

General Motors' President on the Acquisition of Adam Opel A.G. (1929)

Abstract

In March 1929, the U.S. automotive manufacturer General Motors (GM)—at the time the largest industrial organization in the world—bought up 80% of Germany's Adam Opel car company, a share of ownership that increased to 100% just two years later. This acquisition made headlines across Germany, and it further fueled both excitement and concern over the ostensible "Americanization" of German culture and business practices. Since the early 1920s, "rationalized" production processes and Hollywood films from across the Atlantic had simultaneously fascinated and worried German commentators, and the presence of American cultural exports had only increased over the course of the decade. Coca-Cola, for instance, entered the German market just a month after the Opel deal.

Opel made such an attractive target for GM's business expansion into central Europe because it had emerged as Germany's largest carmaker in 1928, after having earlier introduced modern assembly-line production to Germany's automobile industry, another innovation borrowed from America. At the time of GM's acquisition, Opel had a market share in Germany of 38 percent, led by its popular and affordable "Laubfrosch" (Tree Frog) model, which hit the market in 1924 and advertised itself as a car for the everyman ("Wagen für Jedermann").

In the statement below, GM President Alfred Sloan sought to reassure and inspire a gathering of Opel sales dealers from across Germany. He delivered these remarks during his visit in October 1929 to the manufacturing headquarters of Opel in Rüsselsheim, just six months after the takeover. Sloan's remarks painted a bright picture of Opel's future. He spoke philosophically at one point of the way in which automobility expanded people's "radius of action," and he predicted that the company could quadruple its production and sales over the next five years, from 50,000 cars annually to over 200,000. Neither Sloan nor any of the lunch meeting's other attendees, of course, had reckoned with the possibility that Germany and the U.S. were just weeks away from an unprecedented economic downturn that would come to be known in the U.S. as the Great Depression.

Sloan not only reassured his listeners of a bright future for Opel, but he also reassured them of a very German one. He promised that the company would remain a thoroughly German institution, hiring even more German employees and contributing to the wealth and strength of the nation as a whole. At the same time, Sloan hinted at possible changes in the corporate culture. He mentioned the need to "study scientifically" certain areas where improvements in efficiency could be made, a reference to industrial and managerial rationalization. Sloan also informed listeners at the end of his speech that he was entrusting the GM manager Irving Jacob Reuter with overseeing Opel operations, already signaling the introduction of at least some new business approaches from Detroit. Sloan even indicated a desire to shape government policy in Berlin. He brought up the fact that a German delegation, headed by the automotive-industry representative Dr. Robert Allmers, had recently visited the U.S. to study how America taxed its car sales. Sloan clearly hoped that Allmers and others would pressure the German government to reduce its automobile tax to a comparable level.

In his very last sentence, Sloan acknowledged the support he had received from two members of the Opel family. Dr. Fritz Opel was a grandson of company founder Adam Opel and went by the nickname "Rocket Fritz" for his experiments with the use of rocket propulsion on cars. "Herr Geheimrat," meanwhile, referred to Wilhelm von Opel, Fritz's father and Adam's second-oldest son. Wilhelm had been one of two surviving brothers to sell their shares to GM in 1929, although he remained on Opel's board of

directors until 1945.

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I appreciate that what is of particular interest is the attitude of General Motors; that is, its policy in connection with Adam Opel A.G., of which gentlemen represent the distributing power. First and foremost, let me say that it will be our absolute policy in the development of the Opel business to keep it at all times a thoroughly German institution. By this I mean that we shall employ German workmen and German executives. There will only be such American executives as may be necessary to properly inaugurate our operating policies and principles. We shall purchase to the fullest possible extent German materials produced by German workmen. We hope and expect to be recognized as German manufacturers entitled to equal consideration with other industrial organizations in this country. The mere fact that General Motors is at the same time engaged in the importation into Germany of motor cars from the United States will have absolutely no influence in retarding the development of Adam Opel A.G. In the United States, General Motors produces several lines of motor cars – or, as we say, a car for every purse and purpose. These cars compete more or less with one another. Our policy has been at all times to develop each line of motor cars to the fullest possible extent, irrespective of the influence of a particular line on any of the others. Opel at the present time is producing, let us say, 50,000 motor cars per year. I recognize that conditions at the moment may be somewhat difficult, but, even so, I shall be disappointed if, at the end of five years, Opel is not producing in excess of 200,000 motor cars per year for home and export consumption. If we are able to do this, it will require more German workmen, more German materials and more German plant facilities. Whether this hope will be realized cannot now, of course, be determined, but I am sure that it will be realized and probably sooner than any of us now think possible.

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To sum up my first point, therefore, I want to make it absolutely plain that the policy of General Motors will be not only to maintain the traditions of Adam Opel A.G. but to make Adam Opel A.G. to the fullest extent of our resources and ability a still larger and better institution, and at all times a German institution. It is our hope and ambition to make it contribute to a still greater degree to the economic advancement of Germany and further to cause it to take a much more important part in German industrial life. In fact, what we hope to do is to make Adam Opel A.G. in every sense of the word the General Motors of Germany. I am sure we can count upon you to help us to do this.

Before outlining certain specific problems in which we are mutually interested, I would like to call your attention to the very important part that the motor car industry plays, or can be made to play, in the economic development of any country. It may surprise you to know that, of the 120 million people in the United States, I estimate that over 10%, or probably 12 million people, are dependent, so far as their livelihood and purchasing power are concerned, on the motor car industry. Looking at it from a different standpoint, although agriculture generally is recognized as playing an exceedingly important part in the creation of wealth in the United States, yet, as a matter of fact, if you believe – as I believe – that wealth created by industry through the development of our natural resources by labour is equivalent to the creation of an equal amount of wealth through the process of agriculture, in that event, the motor car industry in the United States is today a more important contributor to the production of wealth than is agriculture. I mention this because, in the development of the motor car industry and the Adam Opel A.G. business, General Motors believes that an important and increasing contribution will be made to the production of wealth in this country. I make this point particularly because, without a careful analysis or realization of the facts, it might be considered that the motor car industry was a wealth consuming

industry rather than a wealth creating one. I mention it also because it is exceedingly important that every encouragement, governmental, financial and otherwise, should be given to the expansion and development of an industry which has such tremendous potential power in the creation of national wealth. Speaking more specifically, I believe it to be very important that we all study scientifically all the elements entering into the cost of motor car transportation. Engineering designs should have full regard for the maximum possible economy in operation. Maximum volume can only be reached by bringing the initial cost, as well as the operating cost, down to the lowest possible point. The consumption of benzine [sic] is important. The yearly tax is likewise important. As you undoubtedly know, there was recently sent to the United States by the German government a very important commission, headed by Dr. Allmers, whom undoubtedly you all know, for the purpose of studying the general subject of motor car taxation in the United States. General Motors co-operated to the fullest possible extent in presenting facts and figures that we thought would be useful in enabling this important commission to reach a sound conclusion. It frequently happens, and I believe it is not impossible in this instance, that a reduction in the tax per car might easily result through an expansion of the use of motor cars in obtaining an equal or even greater total revenue, and this entirely aside from the contribution to the wealth of the country through the increased production. The cost of insuring and financing, as well as storing and servicing of the car, are also important factors. I believe much can be accomplished in all these directions. We will make the greatest contribution we can in developing greater economy and effectiveness and hence stimulating the industry to a more rapid growth.

By working on these problems, I feel confident of a gradual and increasing development of the motor car industry in this country. Such a result seems to me to be inevitable, because, after all, aside from the resulting contribution in an economic way, it must be recognized that the motor car for the first time in history practically eliminates the element of distance in the life of man. It has increased enormously his radius of action, has expanded his horizon of thought and in a very practical way has increased his efficiency by enabling him to accomplish much more in an equal or shorter space of time.

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We must start with our present cars. The dominating position that Adam Opel A.G. enjoys in the German market of today must lead us to the conclusion that in a competitive way Opel cars represent value equal to or greater than any competing German make, but progress is necessary. Everything that the world produces can be improved. As a matter of fact, we are improving the cars that you are receiving from day to day. As time goes on, increasing progress can be made in this direction. We shall carefully and thoughtfully analyze the demands of the market both in Germany and abroad and, in the development of the Opel program, you can rest assured that we will do whatever is necessary in order to assure the maximum development of Adam Opel A.G. I am absolutely confident that you will not be disappointed. Notwithstanding the great resources that General Motors possesses, time is an absolutely important element. I particularly ask the patience and support of the dealer organization of Adam Opel A.G. I want to particularly emphasize the fact that there can be no magic in dealing with problems of this kind. It can only be accomplished by the hardest and most intensive kind of work. The engineering, the testing, the development of plans for the production of a modern automobile, if conscientiously and thoroughly carried out, is a complicated process. If not conscientiously and thoroughly carried out, there results dissatisfaction, increased cost to the dealer organization and the loss of public goodwill. It is impossible for either Adam Opel A.G. or any other organization to develop a sound and lasting business, to obtain and keep the goodwill of the public, unless the product that is being manufactured and sold is of the highest standards of quality and serviceability.

It is essential that you gentlemen recognize the extreme importance of putting forth every effort to expand and develop your individual business in order to take care of what I feel confident will be a gradual and increasingly broader opportunity as the market develops and as progress is being made. We must not hold back until the ultimate is reached, for, as a matter of fact, progress has been going on ever

since the world began and will probably continue as long as the world exists. No important industrial development can take place except gradually over a period of time, or, in other words, if we adopt the slogan that, however well we may be doing our work today, we must do it better tomorrow, that slogan represents as I see the problem, the policy that will enable you to ultimately capitalize to the fullest possible extent the opportunity which I believe is open to both of us.

To solve any problem or to accomplish any results such as we together must strive for in this particular instance, requires, in addition to adequate plant, leadership or executives of experience and ability, familiar with the problem, in order to put the various principles and policies into effective use. To assist in this direction, at the request of the Opel brothers, we have transferred to Adam Opel A.G. one of our foremost operating men, Mr. Reuter, to assume the managerial responsibility of Adam Opel A.G. Mr. Reuter has been chief director of several of our most important American operations. He is thoroughly trained in the engineering, manufacturing and distribution problems of motor car manufacture as carried on by General Motors on a large scale. He brings to Adam Opel A.G. a ripe experience, a full appreciation of the prime necessity of a quality and dependable product and a realization of the importance of the various principles that have contributed so much to the present position of General Motors. I ask for Mr. Reuter your support and co-operation. He is already assured of the support of every member of the Opel organization. I feel that both you, Adam Opel A.G. and ourselves – all of us may feel safe in his hands and that under his guidance we can be assured of constant progress toward bigger and better business and a more profitable relationship. In closing, I take this opportunity of expressing my personal appreciation for the generous support which has been accorded to every one of us from the beginning by all concerned, especially by the Herr Geheimrat and Dr. Fritz Opel, which I am sure will be as effective in the future as it has been in the past.

Source: Statement by Alfred P. Sloan, Jr., President of General Motors, at the Adam Opel A.G. (car company) Dealer Lunch in Rüsselsheim, Germany, October 18, 1929. (The photocopy of this speech came courtesy of Christo Datini, GMC Archives, and with special thanks to Austin Hall for procuring it.)

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