

was hungry for cash, and this time Chrysler didn't honor the normal cycle of designing, testing, and building an automobile. The customers who bought Aspens and Volarés in 1975 were actually acting as Chrysler's development engineers. When these cars first came out, they were still in the development phase.

Looking back over the past twenty years or so, I can't think of any cars that caused more disappointment among customers than the Aspen and the Volaré. The Edsel was a different case: people just didn't want it. But with these cars, customers bought them in large numbers and got fooled. They went for the styling, especially the wagon, which Ford and GM didn't have in 1976.

But the Aspen and the Volaré simply weren't well made. The engines would stall when you stepped on the gas. The brakes would fail. The hoods would fly open. Customers complained, and more than three and a half million cars were brought back to the dealers for free repairs—free to the customer, that is. Chrysler had to foot the bill.

But then even cars that were mechanically sound started rusting. The Volaré's rusted fender program cost us \$109 million—in 1980, when we could ill afford it. The fenders had rusted through because somebody wasn't paying enough attention to the process of rustproofing them. We weren't asked to recall them, but we had an obligation to our customers to fix them. Even though we stood behind them, the resale value of these cars plummeted, which hurt Chrysler's image badly.

Ford had gone through a similar problem. In 1957, we had come up with a beautiful car, the Fairlane 500, a styling gem that sold like hotcakes. But like the Volaré, it was poorly made. Francis Emerson, my fleet manager in Philadelphia, had one of the first four-doors to show to the managers of the major fleet accounts. The car was so poorly constructed that the rear doors would pop open when he hit a hard bump in the road. He licked the problem by tying the doors together from the inside with a clothesline. "I'm having a hell of a wild time demonstrating this car," he used to tell me. "They like the styling, but I can't let them get in the back seat!"

In those days, the typical Ford customer used to trade in his car every three years. Unfortunately, in 1960 we came up with another clinker, and I thought: "Now we've really got problems. A guy will tolerate one lemon. But what about the

'57 customer who bought a new car because he liked the style and then found out the car was lousy? If he stuck with us and bought a '60 Ford, he got burned twice in a row. That guy will never come back. He probably went over to GM or the imports."

The '75 Volaré was in that same category. Of course, GM has had its fiascos, too, like the Corvaire. Here I find myself in rare agreement with Ralph Nader: the Corvaire really was unsafe. The Vega, with its pancake aluminum engine, was another disaster. The Vega and the Corvaire were both terrible cars, but GM is so big and powerful that it can withstand a disaster or two without suffering any major damage. Little Chrysler couldn't afford any.

I can't talk about bad cars without a few words on the Ford Pinto. We brought out the Pinto in 1971. We needed a subcompact, and this was the best one you could buy for under \$2,000. A lot of people must have agreed—we sold over four hundred thousand Pintos in the first year alone. This made the car a great success and put it in the category of the Falcon and the Mustang.

Unhappily, the Pinto was involved in a number of accidents where the car burst into flames after a rear-end collision. There were lawsuits—hundreds of them. In 1978, in a major trial in Indiana, the Ford Motor Company was charged with reckless homicide. Ford was acquitted, but the damage to the company was incalculable.

There were two problems with the Pinto. First, the fuel tank was located behind the axle, so if the car got hit hard enough from behind, there was the possibility of a fire.

The Pinto was not the only car with this problem. In those days, *all* small cars had the fuel tank behind the axle. And all small cars were occasionally involved in fires.

But the Pinto also had a filler neck on the fuel tank that sometimes, in a collision, was ripped out on impact. When that happened, raw gas spilled out and frequently ignited.

We resisted making any changes, and that hurt us badly. Even Joan Claybrook, the tough director of the National Highway Traffic Safety Administration and a Nader protégé, said to me one day: "It's a shame you can't do something about the Pinto. It's really no worse than any other small car. You don't have an engineering problem as much as you have a legal and public-relations problem."

Whose fault was it? One obvious answer is that it was the

fault of Ford's management—including me. There are plenty of people who would say that the legal and PR pressures involved in such a situation excuse management's stonewalling in the hope the problem will go away. It seems to me, though, that it is fair to hold management to a high standard, and to insist that they do what duty and common sense require, no matter what the pressures.

But there's absolutely no truth to the charge that we tried to save a few bucks and knowingly made a dangerous car. The auto industry has often been arrogant, but it's not that callous. The guys who built the Pinto had kids in college who were driving that car. Believe me, nobody sits down and thinks: "I'm deliberately going to make this car unsafe."

In the end, we voluntarily recalled almost a million and a half Pintos. This was in June 1978, the month before I was fired.

Meanwhile, at Chrysler, my initiation included one more major problem. In my first week on the job, I attended an informal meeting where ten thousand cars were taken out of the production schedule. A week later there was a more formal meeting. This time, *fifty thousand* cars were promptly withdrawn from the first-quarter schedule for 1979.

I was puzzled and distressed. What kind of profit mentality was this—taking cars willy-nilly out of production? I was horrified to discover that we didn't have dealer orders to build these cars, and there was no room to add any more cars to the already bulging factory inventory. This inventory was known as Chrysler's sales bank, which was nothing more than an excuse to keep the plants running when we didn't have dealer orders for the cars.

At regular intervals the Manufacturing Division would tell the Sales Division how many and what types of vehicles they were going to produce. Then it would be up to the Sales Division to try to sell them. This was completely ass backwards in my book. The company had recruited bright young college graduates who were sitting in hotel rooms day after day with their fingers stuck in a telephone, trying to peddle iron out of the sales bank to the dealers. And the system had been operating this way for years.

Most of the excess cars were kept on huge lots in the Detroit area. I'll never forget visiting the Michigan State Fairgrounds, jammed with thousands of unsold Chryslers,

Dodges, and Plymouths, vivid evidence of the company's structural weakness. The volume would vary, but the number of cars was usually far and above what we could hope to sell.

In the summer of 1979, when Chrysler first approached the government for help, the sales bank contained eighty thousand unsold vehicles. At one point the number reached as high as a hundred thousand units, representing about \$600 million in finished inventory. At a time when our cash was dwindling anyway and interest rates were high, the costs of carrying this inventory were astronomical. But even worse, the cars were just sitting there in the great outdoors and slowly deteriorating.

Building cars had become a gigantic guessing game. It had nothing to do with a customer ordering what he wanted on the car, or a dealer ordering what the customer was likely to ask for. Instead, it was some guy in the zone office saying: "I'll put power steering on this one and automatic transmission on that one. I'll make a thousand blues and a thousand greens." If a customer wanted red, too bad!

Something had to be done about all those cars, so at the end of every month the zone offices used to "move the iron" by running a fire sale. The zone guys used to spend at least one week a month on the phone just trying to move cars out of inventory. And the dealers got used to it. They soon learned that if they waited until the last week of the month, somebody from the zone office would call them and try to package ten cars for a special price. One way or another, the dealers could always get something off the regular wholesale price. At Ford, we had run occasional fire sales when inventories got too large. But here it was a way of life.

Like Pavlov's dogs, the dealers became dependent on these sales. They knew the day was coming, and they waited. They'd hear that bell ring and their hearts would start to beat faster because now they could buy their cars a little cheaper.

I knew that Chrysler would never be profitable unless we got rid of this system—permanently. I also knew it wouldn't be easy. A lot of people in the organization had become accustomed to the sales bank. They counted on it. Some were even addicted to it. When I vowed to wipe it out, they thought I was dreaming. At Chrysler, the sales bank was so big and so much a part of doing business it was hard to imagine life without it.

I talked tough to the dealers. I explained to them that