

## The Makers Of The Jeep

Arthur Gaeth, who is heard each Monday night over KPHO at 9 p.m., discusses further the "high cost of management" in the automobile industry in the following article. Mr. Gaeth's column appears in this paper each week through the courtesy of the United Electric and Machine Workers Union.

"I want to present more evidence on the 'high cost of management' how it keeps prices up, cuts into job possibilities, and tends to reduce dividends for investors.

"Toledo, Ohio, is a community that has never forgotten the manipulations which have centered around its automobile industry, whether it was Pope-Toledo, Pope-Hartford, or Willys-Overland. Today that big automobile plant is the home of the Universal Jeep—a tough four-cylinder mechanism which got as much publicity around the world as any other war-time product of this country. But today jeep, jeepster, station wagon, sedan-delivery, and medium duty truck selling—in a \$1,600 to \$1,800 class have not been cashing in on that goodwill and are finding the going tougher with each day. You can find these cars stockpiled on the plant roof and in the yards, whenever the plant tries to put them out to near-capacity.

"Back in '45 and '46 there was plenty of talk of Willys-Overland getting into the small 6-cylinder car class—there was working capital available; they tell me much of it has gone now. With the whole automobile industry facing more difficult times, the automobile manufacturers of Toledo will have tested their ability to survive with a product which is generally regarded as fancily-priced.

### Big Business Ethics

"On the books, Willys-Overland is not paying nearly the salaries or bonuses of General Motors, for example. But the profits that the Canaday-Ritter controlled Empire Securities have taken out of Willys-Overland properties since their reorganization in 1936 plus the benefits which have been paid to one Charles E. Sorenson, the same 'cast-iron Charlie' of the Ford foundry—are something for the books.

"In the hectic 1930's when Willys-Overland went into receivership, Ward M. Canaday, who once handled the company's advertising, and George W. Ritter, a Toledo attorney, created Empire Securities, first with the aid of the original Mrs. Willys and several others whom they later bought out. In a reorganization, Empire Securities took over Overland. It was decided to separate motor car production from other Willys-Overland facilities, then put the company's Pontiac foundry, huge 'white elephant' office building called 'John Willys folly,' surplus factory space and equipment into a Willys-Overland Real Estate Realization Corporation.

"Not putting much more than \$500,000 of their own money into this Real Estate Realization company, Canaday and Ritter put together about \$2,500,000, half of it from bank loans. They picked up a million dollars of the company's old cash impounded in the banks. And at a most propitious time, they had the Willys-Overland Motor Company buy back the foundry for \$3,500,000 on which they admitted a profit to them of \$2,800,000—and then the office building, plant space, and equipment for \$2,300,000 on which they admitted a profit of about \$1,450,000. On their original about 2½ million dollar investment these fellows cleaned a nice tidy 4½ million dollars—they had the small stockholders yelling they'd been taken—but everything was legal and legitimate according to the ethics of business.

"Even Fortune Magazine raised an eyebrow, however, in writing about Mr. Ritter and Canaday's sad duty as representatives of the real estate company having to tell the same Ritter and Canaday of the Board of Directors of the automobile company that if they did not pay out of the automobile company's treasury over to them, these tidy sums, they'd have to sell those properties to other bidders. Ritter and Canaday couldn't lose but some of the holders of Motor Corporation stock are sure they did. This is a brilliant example of the high cost of some modern management.

### Post-War Development

"In 1944 came time when the directors of Willys-Overland Motors were looking to post-war development. They were anxious to get a real 'big automobile' name that would do things to their reputation. Lo and behold 'Cast-Iron Charlie' of Ford fame, whom Fortune describes as a cold, lonely, introspective Dane, who for 40 years had helped to rule the Ford roost, had been fired by Henry Ford.

What a contract then 56-year-old Sorenson of the Rouge signed in June 1944—\$1,000 a week for ten

years—win, lose, or draw, whether his genius was required or not. In addition, an option on 100,000 shares of stock at \$3. No sooner was it announced, then Willys-Overland stock was on the way—zooming in 18 months all the way up to \$26.75 from three bucks. But by that time the Willys board had changed its mind about the miracle workings of Sorenson—and this time brought in a General Motors man from the Navy, James D. Mooney, to take over the presidency.

"Mooney set up a little side show of his own—Technical Managers, Incorporated, to which Willys contributed about \$30,000 a year as long as Mooney lasted—the idea to promote and develop American products, including jeeps, all over the world. Sorenson continued to fish, yacht, and shoot golf in Florida and Algonac, Michigan—and collect his \$1,000 a week and he ultimately unloaded his stock options for what has been reported as a profit of about \$600,000. That means that Willys-Overland will by 1954, have given 'Sorenson of the Rouge' over \$1,100,000.

### Ford Specialists

"What a career this fellow Charles E. Sorenson has had. Keith Sward bares many details in his Legend of Henry Ford. 'Cast-Iron Charlie' started out with Ford as a boss of the pattern shop in 1904. Soon he became expediter extraordinaire of the Ford assembly line. In 1921 when Ford purged the bulk of his foremen and even tossed out their desks, it was 'Cast-Iron Charlie' who flew about the plant at Hyland Park and chopped off the necessary heads, all at Ford's behest.

"Sorenson made his reputation at Ford's as a fireeater. This man could display his scorn for some performance in the factory by simply tipping over a worker's bench.

"Ford held that men worked for two reasons only—'for their wages and for fear of losing their jobs.' And Sorenson expressed the fullest concurrence with this thesis of human behavior. At least he distinguished himself in the 20's as a Ford specialist in the psychology of job insecurity if not as the dispenser of high wages. He came to excel, before long, at the art of surrounding his fellow administrators with an atmosphere of chronic anxiety. And under the turbulent regime that followed, swift and arbitrary dismissals, with no explanation given, became the order of the day. With Sorenson's rise to power, job security went out at the Ford Motor Company. Sorenson was key in the new Ford speed-up, the 5-day week, and, as Forbes Magazine reported 'replacing family men and veteran employees who had been earning \$7 and \$8 a day, with boys and single men at a starting wage of \$3.20.

"But there also came a day of reckoning in June, 1943, following

## The Journey

A little work, a little sweating,  
A few brief, flying years;  
A little joy, a little fretting,  
Some smiles and then some tears;  
A little resting in the shadow,  
A struggle to the height;  
A futile search for El Dorado,  
And then we say good-night.

Some toiling in the strife and clamor,  
Some years of doubt and debt,  
Some words we spoke in foolish anger

That we would fain forget;  
Some cheery words we said unthinking,  
That made a sad heart light;  
The banquet with its feast and drinking,  
And then we say good-night.

Edsel Ford's death, when Bennett became a Director of the Company. Ford Motors apparently became too small for both Bennett and Sorenson. According to the automobile editor of the Detroit Free Press, 'Sorenson was fired after clashing with Bennett.' This time Ford did his own firing and the order reached Sorenson in Florida by telephone direct from Ford's winter home in Ways, Georgia.

### "Cast Iron" Tactics

"With his Ford salary running from \$150,000 to \$250,000 a year, Sorenson had built a little paradise of his own. He was master of more than a thousand acres, some of it acquired in the tragic days of the 30's when the small farmers were frozen out on tax foreclosures. Sorenson picked up some of those places for as little as \$35 an acre. Out in New Hudson, they still tell how a dogged, determined man and woman, trying to build a home for a family of children, stubbornly resisted attempts to dislodge them and outsmarted Sorenson saving their home.

"He really wanted that 2½ acres which he bordered on three sides. There was even a cloud on the title of the place but the judge ruled in the family's favor. Then Sorenson's tenants went to work. Their fence was only six feet from the kitchen-side of the little home. They lined it up with troughs filled them with swill and, day after day, fed their pigs under the very noses of the determined little family. When that didn't budge them the sows were bred under their windows in spite of the fact that none of the children were older than ten. Then the law took a hand. There were still irritations such as trying to keep the family from getting the electricity which had come to the community. That 2½ acres of land helped to rear five of the nicest youngsters you'd ever want to meet. Post-war after the father died, it provided work for a couple of young GI's who needed a home.

"'Cast-Iron Charlie' actually established himself at Algonac, Michigan, in a spacious mansion with grilled-iron gate, tennis court, golf practice range, with electric elevator in his boat house for the daycruiser and a private dock for

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his houseboat, generally kept in Florida where Sorenson sports another palatial residence at North Miami Beach.

### High Cost Jeep

"Until a few months ago, when some of the minor stockholders at Willys-Overland sued to break the Sorenson contract, the mellowing ex-Ford fire-eater was rarely seen at Willys, for he enjoyed fishing, yachting and practicing golf shots. He said himself when he was in the vicinity he went to the plant once, maybe twice a week, the telephone was a wonderful invention.

"With his stock options sold, he draws his \$1,000 for genius and advice on which record shows, the company does not depend. But for the impetus his name once gave to the stock of the company, the selling price of each jeep must continue to bear the cost of Sorenson. It, along with many other charges, adds to the overhead of a company where the crying need is to reduce prices if there are to be continuing jobs for the automobile workers of Toledo who have had many an anxious moment in the last 20 years because of what has been done by management at Willys.

"The high cost of management, so often out of proportion to any service that management may render, and certainly out of line with what is paid for services in government, education, science, farming, and other basic operations, is a crying evil of our times which remains nicely covered up and overlooked. But each day we feel it in many of the commodities that we buy. And so it really is time, and it is important, that we expose it."

Watch for next week's discussion by Arthur Gaeth.

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