

Billy Durant and the Founding of General Motors

September 8, 1998



By [Dr. Burton W. Folsom](#)

On September 16, 1908, one of America's best known companies was born. That was the day that Billy Durant founded General Motors. When the local gossips heard what he had done, some were shocked because Durant actually made his first fortune betting against cars: he was the largest maker of carriages in the U. S. The recent UAW strike against GM has been hard on all parties, but both labor and management have good reason to come together and celebrate the man who started it all, ninety years ago this month.

Most carriage makers avoided the auto, but not Billy Durant. He was one of the most remarkable entrepreneurs Michigan has ever produced. Friends said Durant could sell sand to the Arabs and then sell them sieves to sift it. Walter Chrysler once said of Durant, "He could coax a bird right down out of a tree."

After a successful stint as a cigar salesman in Flint, Durant moved to carriages. In 1886, he started the Flint Road Cart Company and, after fifteen years traveling the country hawking a variety of carriages in all sizes and colors, he had transformed \$2,000 in start-up capital into a \$2 million business with sales around the world.

By 1900, several mechanics had been tinkering with gas-powered horseless carriages, but costs were high and quality was low. Durant thought cars were smelly, noisy, and dangerous. He had even refused to let his daughter ride in one. But instead of calling for government safety regulations, he thought about improving the Buick, a local car with few sales and large debts.

In 1904, after test-driving a Buick over the potholes in Flint and the mud of the countryside, he took the challenge of building the car industry almost from scratch. Durant the salesman sprang into action. He entered the Buick in a New York auto show—and came home with orders for 1,108 cars: not bad considering that only 37 Buicks had ever been made. In 1908, after just four years making cars, he had the best-selling car in the business. The carriage king had become the auto genius.

Durant and his main rival, Henry Ford, both envisioned mass appeal for the car. Ford, however, thought his company should be built around one standard car, his low-priced, no frills Model T. Durant, from his years in the carriage business, knew that if he were to prevail as the auto leader he needed many different types of vehicles to cater to different incomes and tastes. He scoured the country with the idea of having Buick merge with other companies that could carve out a niche in the auto market. He bought Cadillac for its luxury cars. He formed General Motors in 1908 by consolidating thirteen car companies and ten parts-and-accessories manufacturers.

By 1911, however, General Motors was losing money and Ford was selling more cars, prompting a group of Boston stockholders to oust Durant from leadership at General Motors. Thinking that the losses were due to Durant's risk-taking brashness, they tried to run the company more cautiously.

Durant was resilient, however. With capital and expertise he mustered from friends, he started making the Chevrolet, a new economy car that quickly captured a large share of the market. Durant then cleverly traded much of his Chevrolet stock for GM stock, and soon held a controlling interest in both companies. In 1916, he triumphantly returned to GM for a final four-year term in the driver's seat.

During his second presidency, Durant bought Fisher Body and Frigidaire to add to his Chevrolet, Oldsmobile, Cadillac, and Buick. Joining the GM team were Charles Kettering, who invented the self-starter, and Alfred Sloan, a brilliant organizer who wanted annual model changes.

The problem was that GM began to receive less and less of Durant's time while the stock market on Wall Street captured more and more. The gambling bug bit him hard and he lost touch with the company. In 1920, Pierre du Pont, chairman of the board, helped oust Durant again and worked out an arrangement to buy his GM stock.

When the Great Depression hit, Durant's roller-coaster ride crashed and he declared bankruptcy in 1936. He died in relative obscurity in 1947, but General Motors, his creation, has lived on as the largest car company in the world. It is no exaggeration to say that millions of Americans today are dependent for their livelihoods—directly or indirectly—upon the leadership of the U. S. auto industry which Billy Durant helped establish almost a century ago.

SKU: V1998-28

(989) 631-0900 | mcpp@mackinac.org

140 W. Main Street Midland, MI 48640 P.O. Box 568

© 2022 Mackinac Center for Public Policy