodge Aries, and Plymouth Reliant, in 1988. With its minivans selling strongly, and their

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10 Ingrassia 188.
design benefits over wagons so apparent, Chrysler saw no need to keep selling station wagons. Chrysler’s move predicted other manufacturers’ moves away from station wagons, foreign and domestic, in the 1990s.

Chrysler grossed $35.5 billion in 1988, netting a $1.05 billion profit. Dodge Division, at nearly 428,000 sales, did very well, with all Dodges except the Lancer posting sales gains. Dodge truck sales edged up slightly to about 571,000, while Jeep posted over 250,000 sales, a 20% increase over 1987. Eagle sold 58,000 vehicles in its first campaign. The Chrysler-Plymouth division provided one of the lowlights for 1988 with three of its car lines--the LeBaron, the LeBaron GTS, and Plymouth Caravelle--dropping 50% or more. The division’s overall sales fell to 581,220.

Chrysler significantly reshuffled its vehicle lineup in 1989. The corporation bid farewell to two significant car lines--the M-bodies and the original K-car, the Aries and Reliant. The Fifth Avenue, Diplomat, and Gran Fury represented the last Chrysler automobiles to feature V-8 engines and rear-wheel drive, the traditional mechanical layout of American cars since the birth of the auto industry. The M-bodies had served the corporation very well, contributing significant amounts of money to the bottom line. But their time had long since passed. Most M-body sales went to fleet buyers such as police departments and taxi companies; customer interest in the M-body had waned as time, and competitors, passed the cars by. The fleets complained loudly, but it was all for naught. The final M-bodies rolled off the assembly line in December, 1988, and Chrysler finally became an all front-wheel drive car company, several years after voicing its intentions to do so.

The Aries and Reliant had also grown old in the marketplace. Chrysler had boosted the duo’s sales in 1988 by offering more standard equipment and fewer options at a base price of $7000, but the lower price failed to hide the cars’ shortcomings in handling and refinement. The K-cars were big news in 1981, and deservedly so. They helped
Chrysler back on the road to prosperity. But eight years is a long, long time in the car business; Honda’s Civic, for example, had been completely redesigned twice since 1981. The Aries and Reliant were retired at the end of the 1989 model year.

Replacing the Aries and Reliant were the Dodge Spirit and Plymouth Acclaim. Touted as the most significantly different automobiles for Chrysler since the K-car, the Spirit and Acclaim (also known as the A-body) were meant to lure younger, wealthier buyers away from such highly esteemed imports as the Honda Accord and Toyota Camry. Unfortunately, like most recent Chrysler products, the cars were way off the mark. The A-cars’ blocky, dowdy styling “were woefully behind the times in appearance, branding them as cars for fogies or nerds.”

Motor Trend noted, “The significant demerit we award here is for the Acclaim’s formulaic styling.” Motor Trend did recognize an increased level of refinement in the A-body over its K-car predecessor, as did Car and Driver, but neither thought that improvement came close to the refinement of the imports. “Not on a par with Honda,” remarked Car and Driver. Chrysler’s engineers were greatly embarrassed by the cars, cars in which the constraints of Iacocca’s priorities had forced them to produce. They felt they were not pursuing the wealthy younger buyers, upon which the fortunes of Chrysler would depend for the next few decades, but rather what they referred to as PODS—a crude acronym for “poor old dumb shits.”

As bad as the A-cars were, they shone in comparison to one of Chrysler’s biggest blunders in history. In 1989, Chrysler introduced its new image car, a two-seat convertible produced jointly with Italian automaker Maserati. The car, originally intended to be named Lido, Iacocca’s full first name, was dubbed Chrysler’s TC by Maserati (the

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11Levin 241.
14Levin 241.
TC supposedly stood for Turbo Coupe). The TC represented the culmination of a pet project between Iacocca and his friend, Allesandro de Tomaso, the leader of Maserati. Intended to merge the best elements of Italian and American automotive design--i.e. the mechanical engineering and sexy styling of Italy with the reliability and workmanship of the United States (when compared with Italy, anyway)--the TC instead reversed the elements to disastrous results.

The TC took years to reach the marketplace. It first made the rounds of the auto show circuit in 1984 and was perpetually delayed from design and production problems, prompting Steve Miller to condescendingly declare it “the most introduced car in history.”¹⁵ When it finally arrived in 1989, it looked too much like Chrysler’s own LeBaron convertible, which unlike the TC, featured a back seat and a sticker price $10,000 lower. Worse yet, the TC was noisy and unrefined and “literally shed parts as it rolled down the highway.”¹⁶ For $35,000, buyers who wanted a European sports car could select from many alternatives than the TC, all of which were executed in a far superior manner compared to Chrysler’s rolling disaster.

Chrysler had hoped to sell between 5,000 and 8,000 TCs a year, netting a handsome profit for each sale. Instead, Chrysler was reduced to offering $7000 rebates to move TCs from showrooms. After producing 7300 examples, Chrysler pulled the plug on the TC in 1990; the cars, ignored by consumers, sat on lots well into 1991. The TC debacle not only drained Chrysler’s coffers to the tune of $400 million, it also reinforced Chrysler’s image of building out-of-touch cars. It seemed Lee Iacocca was living off his reputation.

¹⁵Ingrassia 187.
¹⁶Levin 242.
Chrysler did have something to celebrate in 1989, but even that had a qualifier. Chrysler’s joint venture with Mitsubishi came to fruition as the first cars from the Diamond-Star factory rolled onto the streets. The sleek, sporty coupes, marketed as the Plymouth Laser and Mitsubishi Eclipse, gained high critical and popular acclaim. *Motor Trend* found the duo “easy cars to recommend. They’re the quickest, most refined cars in their class.” With the powerful turbocharged versions starting at $14,000, *Car and Driver* remarked that for the levels of style and comfort, the Laser and Eclipse “should cost a lot more than they do.”

The problem with the Laser was that it was not a true Chrysler product, but a Mitsubishi. Although Diamond-Star was theoretically a joint venture, Mitsubishi actually ran the plant and provided most of the mechanical components. The Laser’s styling did come from Chrysler designer Tom Gale, which proved that Chrysler indeed had the talent to design and produce relevant cars, though expressing that talent proved to be troublesome in the late ‘80s.

The fact that Chrysler’s best cars were coming from Mitsubishi proved disconcerting. In addition to the Laser, Mitsubishi provided Chrysler with three new subcompacts—the Dodge and Plymouth Colt and Eagle Summit. The automotive press acclaimed all of these vehicles, with the turbocharged versions garnering spots on *Car and Driver*’s “Ten Best Cars” list. Nothing else Chrysler itself produced came even close. The parallels to 1979 were remarkable.

Dark clouds unmistakably gathered on the horizon for Chrysler in 1989. Gross profits, at $34.9 billion, fell slightly, but net profits crashed dramatically, to $359 million. All divisions posted fewer sales than the previous year. A fourth quarter $664 million loss

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related to plant closures finished the company off. The company’s break-even point had climbed to 1.9 million vehicles, and Chrysler often resorted to cannibalizing its pension fund for the cash needed to run the company.

Chrysler was clearly not well, and once again, at the beginning of a decade, Chrysler faced a crisis and some serious belt-tightening. The corporation announced the elimination of 2300 white-collar jobs, a decision intended to slice $1 billion off of Chrysler’s fixed costs. Also, Chrysler announced it would dismantle its holding company structure only four years after implementing it, putting Gulfstream and the components of Chrysler Technologies up for sale. It would prove to be only the beginning of yet another crisis.

For 1990, Chrysler’s lineup changed little. The hoary Omni and Horizon returned for one final, abbreviated season; the last of those cars were completed that February. Eagle dealers gained a version of the Plymouth Laser called the Talon, while Chrysler introduced a pair of front-wheel drive luxury cars with familiar names—Fifth Avenue and Imperial. The names weren’t the only things about the cars that were old; the duo rode yet another modified version of the K-car chassis.

Many executives privately grimaced when the Fifth Avenue and Imperial hit the market. The emphasis on style over substance was clear, in keeping with most recent Chrysler Corporation automobiles. The vinyl roofs and wire wheel covers fooled nobody. One observer called the Imperial “a giant Virginia Slims cigarette on wheels.”\(^{19}\) Another said it “looked like a fancy version of the Reliant from the early 1980s.”\(^{20}\) Miller found the vehicles so repugnant, he refused to show slides of the cars in presentations to automotive analysts.

\(^{19}\)Ingrassia 188.
\(^{20}\)Levin 243.
The criticism extended beyond styling. Rather than employing sophisticated overhead-camshaft V-6s and V-8s, as its competitors did, the Chryslers made do with underpowered, outdated overhead-valve V-6s. *Car and Driver* thought the Imperial "behaved more like a boat than a car" and proclaimed it "no longer a contender for the title of premier American luxury."²¹ Buyers largely ignored the Imperial, and Chrysler was forced to dump truckloads of Imperials into rental car fleets at little profit. Chrysler's marketers unwittingly exposed the truth and handed ammunition over to their critics when they advertised the Imperial as "the best of Chrysler."²²

Because of the deplorable situation of its vehicle lineup, Chrysler needed to focus on other issues to sell cars. It found one courtesy of the federal government. For 1990, all cars sold in the United States were required to have passive restraints. Automakers could meet this requirement by offering automatic seat belts for both front passengers, or by employing an air bag for the driver. Automakers had fought the approval of this regulation on cost issues since the 1970s, and Lee Iacocca had served as among the most vocal of them.

When it became apparent that passive restraints would become reality, Iacocca reversed his position in dramatic fashion. He ordered that all of Chrysler's domestically produced vehicles feature a driver's side air bag as standard equipment. Iacocca was obviously less concerned with safety than with sales advantages. Thus, safety became one of Chrysler's marketing themes in the early 1990s.

Installing air bags in any car is expensive, but for cash-strapped Chrysler, it begged the question whether or not the initial expense would pay off in greater sales. Automatic seat belts provided a cheaper alternative, one which GM, Ford, Honda, and Toyota

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employed. Chrysler wasted a great deal of money in fitting the Omni and Horizon, cars with a finite future, with air bags. It seems like it would have been cheaper to drop the aged subcompacts altogether or sell them for a while longer to recoup the costs.

Many of Chrysler’s financial dealings in the late 1980s prompted head-scratching from industry observers. The TC disaster represented just one example; many others followed it. Chrysler had spent $200 million to move Omni and Horizon production to another plant only a year before they were dropped. Chrysler spent another $400 million to close the Kenosha, Wisconsin plant it had inherited from AMC only months after promising to keep it open. Sales of the Eagle Premier were so slow, Chrysler was on track to pay Renault $200 million in penalties. In an attempt to sell more Premiers, Chrysler created a second version of the car for Dodge dealers to sell by slapping on a different grill and dusting off the old Monaco nameplate. The maneuver failed; Monacos sold so slowly that the factory inadvertently produced a 320 day surplus. On top of all this, the new headquarters and technical center being constructed in Auburn Hills had reached a cost of $1.1 billion. Some had taken to calling the Chrysler Technology Center “Iacocca’s Mausoleum” in honor of Chrysler’s increasing reckless spending ways.23

In a year plagued by recession, Chrysler’s financial returns for 1990 were the worst since 1981. Chrysler surprised everybody by eking out a $68 million profit--mere pocket change in the auto industry. However, it took Chrysler’s sale of half its equity in Mitsubishi to realize this. Chrysler failed to secure any buyers for its technological holdings, so those were taken off the block.

Jeep took a serious hit when GM, Ford, and several imports infiltrated the four-door sport utility segment it had monopolized for years. Ford’s all-new Explorer, in particular, did the most damage, yanking technological and sales leadership away from the

23Yates, Critical Path 74.
six-year-old Cherokee. Truck market share fell below 20%, while car market share dropped below 10%. Not since the dark days of the early 1980s had Chrysler faced such concern.

Chrysler’s management was well aware that while its 1990 fortunes looked better than those of ten years earlier, the corporation was approaching “the brink of the brink” of disaster.24 It needed help, and, like the decade before, it sought relief via mergers with other companies. In February, 1990, Chrysler began discussions with Fiat, one of Italy’s largest automakers. At the time, Fiat was struggling to stay competitive in the European marketplace. It expressed an interest in selling minivans and Jeeps, the two vehicles which kept Chrysler solvent, through its European dealer network. Chrysler, meanwhile, looked for an infusion of cash from Fiat and mutual development of a four-cylinder engine.

In the end, the two companies found themselves poles apart regarding a merger. Fiat had left the U.S. marketplace a decade earlier and had no plans to return, which would not benefit Chrysler’s dealer network. In addition, Chrysler wanted $8 billion to consummate the deal, while Fiat was only willing to spend as much as $2 billion, a fee more in step with Chrysler’s actual net worth. Talks ended in November, with both companies proclaiming “poor economic conditions” as the reason.25 Chrysler attempted to rebound with another merger proposal to Ford, but Ford, which had recently shelled out $2.5 billion to purchase the troubled English luxury car maker Jaguar, saw nothing compelling and dismissed the merger idea even more quickly than the one in 1981.

Chrysler’s investment status also plunged severely in 1990. Chrysler Financial’s securities ratings were lowered, while Standard and Poor’s downgraded Chrysler’s debt rating to BBB-, the lowest grade above junk status. On top of all this, Chrysler’s stock

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24Levin 279.
25Levin 271.
value had lost eighty percent of its value in less than three years; by September, Chrysler’s stock was fetching a piddling $9 per share.

The most humbling lesson Chrysler learned in 1990 came from Honda. Chrysler had never had to fear for its #3 ranking in passenger car sales in its history. In 1990, Honda nearly eclipsed Chrysler for this ranking, falling short by a mere 6,000 cars. At the end of calendar year 1989, Honda’s Accord claimed the title as the United States’ best-selling car, the first imported car to ever secure the honor, and an all-new Accord was waiting in the wings. Meanwhile, Chrysler had nothing exciting coming out anytime soon. The connotation was clear: Honda was on the way up, while Chrysler was on the way out. For Chrysler, the time of reckoning had arrived. It had to shape up or die.

The leaders of the Big Three, particularly Iacocca, complained for years about perceived advantages the Japanese have had in selling vehicles in the United States. They yelled for higher tariffs and quotas and bitched when the federal government would not enact these measures. In reality, Japan had agreed to voluntary quotas in the early 1980s which limited their imports. American executives howled over the dollar’s stronger value over the yen. However, when the tables turned in the late 1980s, raising the prices of Japanese cars, the public continued to buy them. The American auto leaders grumbled about how few American cars Japan imported. But the truth was the U.S. had not made a serious investment in the Japanese marketplace. Few of America’s larger cars were practical for life in Japan. With the steering wheel on the left-hand side and poorer fuel economy, combined with a limited dealer network, it went without saying why so few Japanese drove American cars.

Most significantly, America bickered about Japan’s cheaper labor and the higher quality of people who worked at their plants. Honda repudiated that myth when it opened a factory in Ohio in 1982. Its American workers made as much as those who worked for GM, Ford, and Chrysler, and the quality of the cars easily met those produced in Japan.
Honda’s experience was not unique; Nissan and Toyota also operated plants in the U.S. and achieved similar results. The truth became clear: Japan simply built better cars than the United States, no matter where the cars were assembled. Detroit, after years of blaming everybody besides themselves for their troubles, looked in the mirror. A sickly image gazed back. As one writer put it, “unless Detroit swallowed its pride and studied at the knee of the Toyotas and Hondas of the world, its survival was in question.”26 Chrysler did just that and ordered a committee to study the ways and practices of Honda, the results of which opened the corporation’s eyes.

The American automobile industry had employed what was called “a chimney system” since its creation.27 The chimney system perfectly resembled a series of stacks which towered towards the sky. Each chimney represented a separate segment of the company—sales, marketing, design, engineering, finance, etc. Authority went from the bottom to the top in a bureaucratic system of subordination.

The chimney system posted two major disadvantages. First, the various segments rarely communicated or cooperated because of the separateness of the system. This led to prolonged and costly development time of vehicles. Second, subordinates always were at the beck and call to those above them. They had no power to challenge or contribute to the decisions made by upper level management. The subordinates often knew what needed to be done to make the vehicles better, but had to wade through the multiple levels of bureaucracy to make it happen. Often times, upper level executives would be damned if they implemented a suggestion from an underling. Again, this inefficient and arrogantly silly system of leadership harmed the bottom line. Iacocca claimed he had eliminated the

26Levin 269.
27Yates, Critical Path, 62.
chimney system in his autobiography when, in reality, he made it only slightly more efficient by cutting many jobs.

In contrast, Honda, like most Japanese companies, operated more like an open, single-level room. The various departments communicated and cooperated with one another, which contributed to getting things right the first time, which, in turn, saved money. The open room concept promoted "a fierce exchange of ideas" between not only departments, but leaders and subordinates as well. In fact, subordinates were expected to communicate frankly with their leaders. The open room fostered the Japanese philosophy of kaizen, or constant improvement. In Japan, the status quo was never acceptable, and success started at the top.

Japan also worked with its banks, suppliers, and workers in a close relationship called keiretsu. The automotive corporations realized their success depended on long-term cooperation with these entities, and vice versa. Chrysler's experience, in contrast, reflected the opposite. Agreeing to terms with the United Auto Workers regularly turned into dragged-out, knock-down affairs, while Chrysler's dealings in trying to secure its survival under the Loan Guarantee Act of 1980 revealed everything about its relationships with the banks.

In addition, the Japanese had also developed more modern, more efficient ways of manufacturing cars. The United States had inadvertently contributed to this by annihilating Japan in World War II. While initially devastating to Japan, the war handed Japan a clean sheet of paper. None of its factories dated before the war; in contrast, some of Chrysler's factories dated to before World War I. The aged factories and poor working conditions contributed to quality, or the lack thereof.

28 Ingrassia 334.
Japanese auto manufacturers practiced a philosophy called "lean manufacturing."\(^{29}\) Lean manufacturing emphasized the elimination of *muda*, or waste, in all its forms—material, time, and ultimately money. Closely in tune with lean manufacturing was another Japanese philosophy called *kan-ban*, or "just-in-time" manufacturing.\(^{30}\) In *kan-ban*, parts were sent to the factory in small, as-needed quantities. This stood in exact opposite to American practice, which stored thousands upon thousands of parts in surplus. *Kan-ban* further fostered the concept of *keiretsu* between automaker and supplier as well as saving millions upon millions of dollars in storage costs.

All of these efficiency practices gave Japan a huge jump on the United States in finances. It enabled Honda to double its budgetary commitment to the development and design of new products over that of Chrysler. Honda routinely overhauled its car lines in four-year intervals, each time bettering its already superior products. Meanwhile, all Chrysler did was play with sheetmetal year after year, driving the K-car platform into the ground. (It was, and still is, common practice for American automakers to use a platform for years and years. For instance, Honda and Ford introduced their respective Accord and Taurus automobiles in 1986. Since then, Honda has completely redesigned the Accord in 1990, 1994, and 1998. Ford, meanwhile, gave the Taurus a modest restyling in 1992 and waited until 1996 to replace the car altogether.)

The most damning evidence toward Chrysler came from its own workers. In a survey, the workers uniformly voiced the belief that Chrysler should have quality and customer satisfaction as its primary goals. When asked what they believed what Chrysler’s goal actually was, they answered short-term profit. In an effort to raise stock prices, and thus the value of the company, Chrysler was jeopardizing its own future. It all

\(^{29}\) Levin 156.  
\(^{30}\) Yates 137.
explained why Chrysler experienced such a bad 1990... and why the company's fortunes would fall even further in 1991.

Iraq's invasion of Kuwait in August 1990 triggered another Oil Crisis, which, considering the recessionary state of the economy, was the last thing American automakers, particularly Chrysler, needed. The crisis diminished the already shrinking pool of potential car buyers even further as gas prices climbed through the stratosphere. At least Chrysler wasn't introducing new full-sized cars like it had in 1974 and 1979. Then again, given Chrysler's precarious state, it wasn't introducing much of anything for 1991.

The big news for 1991 came in the form of new interior and exterior styling for the Dodge Caravan, the Plymouth Voyager, and a similar ultra-luxury minivan which had revived the Chrysler Town & Country badge a year earlier. The new styling, while conservative, added a modern 1990s flair without digressing far from the original's shape. Chrysler executed it well and maintained its dominance of the minivan marketplace. This was a good thing, for the minivans represented Chrysler's main source of sustenance. If the minivans tanked, Chrysler would tank along with them. For 1991, Chrysler also added a high performance sport coupe made by Mitsubishi called the Dodge Stealth.

1991's bottom line told a ghastly, humiliating tale, not only for Chrysler, but for the entire American automotive industry as a whole. The Big Three combined to lose a record $7.5 billion, of which Chrysler contributed $795 million. Only a stock sale which netted $338 million and the sale of its equity in Diamond-Star Motors for $100 million kept the losses from mounting further. Even the stock sale tasted bitter, for Chrysler was selling it for less than it had paid during its massive stock buyback program in the mid-1980s. An additional 9000 white-collar jobs were axed, shaving an additional $2 billion off the cost-cutting program implemented in 1989. In addition, Chrysler's investment ranking hit rock bottom, falling to junk status.
Every single one of Chrysler's car and truck lines posted fewer sales than the depressed 1990 levels. This contributed to the worst news of all: Chrysler had lost its #3 ranking in passenger car sales. In fact, Chrysler had fallen all the way to fifth, with an 8.6% market share. The two most esteemed Japanese car manufacturers, Honda and Toyota, had surpassed Chrysler for #3 and #4, respectively. While truck sales enabled Chrysler to maintain its #3 ranking in overall vehicle production, the loss to Honda and Toyota devastated ego and morale, revealing Chrysler's backwardness to everyone.

Given Chrysler's fortunes in the late 1980s and early 1990s, it came as no surprise that Chrysler suffered from a leadership crisis. Iacocca continually talked about retirement but kept working. Over one third of Chrysler's top executives had left during this period. Hal Sperlich was forced into retirement in 1988, the consequence for challenging the merits of the AMC purchase. Bennett Bidwell retired for health reasons. Jerry Greenwald, now Chrysler's president and #2 in charge, tired of Iacocca's flip-flopping on his retirement, which had started as early as 1983. Wanting to lead something, he resigned from Chrysler in 1990 to become the CEO of United Airlines under a proposed employee buyout, which failed. (Greenwald eventually became United's CEO in 1994 in a second, successful attempt.)

While Iacocca publicly chastised Greenwald for leaving Chrysler, Greenwald's departure actually worked in Iacocca's advantage. With no clear successor, Iacocca finagled more compensation in salary and stock options from the board of directors. Iacocca's yearly compensation by 1990 had exceeded $20 million, which alienated many Chrysler workers. Iacocca preached belt-tightening while his own belly grew fat.

If the top level of Chrysler's leadership had grown unhealthy, at least the lower levels were showing vitality. Two members of the new guard had arrived at Chrysler in the mid-1980s and were making their presence felt: Francois Castaing, an AMC/Renault engineer whose services were retained when Chrysler bought AMC, and Robert Lutz,
another engineer who had replaced Sperlich. Lutz’s resume included stints with GM, BMW, and Ford. Under their leadership, Chrysler’s philosophy of designing and building cars would change radically for the better.

Castaing and Lutz shared the view that carmakers should design vehicles from the inside out. They believed the performance of the engine and transmission dictated the themes of chassis design and styling. This view contrasted directly with Chrysler’s reliance on the K-car platform. Lutz and Castaing thought this dependence fostered “a hodgepodge of unmatched systems and components cobbled together on the basis of what was cheap or available.” The two men also shared a more worldly view of car design; Castaing was a native Frenchman who had been shipped by Renault to the United States to work with AMC, while Lutz had been educated in Switzerland and spent significant time in Europe working for BMW and Ford. They were more in tune with a car’s driving feel, an important component in selling cars to younger buyers, than was Iacocca.

Lutz and Castaing, along with Steve Miller, had supported and were highly impressed by the Honda committee’s findings. They worked hard to implement the open room policy at Chrysler, and, amazingly, they succeeded. All had expected Iacocca, who had become accustomed to the perks of power, to veto the policy. While the thought of losing authority made Iacocca uncomfortable, the possibility of his company failing under his regime disturbed him even more. He gave his approval.

This approval led to the creation of the platform team concept. Platform teams allowed members from the styling, engineering, manufacturing, and marketing divisions to work together on bringing a single car to market. Previously, the design process required input from thousands of engineers who were responsible for such small things as door handles, ash trays, and cigarette lighters. Platform teams reduced significantly the number

31 Levin 232.
of engineers working on a single project. This, in turn, allowed Chrysler to work on multiple products and implement a massive program in 1991 to replace all its existing products in five years, at a cost of $17.3 billion. Of course, given 1991’s heinous financial showing, nobody really knew where the money would come from, especially since Chrysler had never netted that much in total profit in nearly seventy years of business. But this commitment represented the only hope for survival.

Meanwhile, the search continued for a successor for Iacocca. Iacocca would turn sixty-seven in 1991, and while he publicly stated he could continue in his current role for several more years, Chrysler’s board of directors figured otherwise. With Iacocca still wielding considerable power, the search would not prove easy.

Roger Penske was among the first candidates considered. Penske, the leader of a $2 billion empire which included a truck leasing business, a diesel engine company, and an Indianapolis 500-winning racing team, knew what it took to manage an automobile corporation. His close contacts with those in the industry further enhanced his chances. However, his commitments to his enterprises, combined with his unwillingness to serve as Iacocca’s underling for a period of time, eliminated Penske from consideration.

Jerry Greenwald also reentered the picture when it came time to consider future leaders for Chrysler. Iacocca and Greenwald had mended fences after the United Airlines episode, and Greenwald was Iacocca’s undisputed favorite candidate for the job. Having worked for Chrysler for eleven years, Greenwald unquestionably knew how to run the company. Nevertheless, the board questioned the wisdom of Greenwald as chairman. His departure raised doubts about his loyalty. The board also wondered whether Greenwald would turn out to be Iacocca’s marionette, somebody through which Iacocca would attempt to run the company through. Finally, the board had to seriously consider Lutz’s threat to quit should Greenwald be named chairman. Lutz refused to work for a leader with a strict financial background, like Greenwald. Since Lutz was overseeing the
development of Chrysler’s future products, his departure could deal a potentially fatal blow to Chrysler’s future chances. All these factors ended Greenwald’s hopes of leading Chrysler.

Within Chrysler, two serious candidates emerged for the chairman’s job. Steve Miller represented one of these candidates. Miller, too, had plenty of experience, dating back to the bailout days. Importantly, Lutz voiced his willingness to stay with Chrysler should Miller be named chairman. However, the board considered Miller too passive and laid back for the job, and he, too, fell from consideration.

This left Bob Lutz as the strongest candidate for the presidency. He boasted an impressive list of credentials. Since arriving at Chrysler in 1986, Lutz had ascended to the presidency of Chrysler, the #2 position, by early 1991. Chrysler’s engineers strongly supported Lutz’s candidacy, extolling his virtues of placing performance over packaging. His enthusiasm for creating fine automobiles was widely admired and contagious. Even Miller, Lutz’s competitor for the chairman’s job, told the board that Lutz would make a great leader for Chrysler, better even than Iacocca.

Iacocca, however still wielded enough power to dictate who could, or could not, succeed him. It was no secret that Lutz and Iacocca did not get along. Lutz thought Iacocca’s tastes in styling obscene; as a dig towards the chairman, Lutz stripped all the chrome off of his company-issued Imperial. Lutz was equally free with his mouth, never hesitating to criticize Iacocca’s decisions or competence. Further, Iacocca felt that Lutz, not Iacocca, would get the credit for Chrysler’s future success. Iacocca would be damned if Lutz were to succeed him. Just to show he could still call the shots, Iacocca forced Miller into early retirement in February, 1992 for his candid comments about Lutz and Iacocca. So, Lutz was out.

The trouble in securing a chairman for Chrysler begged the question: What now? The board could not find a suitable replacement from within Chrysler nor from outside the
industry. The pressure was mounting to name a successor before the annual shareholders meeting. Then, a dark horse candidate entered the picture. His name: Robert Eaton. His credentials: twenty-nine years at General Motors, currently president of GM’s European operations.

Bidwell, now a consultant for Chrysler in his retirement, was the first to suggest Eaton’s name to Iacocca. Iacocca himself had done some research on Eaton before Bidwell’s advice. At fifty-two years of age, Eaton would certainly be able to serve Chrysler as chairman for a number of years. Eaton’s strong engineering background would win favor with Chrysler’s engineers. And, as leader of GM Europe, Eaton had proven his leadership capabilities.

Iacocca met privately with Eaton and liked what he saw. Eaton, however, expressed that the only reason he would leave GM would be to assume the chairman’s position at Chrysler. Eaton had reached the highest levels he would at GM, so the only point of coming to Chrysler would be to climb higher. Eaton told Chrysler’s board of directors the same thing a short time later. Neither Iacocca nor the board had any problem with Eaton’s goals; Iacocca himself told Eaton, “I don’t want you unless you want to be CEO.”

On March 16, 1992, Bob Eaton was named the new chairman of Chrysler. Iacocca would retire on December 31, 1992, long enough to claim credit for the new products Chrysler would introduce before the end of the year. He would also retain a seat on the board of directors and serve as a consultant for two years.

Eaton’s appointment as #1 begged another question: What about Bob Lutz? Lutz was surely disappointed over being passed over for the chairman’s position. Would he bolt? Eaton recognized Lutz’s contributions to Chrysler and had a one-on-one talk with Lutz to persuade him to stay on as president. Eaton had no problem allowing Lutz the

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32Ingrassia 267.
proper credit for Chrysler's upcoming products, while Lutz felt Eaton was sincere and could be trusted. Lutz agreed to stay on as president, telling reporters, "Being a team player means you don't sulk or quit when someone else is named captain of the team."33

Now that the whole leadership was settled, Chrysler could focus on the real goods--its vehicles. The 1992 lineup largely resembled that of previous years. At mid-year, however, a pair of exciting vehicles hit showrooms, vehicles which indicated the future direction and hopes of Chrysler. Those two vehicles were the Dodge Viper RT/10 and Jeep Grand Cherokee.

"Automobiles like the Viper RT/10 are clearly not the lifeblood of major automotive manufacturers," stated the Viper promotion brochure issued by Dodge.34 Indeed, the Viper was not. A loud, almost crude limited-production roadster which lacked such things as outside door handles and roll-up windows and commanded a price of $50,000, it nonetheless had automobile enthusiasts and the press drooling and falling over in envy. Underneath sleek, sexy fiberglass which wore a hot coat of red paint lay a huge, 8.0 liter V-10 engine churning out 400 horsepower and 450 ft.-lbs. of torque, which could shred the rear tires (figuratively speaking) on its way to sub-five second 0-60 times. The Viper promised "the driving experience of your life."35

The Viper's goals went beyond making money directly. With such a low production number (only 200 were planned for 1992, with only a few thousand produced annually), it seemed doubtful Chrysler would realize a profit from the Viper, even though dealers routinely fetched asking prices tens of thousand above sticker. Rather, the Viper would benefit the corporation in indirect ways. Initially displayed as a concept car, public sentiment demanded Chrysler build the Viper. It also raised the public's respect for

33 Levin 319.
35 ibid. 25.
Chrysler to new levels. If Chrysler could produce such an exciting car, some of that magic must surely rub off on its other products, the thinking went. The Viper provided the first serious challenge in decades to Chevrolet’s Corvette for the rights to be called America’s Sports Car and indicated Chrysler’s willingness to seriously challenge its competitors.

The Jeep Grand Cherokee, which debuted in the spring of 1992 as a 1993 model, represented a more mainstream attempt for Chrysler to flex its muscles. “In the same way that the Jeep brand has set the standard by which all other 4x4s are judged,” proclaimed the sales brochure, “Grand Cherokee establishes an entirely new set of standards for what it means to be a Jeep vehicle.” The new Grand Cherokee boasted the first driver’s side air bag in a sport utility vehicle as well as the widest and most sophisticated range of four-wheel-drive systems. The Grand Cherokee also represented the first product manufactured at Chrysler’s brand new Jefferson Avenue plant in Detroit, Chrysler’s first new plant since the 1960s.

The Grand Cherokee debuted to high acclaim from the automotive press. Motor Trend, in praising the SUV’s excellent suspension and interior and strong powerplant, declared “it outclasses the (old) Cherokee in every way.” The magazine also proclaimed, “The ball is now in Ford’s court,” an insinuation which challenged the Explorer’s supremacy in the SUV market. The Grand Cherokee earned Motor Trend’s Truck of the Year honors for 1993.

Car and Driver held the Grand Cherokee in similar high esteem. While it faulted the Grand Cherokee for engine noise and “slop in major controls,” it loved the Grand Cherokee’s ride, on-road as well as off-road, saying it “advances the state-of-the-art in suspension magic.” The V-8 powered versions of the Grand Cherokee earned Ten Best

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38 Berg, Phil. “Suburban Cowboys.” Car and Driver May 1992: 120.
honors from Car and Driver, the first SUV ever so honored. Its selection surprised even
the editors, and they called the Grand Cherokee “an outstanding transportation
package.”39

In 1992, the United States began to shake itself awake from economic recession.
Similarly, Chrysler began to stir. It posted a healthy $723 million profit on gross earnings
of $36.9 billion. The Chrysler-Plymouth division posted sales gains of 9.3%, while Dodge
sales grew by 7.6%. Jeep sales went up a whopping 38%, largely thanks to the Grand
Cherokee, but Eagle sales fell. All in all, 1992 provided a harbinger of what would take
place at Chrysler during the remainder of the 1990s.

The stage was set for very exciting times to take place.

Chrysler’s move away from Highland Park, Michigan, its headquarters since the corporation’s inception in 1925, to Auburn Hills, the site of Chrysler’s new headquarters in 1992, was full of symbolism. It represented a new start. It expressed a break from its past practices of building mediocre cars. It marked the perfect place for launching the new lines of vehicles which would propel Chrysler to its greatest fortunes ever.

Chrysler’s Pentastar glowed brighter in the mid-1990s than at any other time in the corporation’s history. It demonstrated a serious commitment towards building well-styled, great driving vehicles which seriously challenged the best that America, Europe, and Japan had to offer. Chrysler replaced nearly every one of its existing products between 1993 and 1998, from small and large cars to pickup trucks and sport utility vehicles. The only exceptions were the original Jeep Cherokee, which continued on as a more affordable alternative to the Grand Cherokee, and Dodge’s full-sized Ram Van, and even those vehicles received major engineering changes to keep them in sync with the times.

Chrysler’s commitment to platform teams and mechanical ingenuity came to fruition during the mid-1990s. Many had feared that Chrysler would not make it to this point. The employees knew what exciting products lay ahead, but the rough economy of recent years had taken a toll on Chrysler’s finances. Fortunately, the nation was about to enter an era of unprecedented growth and prosperity. Most importantly, Chrysler was right on time with the products to take advantage of the economic good fortunes. It all paid off into the greatest respect, prestige, and financial rewards Chrysler had ever enjoyed in its long history. For those who had witnessed the tough times over the past quarter
century, Chrysler’s fortunes represented a dramatic, and refreshing, 180 degree turnaround.

The first car line to lead the turnaround arrived in the form of the Chrysler Concorde, Dodge Intrepid, and Eagle Vision in the fall of 1992. Collectively known as the LH cars, the trio represented the first all-new vehicle line from Chrysler since the 1981 Dodge Aries and Plymouth Reliant, the original K-cars. The LH cars had nothing in common with the K-car, a complete break with Chrysler’s old practice of constantly recycling platforms.

This commitment to all-new almost did not happen. Chrysler had started to design the LH cars in the mid-1980s on the K-car platform and was well into the project when Bob Lutz, Francois Castaing, and Tom Gale voiced their concerns to Iacocca about the viability of the new sedan in 1989. They feared “bringing out yet another vehicle with little chance of selling strongly or reversing Chrysler’s dreadful image.” They voiced the opinions of many at Chrysler when telling Iacocca that “the time had come to break from the past.”¹ Starting over on the LH project meant scrapping hundreds of millions of dollars. It also meant that the designers and engineers had only three and a half years to bring the cars from the drawing board to the dealership—a very short amount of time. But Iacocca realized how Chrysler’s fortunes were sinking and the necessity of a knock-out vehicle in reversing the slide. He gave the go-ahead to start over.

The LH cars also represented the first attempt to apply the platform team design concept to mainstream car design. The Viper had employed the concept, but the Viper was a limited-production automobile, while Chrysler had merely taken the baton from AMC in finishing the Grand Cherokee. The platform team worked in Chrysler’s favor within the short time frame allowed for development of the LH, as better communication

¹Levin 240.
and cooperation eliminated most of the bureaucracy and foot dragging involved in design, which typically added months upon months to the process. Given the time constraints and the fact that this was the first time Chrysler had practiced platform teams on a large scale, the process worked remarkably well.

The LH platform team members had a lot to show for their work. The LH cars featured what marketers called cab-forward design, a concept which moved the vehicle’s wheels as far to the corners as possible. This benefited the cars in two ways: it increased passengers room while contributing to handling prowess. The LH’s suspension was tuned for more aggressive driving, a style favored by younger buyers. An all-new V-6 engine featuring the more efficient overhead camshaft design favored by imported cars churned out 214 horsepower, making it the most powerful car engine Chrysler had offered since the 1970s. Finally, designers cloaked all this engineering prowess in sleek, aerodynamic, handsome bodies which looked nothing like the chunky K-car derivatives of Chrysler’s immediate past. Not since the Airflow of the 1930s had Chrysler crafted something so radical looking.

Chrysler betted heavily on the success of the LH cars. They would replace four different models representing two separate car lines--the Dodge Dynasty and Chrysler New Yorker, which would continue for one final season, and the Eagle Premier and Dodge Monaco, which were discontinued at the end of model year 1992 due to slow sales. (Chrysler sold 150,000 Premiers and Monacos combined in five years, well short of the 300,000 sales Renault expected. As a result, Chrysler paid a penalty of $200 million to Renault under terms of the AMC buyout deal and was no longer obligated to sell the cars.) Although the term “LH” was merely a set of letters meant to designate Chrysler’s large car platform, some members of the press mused that LH must have meant “Last
Hope,” a nod to Chrysler’s financial problems in the early 1990s. This joke wasn’t far off
the mark, for to Chrysler, the LH cars “were virtually do-or-die products.”

As such, Chrysler spared nothing in advertising the vehicles. In years past, Iacocca
had made many appearances on television to hawk his products. The LH cars required no
such appearances, standing alone on their own merits. Chrysler proclaimed the Concorde
“nothing less than the renaissance of the American car.” Dodge declared that the
Intrepid “has all the ingredients needed to make it a high-performance sport sedan.”
Eagle thought its Vision “was clearly not like anything else,” a car meant for “people who
simply enjoy driving a great car.”

Chrysler took a large risk in developing the LH cars, and that risk paid off
tremendously. Motor Trend deemed the cars an outstanding trio of family sedans. “By
every initial measurement,” wrote Motor Trend, “the LH trio have the earmarks of a
long-ball home run.” In a nod to history, Motor Trend also observed, “The K-car
rescued Chrysler from disaster. The LH will rescue it from mediocrity.”

Car and Driver went even further in praise of Chrysler; one editor concluded that
“(the LH cars) are of a caliber that we once suspected Chrysler could not comprehend,
emulate, or equal, let alone embrace.” Concerning platform teams, another editor noted,
“The system works. Five minutes in an LH proves it.” Still another substantiated
Chrysler’s claims of creating a renaissance by confirming the LH cars as “the all-around

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2 Ingrassia 436.
7 ibid. 78.
best execution of the classic American sedan that we’ve yet seen.”

Overall, the cars weren’t perfect; they were faulted for weak headlights and wind noise. But they came pretty close to being perfect.

In the spring of 1993 a pair of luxury sedans based on the LH platform debuted as 1994 models. The duo, the Chrysler New Yorker and Chrysler LHS, replaced Chrysler’s Fifth Avenue and Imperial models. Like their LH cousins, the New Yorker and LHS wore some of the best-looking sheetmetal to ever grace a Chrysler automobile. The new luxury cars represented a sharp departure from their blocky, wire wheel and vinyl roof wearing Fifth Avenue and Imperial predecessors. Remarked Car and Driver, “We can’t remember the last time a new car made as dramatic a break with its predecessor as the new Chrysler LHS and New Yorker do with their forebearers.”

This departure was intentional. Steve Trok, general manager for the Chrysler-Plymouth division, confirmed Chrysler’s new mission in making and marketing cars, declaring, “Chrysler is making a shift away from the World War II generation and toward emerging Baby Boomers. These people are drivers, not riders.” This statement marked a total repudiation of Lee Iacocca’s marketing focus and techniques and a fresh commitment to the future.

The New Yorker and LHS shone as brightly as the Concorde, Intrepid, and Vision before them. Motor Trend, while taking issue with the cars’ faux wood, thought that “by all indications, the LHS offers extraordinary price/performance value” and declared “boat, barge, and yacht are once again only nautical terms.” Chrysler proved for the fourth

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12Ross, Daniel Charles. “‘94 Chrysler LHS.” Motor Trend June 1993: 76.
13ibid. 78.
time within a calendar year that it could consistently mount serious challenges in wide-ranging areas of the marketplace.

Ironically, in the midst of all this acclaim and good fortune, Chrysler posted its biggest yearly loss in history—$2.55 billion. This, however, did not look as bad as it seemed. A 1992 ruling by the Federal Accounting Standards Board mandated Chrysler pay $4.6 billion charge for future retiree health care costs. This one-time charge also applied to GM and Ford.

Every other piece of news was rosy. Customers embraced the LH cars on the way to huge sales gains across the board. Chrysler held 14.8% of the light-vehicle market in 1993, only two-tenths of a percentage point behind Eaton's goal of 15% by the mid 1990s. The Chrysler-Plymouth division sold 394,724 vehicles, a 19.5% increase. Dodge sales rose 26.9% to 368,183 vehicles. Jeep climbed a whopping 51.9% to 403,323 units. Even Eagle, which had struggled to develop a clear identity with a mismatched lineup of vehicles, showed a 20.3% increase to 71,225 sales, its best showing ever. 1993 was such a successful year at Chrysler that had the corporation not paid out the health care ruling, it would have netted $2.05 billion, which would have made it one of its best years ever.

In years past, Chrysler would have rested on its laurels following the successful introduction of a new model. In 1994, however, Chrysler proved its commitment to producing a full lineup of superior products by unveiling not one, but two, all-new lines of vehicles. The Dodge Ram pickup represented the first of these vehicles.

The Ram, introduced in 1972, had become hopelessly outdated, which poor sales reflected. The more-modern offerings from Ford and GM, which dated from the 1980 and 1988 model years, respectively, had stolen sales from the Ram for years. Engineers had yelled loudly since the mid-1980s for the money to design a replacement for the Ram, which they had taken to calling "Festus," a reference to an aged character from the TV
series *Gunsmoke.* Unfortunately, Chrysler’s spending spree in the mid-1980s had deferred money for its redesign for several years.

Like the LH before it, the Ram program also restarted from scratch midway through development. The first incarnation of the new Ram looked like a typical truck—nothing unusual, nothing radical. It resembled a Ford pickup with a Dodge grill. When shown to focus groups, they nodded in polite approval. In basketball terms, the proposed new pickup had more in common with a free throw than a three-point shot, which was what Chrysler needed to become a serious competitor in the full-sized truck market. Lutz ordered the team to start over.

What the team returned with was a love it or hate it, unapologetic restyling. For inspiration, designers took lessons from history, looking at pictures of Dodge Power Wagons from the 1940s and 1950s. They combined these elements with components of Big Rig semi-truck design and created a brash, masculine exterior which looked like no other truck. Beneath this exterior lay the roomiest interior one could find in a large truck, a new chassis, and the most powerful engines in the class. Buyers could even select a version of the Viper’s V-10 engine specifically engineered for the Ram. “The result,” according to Dodge, “is a new Dodge Ram pickup that not only changes the rules, but challenges all of your old ideas about what a truck should be.”

Chrysler launched its shot into the truck game and hit nothing but net. *Motor Trend* gave the Ram high acclaim. On styling, they thought “the truck’s Big Rig look is likely to pull many truck buyers into Dodge dealerships like pheromones draw moths to traps.” *Motor Trend* also found much to like in the substance department, saying “the Ram may, in fact, be highly carlike; more important, it’s just an altogether impressive

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14 Levin 90.
truck. Ford and Chevy should butt heads with it at their own risk.” The Ram netted “Truck of the Year” honors from Motor Trend, the second Chrysler product in as many years to claim that award.

In 1993, Dodge sold 95,000 Rams. It hoped to sell 160,000 new Rams in 1994. Dodge ended up selling over 232,000 Rams in 1994, a 142% increase over 1993’s sales levels. The Ram more than doubled its market share from 7% to 14.5%. Most impressively, the Ram took sales away from Ford and Chevrolet, the two best-selling trucks in the market. The Ram was an unqualified success, assuming victory in many areas of the game.

Chrysler also bagged a victory in the small Neon compact, introduced in the winter of 1994 as a 1995 model to replace the Dodge Shadow and Plymouth Sundance. Like the LH, the Neon was created under the platform team concept, but at a smaller cost than the LH cars--about $1.3 billion. Chrysler allocated less money toward the Neon program because of the smaller cars’ lower profit margins. The budget necessitated that Dodge and Plymouth dealers sell identical versions of the Neon. It also required some creative planning to get the most out of the program’s allocated dollars.

Plant availability dictated that the Neon would be manufactured in Belvedere, Illinois, which formerly assembled the old C-bodied Dodge Dynasty and Chrysler New Yorker. Designers determined that in order to invest more money in the Neon’s features, the car would have to use existing assembly line components left over from the C-body. Thus, the wheelbase length of the Neon would be set at 104 inches, the same length as the C-body. It fit in perfectly with the cab-forward design philosophy Chrysler now practiced. It also demonstrated how more space-efficient the Neon would be. The compact Neon

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would feature the passenger room of the mid-sized C-body without the excessive front and rear overhangs of the latter.

The Neon platform team worked perfectly in bringing the Neon to market, with one exception. Iacocca, in one of his last acts as chairman, wielded his power chimney-style and dictated design changes. Upon seeing a model of the Neon, he called the car’s styling “Japanese generic.” Instead of featuring the large, ovoid headlamps of the concept car which had toured auto shows in the early 1990s, the proposed production version wore typical, rectangular lights which looked “just like the latest small cars of Japan.” Iacocca complained, “You’ve lost the cuteness,” and ordered the round lights added. Some team members fumed, feeling that, with a few words spoken from the chairman, the platform team concept had failed. They also feared Iacocca’s tastes would doom yet another Chrysler automobile in the marketplace.

Ironically, Iacocca was right on the mark with his criticism. When the revised Neon hit the marketplace, it featured a look unlike any other small car on the market. Many Neon ads featured a front view of the car with a simple “Hi.” floating above the vehicle, an inference that the Neon had something other small cars lacked—personality. The Neon sales brochure declared that “on the point of cookie-cutter design, Neon begs to differ.”

Like the LH cars and the Ram before it, the Neon garnered accolades from the press and buying public. Car and Driver could only find “mere niggles” to fault in calling the Neon “the small car Lee Iacocca said couldn’t be built in America,” a reference to Iacocca’s complaints during the ‘80s and early ‘90s that Japan enjoyed unfair manufacturing advantages. Motortrend summed up the Neon as “a great combination

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17Ingrassia 447.
of strong performance numbers (the Neon featured more standard power than most of its competition offered as an option), all the desired safety features (dual airbags, which no competitors offered), attractive styling, driving fun, and value.'

The Ram and Neon, combined with the LH cars' continuing success, propelled Chrysler to far and away its highest earnings in history: $3.71 billion in net profit. On the way to that yearly record, Chrysler set three quarterly records: $938 million in quarter one, $956 million in quarter two, and $1.17 billion in quarter four. The corporation exceeded, by $900 million, its goal of building its corporate coffers to $7.5 billion. Employees shared the wealth, averaging an industry record of $8000 per person in profit-sharing checks. Without question, an unprecedented time of prosperity had graced Chrysler, and Chrysler took advantage of it.

For 1995, Chrysler dropped its Mitsubishi-based Plymouth Laser coupe but introduced a new version of the Eagle Talon. A pair of new coupes built by Mitsubishi at Diamond-Star, the Chrysler Sebring and Dodge Avenger, joined the lineup as well. These cars, along with the Dodge Stealth, represented the only Mitsubishi-made vehicles in Chrysler's lineup. Chrysler, which had so heavily depended on Mitsubishi to fill up its vehicle lineup, had by this time sold all its equity in the Japanese automaker, and many Mitsubishi products had disappeared from Chrysler showrooms. Chrysler was now depending more on itself to fill its product line, another sign of the corporation's growing vitality.

Chrysler expressed this vitality in clear fashion in 1995, when Chrysler took direct aim at the Honda Accord with the introduction of the Chrysler Cirrus and Dodge Stratus. The Cirrus and Stratus replaced the Chrysler LeBaron Sedan, Dodge Spirit, and Plymouth Acclaim. A Plymouth version of the Cirrus and Stratus, called the Breeze, would go on

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sale a year later. Together, the trio, corporately known as the JA cars, covered all areas of the mid-sized sedan market, one of the most visible and lucrative in the entire automotive marketplace. They also represented the latest in cab-forward design from Chrysler.

Dodge asked itself, "Is it possible to create a sedan with the soul of a sport coupe? With the interior space of a larger car? With the deft handling and solid feel of a driver’s car?" Dodge felt it answered these questions in the affirmative in creating the Stratus, insisting that the car set benchmarks "to establish new levels of excellence for every Stratus component and characteristic." 21 Similarly, Chrysler concluded, "So well balanced is Cirrus that its Chrysler engineers have succeeded in fusing the youthful appearance and feel of a sporty coupe with the cultivated amenities and comforting safety of a sedan...setting a whole new standard for the class." 22 Did it?

The competition in the class was fierce, not only with Honda, but also with Ford, which made a $6 billion investment to introduce its Contour and Mercury Mystique. Chrysler’s offerings withstood the competition brilliantly. Although faulted for raucous engine vibrations and noise, Motor Trend named the Cirrus its 1995 “Car of the Year.” Wrote the magazine, not only about the Cirrus but also about Chrysler in general, “One automobile does not a renaissance make, but Chrysler Corporation is in the midst of a styling and engineering rebirth that would make the Medicis blush." 23

A Car and Driver comparison test would provide the backdrop for whether or not Chrysler had indeed created the standard of the class. Compared to the Contour and Accord, the Cirrus fell behind with its weak headlights and hard seats. But it led the class in interior space and handling. When the dust settled, the Cirrus had edged the Accord for

top honors. The margin of victory was small, but the victory itself was huge. Declared Car and Driver, “The Cirrus is a cleverly-designed car that will elevate Chrysler even further... it will make the competition, both domestic and foreign, gnash their teeth for years to come.” 24 Chrysler had proven it could not only challenge the best the world had offer, it could also beat them. Only a couple of years earlier, such a challenge would not have been possible.

In 1995, the entire automotive market, domestic and imported, had gone flat. Within this context, Chrysler managed to have a successful year. While the Cirrus and Stratus fell well short of the Accord’s sales mark, probably due to smaller than required advertising, the cars managed to rank among Chrysler’s best sellers. Dodge’s Ram Pickup, aided by a new extended cab model, outsold the Caravan for the first time, 271,501 to 264,937, a reflection not only on the growing popularity of trucks, but also on the Caravan’s increasing age—twelve years. Chrysler would address that issue soon. On $53 billion in gross earnings, Chrysler netted slightly over $2 billion.

With its newfound propensity for designing excellent automobiles and making billions of dollars, Chrysler gained a lot of attention and respect. Indeed, it had earned it. But, during 1995, this scenario played out in an unforeseen and rather strange fashion. Chrysler unexpectedly found itself the target of a hostile takeover, with two figures playing major roles... one mysterious, the other very, very familiar.

Kirk Kerkorian, an elderly, reclusive investor worth billions, had raised eyebrows at Chrysler in 1990 by buying over $277 million worth of the corporation’s stock when it was selling at low prices. He acquired nearly 10% of Chrysler’s stock, which sent the board of directors scrambling to enact provisions to prevent a takeover. No one had any clue as to what Kerkorian’s intentions were; in fact, no one had even met the man. When

Iacocca met with Kerkorian to inquire why he would make such a large investment in Chrysler, Kerkorian replied, “I invested in Chrysler because I believe in you.” Flattered by Kerkorian’s remark, Iacocca struck up a friendship which lasted beyond his days as Chrysler’s chairman.

Kerkorian saw his Chrysler stock prices rise to $63 apiece by 1993, a sevenfold increase over what he had initially paid. However, the price had dropped to around $40 by the end of 1994. He urged Eaton to enact a cash buyback of stock in an effort to reduce availability and thus increase the price. This tactic, however, had led Chrysler to disaster only a few years earlier when Iacocca ordered it. It reduced the money available for product development, which led to bad cars. This led to the decline of Chrysler stock prices, which in turn finally led to Chrysler offering stock to the public at prices lower than it had acquired it, in an attempt to raise desperately needed cash. Eaton ordered a modest buyback program in late 1994 to pacify Kerkorian; it did nothing to halt the decline of the stock’s price.

Unsatisfied with Chrysler’s philosophy of concentrating on product over short-term profit, Kerkorian shocked the world on April 12, 1995 with an offer to purchase Chrysler for $55 a share, or $20.8 billion total. Even more stunning was Kerkorian’s enlistment of Iacocca to give his takeover credibility. Kerkorian had no intention of running Chrysler himself, he was content to sit and watch his investment grow. Running the company would fall to Iacocca.

Iacocca had missed the action and power of running a car company. Two of his marriages had failed. He resented having to pay Chrysler to use its private Gulfstream jet. Perhaps most significantly, the friends he ran around with had more money than he did. A

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25Levin 281.
takeover would allow Iacocca to assume his old position at monetary gains even higher than those he had experienced.

Kerkorian’s move was brash and hasty. He neglected to line up financing or even bring an investment banker when he announced his plans. Worth “only” $2.7 billion, Kerkorian could obviously not take over Chrysler on his own, and he explained that he would use $5 billion in investor equity, $12.3 billion in funds from unnamed additional sources, and even $5.5 billion of Chrysler’s own cash reserves to acquire Chrysler. His plan had very little credibility; one financial analyst called it “singly the most half-assed takeover attempt in the history of high finance.” It looked less like a takeover attempt and more like an effort to raise the value of Chrysler stock, thus padding Kerkorian’s and Iacocca’s net worth. If the latter scenario was indeed the case, it worked. Chrysler’s common stock rose nearly ten dollars in price per share. Regardless of what the duo’s actions were, Chrysler’s board of directors swung into action in an emergency meeting. The board took little time in deciding what to do, and Eaton met the press with a short, clear statement: “Chrysler is not for sale.”

That should have diffused the matter, but Kerkorian and Iacocca pressed on. Kerkorian purchased another 14 million shares of Chrysler stock to increase his investment in the company to almost 15%, the new ceiling before anti-takeover measures would take effect. He demanded seats on the board of directors and the right to acquire up to 20% of Chrysler’s stock, which Eaton and the board resisted. When Iacocca attempted to exercise some of his stock options, the board blocked him, fearing for Chrysler’s best interests. This triggered a lawsuit from Iacocca. Chrysler countersued, alleging Iacocca

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26 Yates, Critical Path 269.  
was participating in illegal insider trading. The whole buyout situation had gotten quite ugly.

The two sides eventually agreed to a compromise in January 1996. In exchange for a seat on the board of directors and the promise of a stock buyback program in 1996 and 1997 totaling $3 billion, Kerkorian would keep quiet and stop buying additional Chrysler stock for five years. Overall, Kerkorian made out well.

Iacocca was not as fortunate. In exchange for his leaving the buyout plan, Chrysler would drop its lawsuit against Iacocca. But his reputation had suffered a permanent blow. The board shelved plans to name Chrysler’s new headquarters after Iacocca, with a statue honoring the former chairman going into storage in the headquarters’ basement. Iacocca’s image had fallen steeply from that of company savior to hypocritical meddler, not only at Chrysler, but also in the public eye. Iacocca has kept a low profile ever since.

While all the buyout chaos took place, another major story developed—that of the introduction of Chrysler’s new minivans in the spring of 1995 as 1996 models. Chrysler had sold nearly 5 million minivans since introducing it in 1984, and it still led the market in sales. Newer competitors threatened Chrysler’s dominance, though, and Chrysler knew it could not depend on the original forever. The most significant challenge came from Ford; its recently introduced Windstar minivan had been proclaimed the new standard by many members of the automotive press.

Remembering how significant of a role its minivans played in its net earnings (Chrysler earned around $6000 in profit on each minivan), Chrysler spared little in its design and investment—nearly $2.3 billion. Like the LH, Neon, and JA cars before it, the new minivans, code named NS, were developed on the platform team concept. The goal was simple: “redefine the standard of minivans without sacrificing the progressive
engineering elements that have evolved since 1984: car-like comfort and handling, front-wheel drive, and uncompromising versatility."  

When the new Dodge Caravan, Plymouth Voyager, and Chrysler Town & Country debuted, everybody recognized Chrysler’s new minivans as far and away the best minivans in the field. From their ergonomic interiors, which featured seats that rolled out for extra cargo room as well as multiple storage compartments and cupholders, to a wide range of powerplants and wheelbases, to the class’s first optional driver’s-side sliding door which was specified by 90% of buyers, the new Chrysler minivans made everything else look antiquated. They also maintained Chrysler’s dominance of the market, claiming 48% of all sales in the class. Motor Trend named the Caravan its Car of the Year, the first minivan ever so honored, while the Caravan soundly defeated the Ford Windstar in a Car and Driver comparison test.

1996 was also noteworthy for the introduction of the new Chrysler Sebring convertible. Built off the JA chassis, it replaced the LeBaron convertible—the last K-car based vehicle still in Chrysler’s stable as well as the final LeBaron. After fifteen years, Chrysler had finally weaned itself off the K.

At about 200,000 sales annually, the convertible market place represented only a smidgen of total car sales. But the high visibility of the market, combined with the LeBaron’s traditional ranking as the top selling convertible, dictated that Chrysler design a replacement. Chrysler had revived the market in 1982, and it seemed fitting to continue. Balancing these considerations, Chrysler allocated $200 million for the project.

Chrysler designed the Sebring to be a convertible from the start, as opposed to a coupe that the factory later converted to a convertible. As such, the Sebring felt much more solid, with less body flexing over bumps and rough roads. Chrysler also designed

the Sebring to seat four comfortably, as opposed to virtual two-seaters like its closest competitor, the Ford Mustang. Finally, Chrysler also needed to provide the styling and performance components required for a true convertible. As such, the JA platform provided a solid base.

"Racy enough to entertain your dearest fantasies, roomy enough to entertain your nearest friends" was how Chrysler described the Sebring.29 Like all of Chrysler’s recent products, the Sebring hit the mark. Car and Driver called it “light-years better than the LeBaron,”30 while Motor Trend concluded that “the tightly constructive, fun-to-drive Sebring is a virtual bargain for mild-mannered open-air enthusiasts.”31 The Sebring stepped right into the LeBaron’s place and maintained Chrysler’s strong presence in the convertible market.

Chrysler set a milestone in 1996, selling the most vehicles in its history: 2.45 million. This represented 16.2% of the light vehicle market, surpassing Eaton’s goals of 15%. The truck market had grown red hot, and Dodge’s Ram claimed a large share of it. SUV sales continued to hit record levels, with Chrysler’s Jeeps chiseling out a significant portion of sales. The minivans also contributed greatly to Chrysler’s bottom line. Only the Eagle brand provided bad news; its sales plunged by nearly half of 1995’s 53,612 showing, selling only 28,695 cars in ’96. On gross earnings of $61.4 billion, Chrysler Corporation made $3.5 billion, second only to 1994’s net earnings in company history.

Why, then, did Chrysler not set a new record in net earnings in 1996, since Chrysler sold more vehicles in ‘96 than at any other time? Did this indicate failure? To the contrary. As opposed to the mid-1980s, Chrysler continued to heavily invest in its future products, with a $23.5 billion commitment to new vehicles in a five year period. In

addition, Chrysler’s products had proven themselves so competent that the corporation branched out into international operations. Not only did Chrysler build right-hand drive versions of the Neon and Grand Cherokee, it also manufactured trucks and Jeeps in China and Vietnam and planned to construct an engine plant in Brazil, a joint venture with BMW. Chrysler had seemed to finally realize that long-term profit would grow if it concentrated on building for the future, rather than maximizing short-term profit. How times had changed.

Chrysler continued the rejuvenation of its product line, redesigning its Dodge Dakota pickup truck and Jeep Wrangler 4X4. The Dakota looked like a little brother to Dodge’s big Ram truck, while the Wrangler returned to its roots, replacing its square headlights with round ones, just like the original military-style Jeep. The refinements went beyond the skin, with both vehicles featuring new interiors and suspensions. However, the press faulted Chrysler for not designing a rear access door for the extended cab model of the Dakota, feeling that Chrysler would lose sales, and money, to older competitors at GM and Ford which featured such a door. It looked like a cheap cost-cutting move to many observers. Still, 1997 Dakota sales ran 21% over 1996 levels.

The Plymouth Prowler represented Chrysler’s most exciting vehicle for 1997. Like Dodge’s Viper, the Prowler, which brought the architecture and spirit of the 1930s hot rod to the ‘90s, garnered lots of praise from the public on the auto show circuit. The Viper had succeeded not only as an automobile (it gained an enclosed coupe model in ‘96 and more horsepower and suspension refinements for ‘97), but also in spearheading a sportier, more sophisticated image, and greater sales, for Dodge’s product line.

The Plymouth line had grown moribund; in fact, auto analysts had speculated for years that Chrysler might drop the Plymouth brand. Its three vehicles--the Neon, Breeze, and Voyager--differed little from those at Dodge. But Plymouth had a rich history, sustaining Chrysler during the Great Depression and traditionally competing against
Chevrolet and Ford for top-selling vehicle honors until the 1970s. Chrysler wasn’t quite ready to give up on Plymouth.

Engineers determined the Prowler could be build for a small investment. The Prowler used the same powertrain as the LH cars, was built at the same location as the Viper, and came in only one color--purple. Management gave its approval, and Plymouth not only had its image car, but also the first exclusive Plymouth vehicle since the 1969 Barracuda.

*Car and Driver* had its reservations about the Prowler. The magazine called it “awash in contradictions.” Traditional hot rods featured V-8 engines, manual transmissions, and custom paint jobs; the Prowler came with a V-6, Chrysler’s AutoStick transmission (an automatic which allowed some manual shifting, if so desired by the driver), and only one color choice. *Car and Driver* still considered it “a lot of car for $35,000” and admired Chrysler for bringing such a car to market.32 The Prowler succeeded in drawing accolades, and those who could get their hands on the 700 examples produced paid as much as four times over sticker price.

In 1997, Chrysler’s fortunes dipped slightly but remained strong overall. While the truck market remained strong, the car market softened, which required Chrysler to offer rebates. Gross earnings remained steady at $61.1 billion, while net earnings fell to $2.8 billion. Eagle sales continued to slide, dropping more than fifty percent to only 13,000.

In its ten year existence, Eagle never developed a consistent image. It offered a confusing mix of vehicles made by Chrysler, Mitsubishi, and Renault, none of which complemented one another. Eagle also suffered from a lack of name recognition; Chrysler chose to focus instead on promoting vehicles bearing Chrysler, Dodge, and Jeep nameplates--lines with clearly defined images and products. Even in Eagle’s best year,

1993, the brand accounted for only ten percent of Chrysler Corporation’s total vehicle sales and less than one percent of all auto sales. When Chrysler announced plans in early 1997 to consolidate the Chrysler-Plymouth and Jeep-Eagle divisions and dealer networks, the writing was on the wall. That September, Chrysler confirmed it would clip Eagle’s wings and drop the brand after the 1998 model year. Once dealers sold their remaining Talons, the only Eagle cars for ‘98, the Eagle name would fly off into the sunset. Conceived as an outlet for Jeep dealers to sell cars, and unnecessary in the new arrangement with Chrysler-Plymouth, Eagle never really had a chance to grow beyond a fledgling.

Having completely turned over its product line since 1992, Chrysler started over again in 1998 by introducing the next generation Chrysler Concorde and Dodge Intrepid. They continued the cab-forward design theme of their predecessors while “going after the quality, noise, and vibration gremlins” which had affected the first-generation vehicles. Two all-new aluminum V-6 engines and stiffer body design market the two biggest hallmarks of the new sedans. Chrysler described the new Concorde as “a quality piece of work,” while Dodge believed the new Intrepid represented “a bold expression of innovation.”

Motor Trend tried out a Concorde, while Car and Driver tested an Intrepid. Motor Trend found much to like about the Concorde; it wore “some of the sexiest sheetmetal on earth” and garnered accolades for its “edge-of-the-envelope handling” and “silky, environmentally friendly powerplant.” Car and Driver declared the Intrepid “still

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33Keebler, Jack. “’98 Dodge Intrepid ES.” Car and Driver November 1997: 74.
the style and space leader among family sedans" in naming it one of its "Ten Best Cars" and concluded, "The outgoing LH cars are a tough act to follow; they still look terrific and package a lot of car for the money. We’re betting the same can be said of the new ones five years from now." Chrysler had taken a page from Honda; rather than waiting until its cars got stale, it replaced them with fresh ones, thus eliminating the bitter aftertaste which soured buyers.

The Dodge Durango sport utility vehicle represented Chrysler’s other significant product for 1998. It filled a large void in Dodge’s vehicle lineup; since 1993, when the full-sized Ramcharger was discontinued, Dodge dealers had screamed for an entry in the exploding SUV market. Chrysler had tried to appease them by attempting to provide a version of the Grand Cherokee earlier in the decade, but that would have limited supplies to Jeep dealers, who naturally opposed the plan. Thus, the dealers had to wait for the Durango to be developed. The sales brochure poked fun at the delay, saying, “You knew we’d get there eventually.”

Based on the Dakota pickup, the Durango boasted the largest exterior size, the most passenger room, the highest seating capacity (8), and the biggest engines of any mid-sized SUV. Its styling reflected the muscular lines of the Dakota and Ram. The Durango, despite its disgustingly low fuel economy, won lots of fans in the automotive press. “If you have a good truck, you have the makings of a damn fine sport-ute,” wrote Car and Driver. Motor Trend put a Durango up against a Ford Explorer, and the

Durango scored victories in passenger and cargo room, acceleration, and ride, prompting the magazine to declare it "the new sport utility king of the hill."\textsuperscript{41}

The Durango proved a success for Chrysler in 1998. Earning between $7000 and $8000 for the corporation for every sale, the Durango single-handedly propelled Chrysler to a record $1.052 billion profit in the first quarter of 1998. The Durango represented the latest achievement in the renaissance of Chrysler, a renaissance which, barring unforeseen developments, oil crises, or economic collapse, should continue for some time.

\textsuperscript{41}\textit{Keebler, Jack. "Dodge Durango SLT vs. Ford Explorer Eddie Bauer." \textit{Motor Trend} November 1997: 51.}
CONCLUSION

The American automotive landscape looked very, very different in 1969 than it did in 1998, as this project has, hopefully, demonstrated. At the start of this period, Chrysler reflected the status quo very accurately. It did business as it, and its domestic counterparts, had done since the auto industry’s birth at the turn of the century--no foreign auto manufacturers to contend with; no government regulations to meet; designing vehicles which drank fuel as if it were as plentiful as water; building cars that would fall apart in a few years, prompting consumers to come back and get a new one; taking customers’ loyalty for granted and not giving enough credit for their intelligence. Chrysler ran as if things would never change. Indeed, things really hadn’t changed a whole lot in several decades.

That situation changed dramatically at the end of the 1960s and has continued to the present day. In this time period, foreign cars gained tremendous respect from American car buyers. Impressed with the quality, practicality, and dependability of these vehicles, consumers recognized the value of a good thing and awarded manufacturers such as Volkswagen, Toyota, Nissan, and Honda significant portions of the market. Similarly, federal regulation forced Chrysler to ante up and design and produce more advanced, more practical vehicles, actions which, although they hurt Chrysler in the short term, helped prod the company in the right direction. Together, these factors knocked Chrysler, as well as GM and Ford, off of their perches of aloofness and arrogance and forced them to become legitimate automotive manufacturers. Chrysler, in particular, emerged as a world leader in car and truck design--a dramatic break from its past dependence on following GM’s lead, as well as relying on its own legacy of engineering excellence, which by the 1970s had waned considerably.
The past thirty years have witnessed many changes within the American automotive industry, and Chrysler has reflected these changes. Chrysler has had to address every issue and make significant changes in order to survive. From making money, to leadership styles, to regulation, and even to its own current shortfalls and vulnerabilities, Chrysler has learned some important lessons. More importantly, it has taken note of these lessons and drawn strength from them.

Chrysler has proven that product must always come before short-term profit. Invest in a solid product, and it will pay greater dividends down the road. Chrysler’s main failing was in employing men who placed a premium on money and failed to recognize or understand the necessity of investment in good products. Lynn Townsend and John Riccardo, the first two Chrysler chairmen chronicled in this study, had backgrounds rich in finance but poor in automotive technology and know-how. As a result of their narrow-minded concentration on the bottom line, combined with a lack of knowledge in the field in which their company competed, Chrysler’s products suffered from thoughtless cost-cutting, which, as 1979 and 1980 proved, nearly destroyed the company.

Lest anyone be accused of any bias in bashing accountants and favoring engineers, it must be noted accountants and financial experts play major roles in the success of a company. They provide a system of checks and balances against engineers and designers, who, without this restraint, could design vehicles with little thought for cost. But likewise, if accountants and financial experts operate without restraint, chaos results.

The Aspen/Volare and R-body cars of the 1970s clearly demonstrated this chaos. Victims of ill-advised cost cuts which would supposedly lower sticker prices and help Chrysler into the black, the cars instead set new lows for quality and dependability, requiring Chrysler to spend hundreds of millions of dollars in warranty costs as well as alienating potential buyers. Low prices many earn one sale, but long-term quality earns many sales. To put it bluntly, when Chrysler built junk, the customers turned away.
Concurrently, the Japanese consistently put out good products and maintained success and good financial health. Meanwhile, Chrysler struggled and fought hard for years to regain its reputation and financial footing.

Lee Iacocca represented a transition between the leadership philosophies of Townsend/Riccardo and Robert Eaton. Although educated as an engineer, Iacocca emphasized marketing as Chrysler's leader. He had a passion for cars, unlike Townsend and Riccardo, but was more interested in style than in technology. Iacocca's talents lay in packaging—wrapping a new body around readily available components, thus creating a "new" car at low cost, and therefore, earning a higher profit for the company. Iacocca's two successes at Ford reflected his philosophy; the Mustang was merely a compact Ford Falcon with a better looking body, while the Lincoln Mark III rode a Ford Thunderbird chassis adorned with plusher appointments and a higher price.

Iacocca's marketing emphasis served Chrysler very well in the early 1980s. With such limited resources, the idea of using the K-car platform to spawn many vehicles helped save Chrysler money in the short term, which, in turn, led to tremendous profits and paying off the federal loan guarantees well before deadline. With the K-car representing a new, modern base for vehicles, Chrysler could succeed in bringing out a wide-ranging variety of vehicles, from sports cars to minivans to family sedans, on the same platform. Had Iacocca retired at the end of 1984, as he had once thought of doing, he would have been canonized as the Patron Saint of Chrysler.

However, Iacocca should not have expected to rehash K-cars forever. On the heels of its greatest net profit in history, Chrysler faced a crossroads in 1985. Instead of concentrating on investment in new products, Chrysler, under Iacocca's leadership, thought it could compete as a multi-faceted holding company. For a company which faced bankruptcy as early as four years prior, such an assumption proved ridiculous. As Chrysler concentrated on such far-flung ventures as airplane production and electronics
systems, its products stagnated. Iacocca’s sleight of hand could not disguise the graying K-car roots of Chrysler’s new cars. By 1990, the holding company concept had crashed, Chrysler’s products were among the least respected in the world, and once again, the corporation faced its own mortality. Even Iacocca had called the holding company venture “a giant mistake.”¹ Iacocca did, however, have the good sense to nod to the best interests of the company by giving more authority to the engineers and designers, which led to such breakthrough cars as the Viper and the LH sedans introduced shortly before Iacocca’s retirement. Given the legitimate, widespread reports about Iacocca’s ego and his hunger for power, it must not have been an easy thing to do. Iacocca’s meddling in the ill-fated hostile takeover of Chrysler in the mid-1990s seems to confirm this.

Robert Eaton continues to lead Chrysler, so historical assessment of his time as chairman is a bit premature. As a former engineer, though, Eaton seems to be determined to keep the emphasis on technological superiority at the forefront of Chrysler’s design philosophy. The next-generation Concorde and Intrepid demonstrate this commitment toward designing and building world-class products. In addition, Chrysler will introduce a pair of luxury sedans, the LHS and 300M, in May, 1998, which will place Chrysler in direct competition with other higher-priced foreign and domestic sedans. Plus, Chrysler will bring a new Jeep Grand Cherokee and Dodge/Plymouth Neon to market in 1999. Significantly, the 300M, Grand Cherokee, and Neon were created to compete not only in the U.S., but also in international markets, which further underlines Chrysler’s commitment to becoming a world-class automotive manufacturer. That represents a tremendous turnaround in less than a decade.

The Chrysler Corporation’s experience exposed an anachronistic philosophy which had guided the American automobile industry for decades. Chrysler refuted this

¹Levin 279.
philosophy, conceived by legendary General Motors chairman Alfred Sloan, who stated, "General Motors is not in the business of making cars. It is in the business of making money."\(^2\) Sloan, whose reign at General Motors spanned five decades, ending with his death in 1966, emphasized style and marketing over substance and technology. Under Sloan, General Motors had attained its highest power. Chrysler had hesitated in pursuing GM in the 1940s, instead concentrating on engineering over body design. However, the loss of its #2 ranking in the early 1950s to Ford, which had adopted the Sloan philosophy, prompted Chrysler to follow, and Chrysler, too, experienced many years of success by pursuing Sloan’s mantra.

What must be noted, however, is that the industrial landscape of the United States looked very different in the years immediately following World War II than it does today. The United States dominated automobile production and sales in the 1940s and 1950s. Without any competition, the Big Three could content themselves with selling flash. As a result, technology stagnated. The Big Three never figured technology would sell cars; they figured the American consumer was too uninterested or dumb to appreciate technology. This erroneous thinking proved to be one of Detroit’s biggest gaffes. It gave international competitors a window through which to jump into the marketplace and brought the American automobile industry, Chrysler included, to its knees by the beginning of the 1980s.

The German-made Volkswagen Beetle represented the first successful imported car in United States automotive history. Arriving on American soil in the 1950s, the Beetle defied everything American cars stood for. The Beetle was a small, cramped, bug-shaped creation lacking the typical amenities American automakers expected their consumers to need. Instead of relying on gingerbread to attract sales, the Beetle

\(^2\)Yates, Critical Path 289.
emphasized the more substantial issues of economy and reliability—and it addressed these themes very well. The Beetle’s success in the American marketplace mystified the Big Three. It repudiated the myth that engineering could not compete with style and inspired other manufacturers to launch ventures into the United States.

Infiltrating a market dominated by the home country proved difficult initially for Toyota and Nissan. The duo had tried to sell cars in the U.S. in the late 1950s, following Sloan’s dictum. Their cars took cues from American car design, sporting plenty of chrome which made the tiny vehicles look cartoonish. Combined with their dangerously slow engines, Toyota and Nissan’s first efforts were laughed off the shores. The Japanese automakers’ first encounters proved unfortunate in the short term, but the experience paid off in the long run, teaching the Japanese to concentrate on putting together a better product. Japan, rather than trying to copy American products and ways, instead focused on what it did best—small cars with an emphasis on fuel economy.

For their second attempt, their vehicles exhibited far better quality than what American car buyers were accustomed to. They ran better as well, reflecting the more modern technology Japan had implemented. Japanese cars steadily gained favor in the 1960s and 1970s from all demographic groups, and by 1980, as the United States lay hurting in a recession and Chrysler, as well as GM and Ford, lay crippled from their own ineptitude and arrogance, Japan had proven itself as a leader in automobile design and production. The United States had reached the unthinkable prospect of lagging in industrial technology and leadership.

Governmental regulations further exposed this loss of technological focus. Granted, the initial standards proved almost impossible to meet, and the costs of meeting these standards took money away from product development and quality. However, had the American automakers focused more on building more efficient engines and less
wasteful body designs, they could have more easily met the challenges. The far more space-, fuel-, and pollution-efficient Japanese cars proved this.

Ultimately, governmental regulations succeeded in forcing Chrysler to build better cars. In 1969, Chrysler’s automobiles featured monstrous gas-guzzling engines surrounded by acres of wasted sheetmetal. Today, Chrysler’s cars boast the same amounts of passengers space in far smaller bodies. Smaller engines power these cars, and the engines burn fuel much cleaner, and use substantially less of it, than their ancestors did. Meanwhile, Chrysler’s modern cars accelerate just as quickly if not more, handle and brake far better, and are significantly safer than their older brethren. Regulation provided the catalyst for better car design, the results of which are readily, and pleasantly, apparent today.

Chrysler, while enjoying the longest stretch of creative and economic success in its history, is not without its concerns. Many serious issues face Chrysler as it attempts to continue its forward momentum. Chrysler still continues to suffer from reliability gremlins that have afflicted its products for decades. Consumer-oriented organizations like Consumer Reports have cautioned buyers for years to beware of Chrysler’s first-year products, which have a reputation of not having all the bugs worked out, and it remains to be seen whether the new Concorde, Intrepid, and Durango will continue the trend. While Chrysler’s reliability record has improved in recent years, so has the competition’s. First-year reliability remains a baffling and vexing problem for Chrysler, and it heavily influences buyers’ decisions, from those considering their first Chrysler vehicle, to veteran Chrysler owners who may be swayed to give another company a try.

In addition, Chrysler can still be accused of cutting corners in the quality of materials in its cars. Some of the plastics in Chrysler interiors appear flimsy and low-buck, while wood trim on some vehicles’ dashboards often seems like it was grown in a laboratory rather than a forest. The side mirrors on the $25,000 Concorde and $30,000
Durango are housed in cheap-looking, black plastic housings which, unlike most of their competitors, do not fold in or break away in minor collisions. Also, the standard wheel covers on the Concorde look like they came off the bargain rack at a discount department store. These little things, intended to increase profit margins, instead leave poor impressions on buyers, many of whom find the cutting inexcusable at the prices Chrysler asks. Chrysler would be wise to look twenty years back at its history and remember the costly lessons the Aspen/Volare and R-bodied cars taught them.

Chrysler also relies too heavily on its truck line for financial success. The 1990s boom in truck sales has pushed the segment, which includes minivans and sport utility vehicles, to nearly fifty percent of all vehicles sold overall. For Chrysler, however, trucks represent seven out of every ten sales. While trucks have higher profit margins than cars, their low fuel economy and high fuel costs can cause severe harm should another recession, fuel crisis, or an increase in CAFE standards take place. Again, Chrysler should take note of its history. When the second oil crisis in 1979 occurred, the bottom fell out of Chrysler’s burgeoning truck sales, which played a tremendous role in Chrysler’s near-demise. Perhaps Chrysler’s car line, much stronger today than in the late 1970s (and the late 1980s, for that matter), would take up the slack should such an event take place. That, however, is merely speculation.

Also of concern is the retirement of Robert Lutz at the end of 1997. Though not without his faults, Lutz played a major role in the renewal of Chrysler’s product line as well as the corporation’s increase in fortune and respect. In the history of the American automobile industry, only Lee Iacocca in his Ford days rivals Lutz for honors as the most influential #2 leader of an automotive manufacturer. Lutz’s departure leaves a large void which Chrysler must fill with capable, visionary hands.

Finally, there is this curious, yet ominous, pattern of historical disaster. At the start of a new decade, Chrysler always seems to face a crisis. Time and again, without
fail, something has always presented itself as a serious concern in a year ending with "0." In 1930, it was the Great Depression. 1940 brought the death of Walter Chrysler. A major strike lasting over 100 days crippled Chrysler in 1950. In 1960, a conflict of interest scandal involving newly-named president William Newberg, who resigned shortly thereafter, rocked the company. And, of course, the crises of 1970, 1980, and 1990 have been chronicled here. Will 2000 make or break the pattern?

Ten years from now, historians will know for sure whether or not Chrysler’s success in the 1990s has sustained them into the twenty-first century. Barring something disastrous happening at GM or Ford, Chrysler seems destined to remain the U.S.’s #3 automaker. Plus, unforeseen economic and world events, as this report has witnessed, can throw even the most carefully laid plans into flux.

The prognosis for Chrysler Corporation’s success, however, looks very, very good. Chrysler can put any one of its products against anything the competition offers and be proud of their accomplishments. It has yielded to smarter, more efficient ways of management. It has also learned to manage and allocate its resources more thoughtfully, an extremely important consideration for the smallest member of America’s Big Three auto manufacturers. Over the past thirty years, Chrysler has learned that investment in the future will help assure its continued vitality.

Ultimately, a strong Chrysler benefits all automotive consumers, whether they buy a Chrysler, a Plymouth, a Dodge, a Jeep...or none of the above. Competition brings out the best in everybody, and Chrysler, unlike ten or twenty years ago, can compete strongly. If one looks closely, one can see Chrysler’s influence in vehicles offered by a wide range of manufacturers, from the Toyota Sienna minivan, to the Ford F-150 pickup truck, to the Pontiac Grand Prix sedan. Chrysler’s commitment to building, as one recent ad campaign proclaims, Great Cars and Great Trucks, combined with the responses from other
American, Japanese, and European automakers, will further influence automotive history for years to come.

Some people consider automotive history a curious, insignificant sidelight to the whole picture of civilization. Hopefully, this project has helped to illustrate the automobile's influence on the economic, industrial, business, and social histories of the United States. Chrysler sold millions of vehicles in these thirty years, and every one of those vehicles affected somebody in some form--whether by building one, selling one, driving one, riding in one, getting hit by one...the list goes on.

Somewhere, a mother takes her kids to school in a Chrysler Town & Country minivan. A contractor operates a successful business out of his Dodge Ram pickup truck. A young woman, freshly graduated from college, takes delivery of her first new car--a Plymouth Neon. A middle-aged man fights off a mid-life crisis by driving a Jeep Grand Cherokee. And a mature couple celebrates their accomplishments by taking a pleasure drive in a Chrysler Sebring Convertible.

Everyone, whether consciously aware of it or not, can appreciate the automobile's role in their lives in their own personal way. It defines who we are and what we do. And that is the reason why we study history.
Only one thing is certain in the car business: *nothing is ever certain*. The past thirty years of Chrysler’s experience has verified this truth, often in dramatic fashion. Fewer developments have been more dramatic, however, than the one which took place only days before this project was submitted for final approval.

On May 6, 1998, the press broke the news that Chrysler was considering a merger with the German industrial corporation Daimler-Benz, which manufactures Mercedes-Benz automobiles. Talks between Daimler-Benz and Chrysler had begun secretly in January, 1998, and culminated with the companies’ respective boards of directors overwhelmingly approving the merger. The following day, Chrysler Chairman Robert Eaton and Daimler-Benz Chairman Jeurgen Schrempp announced the creation of the new company, to be called DaimlerChrysler. Regarding the global merger, Eaton, in predicting more global mergers, declared, “We are leading a new trend we believe will change the future, the face of the industry.”

Under the terms of the agreement, Daimler-Benz would pay $40 billion to acquire Chrysler and become the parent company, with Daimler-Benz stockholders possessing 57% of DaimlerChrysler. Chrysler shareholders would gain a 0.547 percent share of DaimlerChrysler for every Chrysler share held, with their Chrysler shares valued at $62. With the merger, DaimlerChrysler would employ 422,000 workers and become the fifth largest automaker in the world, behind General Motors, Ford, Toyota, and Volkswagen AG. Chrysler and Daimler would continue to operate as separate entities, with their own headquarters and dealer networks. Eaton and Schrempp would act as co-chairmen for

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three years, after which Eaton would retire and the younger Schrempp would assume sole possession of the chairmanship.

Why would Chrysler and DaimlerBenz, two very strong, independent automakers, want to merge? The answer is simple: profit. While the two companies do not plan on sharing vehicles, they would share parts and components and work together on meeting fuel economy and pollution standards. This cooperation would net DaimlerChrysler an average savings of $3 billion a year.

While Daimler’s high-end Mercedes automobiles garner the company plenty of respect, the company sells few cars in the United States because Mercedes models are so costly to buy. Thus, Daimler makes less money in the U.S. than it would like to. Hence, Chrysler’s lower-priced and higher-selling models, particularly their high-profit minivans, trucks, and sport utility vehicles, would infuse Daimler with more money. Similarly, Chrysler, while making the effort over the past several years, is only a tiny player in the European car market. A merger would give Chrysler the resources to expand its overseas lineup and increase its profits as well. Chrysler’s wide range of lower- and mid-priced cars, trucks, minivans, and sport utility vehicles, combined with Daimler’s high-end Mercedes models, gives DaimlerChrysler a lineup of vehicles which covers the entire spectrum of consumers’ automotive wants and needs.

The merger would also address one very important concern each for Daimler and Chrysler. One reason a Mercedes is so expensive is that Daimler lacks production capacity for its vehicles. Since Daimler produces fewer cars, it must charge higher prices for its vehicles to make a profit. Access to extra Chrysler plant capacity would help Daimler produce more cars. Meanwhile, Chrysler hopes that Daimler’s investment in quality, an investment which has resulted in a long-standing reputation of producing among the best-crafted cars in the world, would rub off on it. As this thesis attests,
Chrysler has suffered from quality gaffes for decades, and perhaps this merger would allow Chrysler to attain the quality which has eluded it for so long.

It must be noted, however, that the United States and German governments must approve of the DaimlerChrysler merger. Chrysler and Daimler can not take this approval for granted. Few observers foresee any problems which would put the kibosh on the DaimlerChrysler merger, but when it comes to the auto industry, anything can happen. The DaimlerChrysler proposal could become the biggest event in Chrysler's history, or it could amount to nothing more than a footnote, like the Ford and Fiat proposals in 1981 and 1990, respectively.

Predictions based on history are hard to make concerning the DaimlerChrysler merger, since never before have two companies of such magnitude and size joined forces. Nobody seems quite sure what will happen, and most industry observers predict that the results of the DaimlerChrysler merger, should it go through, will not become apparent for years. Ford's purchase of the small English carmaker Jaguar in 1990 represents the closest similarity to the DaimlerChrysler proposal. Ford and Jaguar retain their separate identities, and Jaguar, which had suffered from a poor reputation for quality, has improved its image considerably, netting Ford higher profits as a result. Perhaps similar results will take place with DaimlerChrysler, but it is far too premature to tell.

Regardless of what happens, Chrysler has come a long, long way. Only eight years ago, Fiat was willing to pay only $2-3 billion for troubled Chrysler. Today, Chrysler commands such respect that one of the finest automakers in the world has desired to acquire it for nearly twenty times that amount. What better proof exists to confirm Chrysler's transition from moribund to robust? For a company which has faced bankruptcy and death more than once in the past thirty years, such a turnaround must be respected and admired.
Ward’s Automotive Yearbook (Detroit: Ward’s Communications) is published on an annual basis. Ward’s contains statistical information on all automobile companies, including Chrysler, that sell vehicles in the United States. One can find such figures as gross and net earnings, share percentage of the marketplace, and comparative production figures in Ward’s.


Chrysler’s automotive sales literature, while obviously biased in favor of the vehicles they describe, does present valid information on vehicle dimensions, standard equipment, and options, as well as detailed color photographs. One can easily and reasonably acquire sales literature by referring to Hemmings Motor News, published monthly. Hemmings Motor News offers information on contacting reputable automotive literature dealers, many of whom the author has successfully dealt with for years.