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Henry Ford never wanted his company to go public

Ford IPO was 'biggest stock issue ever'

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Henry Ford never wanted his company to go public.

He might not have said, "Over my dead body," but he certainly felt that way - and in the end that's how it worked out.

Today it is hard to remember that Ford Motor Co. has been public for less than half of its 100-year life. By comparison, General Motors stock had been traded on the New York Stock Exchange for almost 40 years when Ford went public on Jan. 17, 1956. Ford Motor stock has become one of the world's most widely held and most actively traded issues.

Why did Ford stay private so long? The Ford founder hated a lot of people and a lot of things, but he probably hated being in debt most of all. And in a sense, debt is what being publicly traded is all about.

Going public means, in effect, borrowing money from the public and sharing some measure of control of the company with those who buy shares. Henry Ford looked down his nose at GM because, as he saw it, GM went public in 1916 as a last resort to keep from going out of business. Henry Ford wanted no part of the Big Board, Wall Street or public ownership.

When his son, Edsel, was brave enough to suggest going public, Henry Ford said: "I'll take every factory down brick by brick before I let any of those Jew speculators get stock in the company," according to biographers.

Henry Ford got his wish, at least in his lifetime. He died in April 1947, nine years before the initial public offering.

Before he died, ironically, the founder set up a structure that eventually led to the IPO. The issue at the time was that Henry Ford wanted to avoid what he considered excessive inheritance taxes, signed into law by President Franklin Roosevelt in 1935.

Death and taxes

"The law said fortunes over \$4 million were liable to a 50 percent assessment, and from \$50 million upward the tax levy rose to 70 percent," Robert Lacey wrote in *Ford: The Men and the Machine*.

To circumvent the inheritance taxes that would be incurred when Henry Ford died, Ford Motor Co. in 1935 split its privately held stock into two classes. Class A nonvoting stock represented 95 percent of the company. Class B voting stock represented only 5 percent of the company, but 100 percent of the shareholder votes. The idea was for the Ford family to keep enough shares of Class B stock to keep veto power while reducing the family's shareholding for tax purposes.

Then in 1936 the company created the Ford Foundation and eventually endowed it with stock representing 88 percent of the company, making it one of the world's wealthiest and



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most prominent charities. The Ford Foundation lived off the dividends from that stock.

"This meant that it would be possible, in the future, for the Ford family to lose as much as 95 percent of its shareholding in the company (the Class A shares) and still retain the voting control, which went with the Class B stock," according to Lacey.

Unintended consequence

Henry Ford gave his 55 percent share of the company to the Ford Foundation in his will. The irony is that it was the Ford Foundation that ultimately sold the block of stock that made up the IPO.

"Challenging the Rockefeller Foundation as the most influential charity in the country by the mid-1950s, the Ford Foundation played a large role in the decision of the family to take the company public," according to *The Fords: An American Epic* by Peter Collier and David Horowitz.

"Its administrators were not content to receive income from the foundation's

88 percent ownership of the company in the form of annual dividends. They felt that they should have full control of their assets, including the ability to sell Ford stock on the open markets," the authors said.

The foundation's interests won, tempered by the fact that the Ford family insisted on retaining 40 percent control of the shareholder vote, not the 25 percent control that was proposed originally. Today the family still controls about 40 percent of the shareholder vote.

A \$3.2 billion company

For the IPO in 1956, the Ford Foundation agreed to sell 10.2 million units of stock at \$63 per share, according to *Henry: A Life of Henry Ford II* by Walter Hayes. The IPO represented 22 percent ownership in the company at the time. It was offered to the public at \$64.50, and it closed at \$69.50 on the first day of trading.

The stock sold that day had a market capitalization of about \$709 million. That implies that the whole company would have been worth about \$3.2 billion.

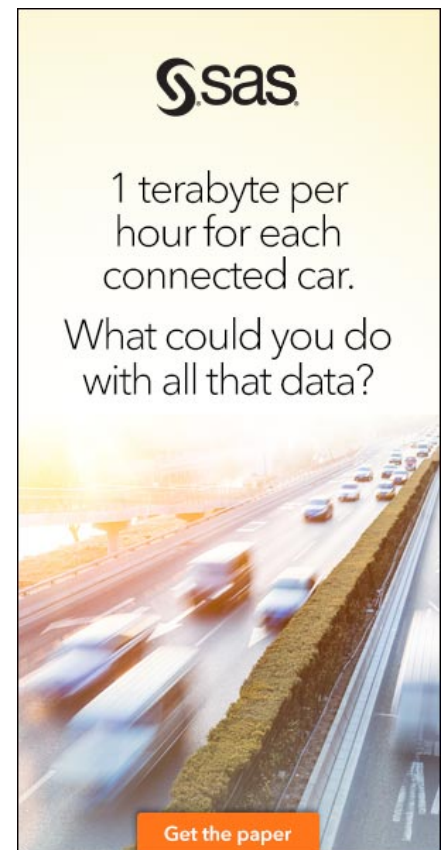
Today, Ford Motor Co. has about 1.8 billion shares outstanding. At a May 15 price of \$9.96 per share, that is market capitalization of \$18.24 billion.

The 1956 IPO was a rousing success.

"It was the biggest stock issue ever. People stood in lines outside brokerage houses to buy Ford stock, thus owning a piece of the company that still had an almost magical quality for the average American," according to the Hayes book.

The foundation made a ton of money - and Henry Ford's privately held Ford Motor Co. no longer existed. Wrote Hayes: "The foundation pocketed \$640,725,445, and Ford Motor Co. had 300,000 owners."

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