

## How Henry Ford Weathered the Storm

As a manufacturer, Henry Ford is one of the wonders of the world, and richly qualified to address the assembled nations on business problems. Recently he went through the sternest test in his career and emerged triumphant. He owed \$60,000,000 and had only about \$20,000,000 with which to pay it, but at a time when business seemed almost stagnant he sold enough cars and put into practice sufficient economies in his great plants to raise \$67,000,000 and thus pay off his debts without borrowing a cent. He showed himself worthy of the great position he occupies, for it is in hard times that business men are

really tried. The larger the industry the greater the difficulty of weathering the storm. The largest manufacturing business in the world, which we take the Ford business to be, has turned the corner.

Mr. Ford says that the first indication of approaching trouble came to him early in 1920, when a few concerns manufacturing luxuries or staple commodities began to fail. He wondered how long it would be before people refrained from buying Ford cars. When the time came, as it did shortly, he was not taken unawares. By June sales were falling off at an alarming rate. Yet in the

face of the buying strike, as it was called, the firms that supplied him with raw material showed no intention of cutting prices. In Detroit after firm shut down but the Ford plant continued to run at full blast to everybody's astonishment. In September came the sensational announcement that the price of the cars had been reduced. It was announced that the company had made the cut in anticipation of lowered prices for raw materials and that for a time it would operate at a loss in order to hasten a return to the basic prices of peace time. It figured it had to take a loss some time, and chose to take it then, the loss being one of \$17,000,000.

Business increased as a result of the reduced prices, and some other manufacturers also cut prices, but soon sales fell off again. The public had evidently come to the conclusion that the process of deflation had not been completed, and it sat back to wait. Nevertheless Ford continued to operate the plant, but he was buying mighty little raw material. What he was doing was turning into finished cars every scrap of material he had on hand, and to turn this into cars was the next thing to turning it into money. Then the factory closed down. It was expected to reopen in two weeks, but as a matter of fact it did not open for six weeks. This was the time that rumors flew over the country. It was said that the Ford people were in financial difficulties, and that they would never reopen, or that if they did it would be under a new directorship. It was more than hinted that Henry Ford had been going about Wall street hat in hand, but that because of the attacks of his paper, the Dearborn Independent, upon the Jews, the latter had been able to keep him from getting money.

It is true enough that Wall street was keenly interested in Ford, but instead of him asking for money, Wall street offered it. The agent of one big Wall street firm visited Mr. Ford and tried to force money on him. "I don't need a loan," said the manufacturer. The broker insisted that he did and showed an intimate knowledge of the financial obligations and the resources of the company. He outlined the plan, to which Mr. Ford listened out of courtesy. The reading went on for several minutes, and then the reader suddenly broke off to ask: "Who's going to be the new treasurer of your company?" "That makes no difference to you, does it?" asked the manufacturer. "Oh yes it does. We'll have to have some say as to who the new treasurer will be." This ended the interview. Mr. Ford handed the banker his hat and hurried him to the door.

Then Mr. Ford proceeded to raise the money himself. Between Jan. 1 and April 1 he turned into cash stock worth \$24,700,000. By virtue of his recent purchase of the Detroit, Toledo and Ironton railway, which moved most of his raw material, he was able to effect a saving of \$28,000,000. He calculated that he had \$88,000,000 tied up in moving and reserve stock which it required three weeks to turn into the finished product. By cutting the time to fourteen days he figured that he released nearly a third of this amount. It came to the same thing, for he had that much more cash to pay his debts. He also sold liberty bonds to the value of \$7,900,000. By applying pressure to his agents in foreign countries he collected \$3,800,000 outstanding. He went through the Ford plant making economies, cutting out processes and customs that had become established through the war, sending three-quarters of his foremen back to their machines and ordering superfluous clerks to the factories. In this way he was able to cut his overhead from \$146 to \$98 a car. This he was able to achieve with no hardship to anyone except the employees who had to remain idle for six weeks. They received their usual bonus and now the prospects for continuous profitable employment are excellent.

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