

Henry Ford



Henry Ford in his first experimental car, the 1896 Quadricycle. [Ford of Canada Archives]

“and a Car in Every Garage”

by Mark W. Meier

The five-dollar-a-day minimum wage instituted by Henry Ford in 1914 serves as a benchmark in U.S. labor history. Ford was attempting to build a class of consumers for his cars. Yet, these wages launched a period of good times that, although recently eroded, brought American workers prosperously through the twentieth century.

On January 5, 1914, the Ford Motor Company issued a typed, two-page press release that company officers, and particularly Henry Ford, were well aware would create a considerable stir. Henry Ford had already captured the national limelight for himself and his company six years earlier with the introduction of the Model T. This utilitarian vehicle was

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aggressively priced and marketed for a less wealthy clientele than the typical car buyer of the time. Now Ford was carrying the democratization of car ownership one step further and, in the process, was providing a vivid demonstration of the relationship between mass production and mass consumption.

The press release, in sometimes overwrought language, announced that Ford intended to institute a minimum wage of five dollars a day for even its least-skilled employees, carry out a pro-

gram of profit-sharing among all Ford employees over the age of twenty-two, and change from two nine-hour shifts per day to three eight-hour shifts. The announcement was greeted with near-unanimous approval among the nation's newspapers (*The Wall Street Journal* excepted) and brought "instant celebrity" to Ford.

In the decade before Ford's announcement, a typical Detroit auto worker put in fifty-four to sixty hours per week, at wages ranging from \$1.90 to \$2.50 per day. In one sweeping decision, Ford doubled the going wage rate for workers in the automobile industry—an industry rapidly coming to symbolize America's manufacturing power.

Some of Ford's competitors claimed that the \$5.00 daily wage was designed to squeeze them out of business, bleeding them through escalating labor costs or bribing away their labor supply. Other critics charged that Ford hoped to pacify his work force, and then exact a higher toll in demands for greater productivity. Some truth exists in these accusations, but they do not do justice to Henry Ford's vision of the interrelationship of production and consumption in America's "second industrial revolution."

The automobile industry was one of the principal benefactors of new technology and methods in machine tooling and metalworking—two activities in which the United States enjoyed unquestioned superiority in the early twentieth century. The Ford Motor Company led American auto makers in adapting new technologies and processes, the most famous of which was the moving assembly line. From 1907 to 1914, Ford gradually adapted most of its production to the

moving assembly line, and consequently reduced the production time for a Ford Model T chassis from 12.5 hours to 1.5 hours.

As a result of this advance, Ford could produce automobiles faster and cheaper: production at the massive Highland Park, Michigan, plant grew from 19,000 cars in 1910 and 1911 to 78,000 cars in 1912 and 1913, while the price dropped from nearly \$1,000 to around \$500 in 1914. The Ford Motor Company was achieving mass production in a spectacular fashion, and now turned its attention to the problem of mass consumption. Who would buy all these cars?

Producers Creating Consumers

Henry Ford understood the need to find new consumers for the flood of new American products. His solution, quite simply, was to create consumers from his own work force. At the time of Ford's wage announcement, automobile ownership was out of the question for the bulk of America's factory workers, and was a dearly priced dream for most of the middle class as well.

Henry Ford's vision of a mass-production, mass-consumption society demanded that those who made the products must also be buyers of the products. Industrial workers had to rise to the middle class in order for the economy to run on all cylinders. Higher wages were critical to this plan, as were lower prices.

The final element, so Ford thought, was free time. Price made a car attractive, and wages made it obtainable, but without the opportunity to use it, a family might see little point in the purchase. Beginning with the 1914 announcement, Ford launched a campaign to shorten the work day to eight hours, and the work week to forty hours. Henry Ford argued that "it is the influence of leisure on consumption that makes the short day and the short week so necessary." He presented this relationship to his fellow businessmen as a "cold business fact."

Indeed, one of the most obvious factors contributing to the economic growth of the United States in the first half of the twentieth century was the expansion of leisure and the increase in ways to spend money in enjoying that leisure. The automobile industry led this development, as

expanding car ownership gave rise to phenomenal growth in car-related industries and services. For whatever resistance and criticism Ford met in 1914, by the late 1920s most sectors of American business had been won over by the principles which lay behind higher wages and shorter work weeks.

Advertising and Marketing Take Off

Perhaps the biggest winner in the "second industrial revolution" was the advertising industry. Money and time could not guarantee the level of consumption that American manufac-



Pass it on: employees at Ford's Highland Park (Michigan) plant on the first automotive component assembly line (1913). [Ford of Canada Archives]

turers desired; demand had to be created through the advertising medium. While industry churned out ever-greater quantities of goods, the advertising industry tackled the manufacture of desire. Ironically, Henry Ford's failure to accept the power of the marketing techniques born in the 1920s cut into the Ford Motor Company's sales in the late 1920s.

Ford himself advocated a utilitarian type of consumption in which goods and services would serve their buyers and might even improve them in some way. The Model T embodied such utilitarianism—basic transportation to serve man's needs. By the late 1920s, however, other auto makers were developing increasingly more sophisticated

marketing programs, introducing new and flashier models each year to force older models into obsolescence (at least in the consumers' minds), and providing increasingly generous credit terms.

Other industries followed suit, and while Henry Ford decried these developments throughout the 1920s, by the end of the decade his company succumbed, introducing a new Model A and widening the selection of colors available (from Ford's original "any color so long as it's black" scheme).

Ford encountered other problems in the late 1920s as well. The wage levels at Ford now existed throughout American manufacturing, but wages were not the only point of conflict between labor and management. Ford resisted attempts to unionize his plants, which resulted in a bitter struggle that tarnished the reputa-



Driving down the line: Model T chassis assembly line in Detroit (1914). [Ford of Canada Archives]

tion of a company once celebrated for increasing pay and leisure.

U.S. Workers: Ups & Downs

The Great Depression interrupted the economic boom of the early twentieth century. Some economic historians blame at least some of the Depression to concentration of spending power in the hands of the wealthy—precisely the problem that Ford had pointed out two decades earlier.

However, the post-World War II boom once again brought wide distribution of spending power, and a generation of Americans found their place in the middle class by holding manufacturing and industrial jobs. New industries such as electronics and aerospace joined the automotive industry in providing high-paying blue-collar and white-collar work.

Over the past two decades, America

has experienced a marked and painful decline in manufacturing jobs. From New England, to the "Rust Belt" of the upper Midwest, to the Pacific Northwest, factory jobs that provided a middle-class living for fifty years are growing more scarce. Americans still live in a mass-production society, but many fear that the production has permanently moved across the border or overseas, and with it the prosperity of a broad cross section of the nation.

Visitors to the Detroit area receive a first-hand look at the displacement of the past twenty years. Henry Ford would barely recognize the city that tens of thousands of industrial workers once called home. The story is largely the same in Lowell, Massachusetts, Moline, Illinois, or

countless other communities. It is true that some areas of the nation, particularly the South, have benefitted from this displacement, but the net effect has been a drain upon the American economy.

In these days when some Americans worry about the "giant sucking sound" that NAFTA may bring, and when the phrase "good jobs at good wages" has evolved from campaign sound-bite to mantra, it may be a good time to mark the anniversary of the five dollar a day wage. It was not earth shattering, but it spread a way of life to millions of Americans that seems now to be contracting. One need not lionize Henry Ford to recognize that American producers and consumers alike converted, at least partially, to his vision. Oddly, there may be something we can learn from the man who told us "history is bunk."