



Disney's Unlucky Rabbit and the Weirdest Sports Trade in History

A Case Study of Historic Entrepreneur Walt Disney

An Entrepreneur's Ethic Case Study

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The Entrepreneur's
Ethic

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January 1928, Los Angeles, California

Walt Disney had come to his office early Monday morning. He had taken the prior day off, and he knew that he needed to get his day going quickly. There were many items on his to-do list. But that was good.

He felt that the business was finally getting to a solid place. Thanks to a lucky rabbit. Oswald, the Lucky Rabbit specifically. Last year they'd put out nine shorts featuring Oswald, five-to-eight-minute animations that played in movie theaters before the feature film. There were other animation studios putting out shorts, for sure, but he read the trade press.

"Oswald looks like a real contender," *Film Daily* raved. "Funny how cartoon artists never hit on a rabbit before. Oswald with his long ears has a chance for a lot of new comedy gags and makes the most of them."

Motion Picture World cited Walt by name for making his creations "simulate the gestures and expressions of human beings."

He discovered he really liked to see his name in the press. His wife, Lillian, told him he liked that too much. Oh well.

The success of the Oswald shorts was enough so that Walt and his brother and business partner Roy could hire more animators. The company was now up to 22 people. And they were still making good money. He and Roy split the profits sixty-forty and were building their own homes. Not mansions like the Hollywood stars, but it was a start.

There was a knock at his door. He turned from the side table where he was working, which was cluttered with drawings and storyboards from both his own hand and that of other animators.

"Come in."

He looked at the bespeckled figure stepping into his office. "Ub! You're off to an early start. White isn't all white, right?" he laughed. They were working last week on the latest Oswald short, which featured the star rabbit on ice skates. They'd never done ice and snow before.

Ub Iwerks didn't smile at that, but he didn't smile at much of anything. He was Disney's most talented and perhaps most temperamental animator. He walked toward the desk that faced the door and placed his hands on the back of one of the two chairs that faced the desk. His knuckles were white.

"I haven't picked up a pen yet, Walt. There's something else we need to discuss."

Uh oh. Was he going to ask for another raise? He was paid more than Walt already. Before dividends anyway.

“What’s on your mind.”

“I had an interesting visitor yesterday. And there’s trouble coming your way.”

Iwerks could be kind of dramatic. Walt supposed it came along with his excellent creativity, but it could be tiresome.

“Alright, Ub. Tell me why there’s trouble coming.”

“George Winkler came to see me.”

“The producer?”

“Yeah, that guy. The one who’s produced other animations.”

Disney smiled. “Ah, he probably wants a new character that’s as good as Oswald.”

Iwerks didn’t smile. “No. He wants Oswald.”

“What? We work through Mintz as producer with Oswald.”

Charlie Mintz was a New York City-based producer that had worked with Disney to bring Oswald to the country. And it was the brother-in-law of George Winkler that had Iwerks concerned.

“I don’t think we do for much longer.”

“Huh? I have no idea what you’re talking about.”

“Walt, Winkler wanted me to sign a contract to keep making Oswald shorts. Just not for you.”

“That doesn’t make any sense at all. I’m negotiating the next contract for Oswald shorts with Mintz. Right now.”

“I think there’s way more going on behind your back than you know, Walt. Winkler wanted to hire me to work for a new studio to make the Oswald shorts. Not yours.”

Disney just stared at Iwerks, trying to comprehend what might be going on. “This can’t be right, Ub. What’d you tell him?”

“I told him to stuff it. I wasn’t working for him or for Mintz. I’m working for you.”

“Well then. I guess that ends that.”

“No, Walt. Not even close.”

“Why?”

“Do you think I’m the first animator here they’ve talked to?”

“Well, nobody else has told me about Winkler or anything like it.”

“They wouldn’t, probably, Walt. Can you see? I’ve told you some of the guys aren’t happy.”

Disney leaned back, incredulous. “Aren’t happy! We pay plenty. And the public likes the work they’re doing. It’s being seen on screens across the country.”

“Not happy with *you*, Walt. You’ve only gotten pushier with each new Oswald short we make.”

“Somebody’s got to push, Ub. We’re putting out the best animations in the business for a reason. But they need to get even better. And they will.”

“Don’t shoot the messenger, Walt. I’m just saying that my bet is that Winkler asked some of the other guys to sign the contract and they didn’t turn him down.”

“Did Winkler say that he’d asked others? Or that they’d signed?”

“No. He’s too cagey for that. But his whole posture was that this was a done deal. He says Mintz has got the rights to Oswald; he doesn’t need you. Is that true, Walt? Does Mintz have the rights to Oswald? He’s our creation. Me and you drew him up first. He’s changed a lot, but Oswald came from our heads. Mostly at least.”

Disney thought about his actual business arrangement with Mintz. Ultimately, Universal Pictures was the company that drove everything. They used the Oswald shorts ahead of their feature films. Universal had a contract with Mintz for the Oswald shorts and Disney, in turn, had a contract with Mintz. But that contract was now almost completed. There were only two more Oswald shorts to be made under that contract. Which was why they were negotiating a new one for additional cartoons.

But if Mintz, or Universal, wanted to do things differently, did Disney have any legal standing? Could they just take the cartoon character they had created, but which had become so commercially successful?

They only thing Disney could think is that he really needed a cigarette.

March 3, 1928, New York City

Walt Disney braced himself against the cold wind as he walked along 5th Avenue. It was a Saturday morning, and the amount of people on the sidewalks and cars in the street indicated it would be a big shopping day.

As he'd left their hotel room that morning, his wife, Lillian, asked if they might take in a play that night at the Belmont Theatre. "Sure," he'd said. "Anything but a movie."

They'd been in the city for the last week. He'd been as optimistic about the business meetings on their cross-country train trip as he could be. He knew the negotiations over the Oswald shorts would be rough, but he had thought he could work through things with the distributor, Charlie Mintz.

That optimism now felt like... What? Gross stupidity?

Their pay for each of the Oswald shorts from Mintz had been \$2,250. Disney studios made money, Mintz made money, and Universal Pictures made money using the shorts before their feature films were shown in movie theaters.

Everyone wins.

So, everyone wants to keep that arrangement going? Apparently not.

Walt's hard line was that the next Oswald shorts would bring in \$2,500 for his studio, a \$250 increase. Yeah, it was more, but he'd laid out his plans for improving the animations. He was going to use the extra funds to improve the quality of the animations and the stories. Better animations mean happier audiences means more tickets sold.

But sometimes logic in people's affairs didn't apply. Maybe not often at all.

He and Lillian had lunch yesterday with Mintz and his sister, Margaret Winkler. Walt's expectation was that part of the discussion would get toward concluding terms of their new contract, but Mintz would not engage in business discussion. At all.

Then, as they're getting up to leave, he looks at Walt. Really a scornful look on his face. "Come to my office at 10:00 tomorrow morning. I'll finish our deal then."

Not good.

Ub Iwerks had told him about Mintz angling to take his animators, but Walt just didn't believe it. Until this week. Walt had his brother Roy prepare iron-clad contracts for his animators to be

tied to his studio. And most refused to sign. Iwerks assertion that they had already signed something with Mintz's man must be true.

Ten minutes later, Disney walked into the office of Charlie Mintz. He, as usual, was dressed in a double-breasted suit, tie, and white pocket square. Disney guessed him about forty years old. There was no humor or good will in his expression. Hard eyes behind oval glasses gaped at him from across the room.

Disney kept his own expression hard. It wasn't difficult. "I'm here to get finished, Charlie."

"What I've got for you, Walt, is better for everyone. You and Roy included."

"Universal's going to pay you \$3,000 for each Oswald short, Charlie. You can make money at our \$2,500 per short and we'll keep making them better. Each one will improve." He'd met with a friend who let slip the pricing term of the contract Mintz had signed with Universal for more Oswald shorts.

Mintz darkened further. "Walt, you keep sticking your nose where it shouldn't be... So be it. The key feature of the contract is that I have the rights to produce more shorts barring the image of Oswald the Lucky Rabbit in whatever way I deem fit. And by *whomever* I deem fit."

"Rights, Charlie? You're talking about a character that I created. You're no better than a thief."

"It's called a contract, Walt. You're young, but don't be naïve. Universal owns Oswald and I've got distribution rights. Who cares who draws it? Plus, you don't draw it anyway."

"I do more than draw it. I bring Oswald to life. Have you ever thought about why people watch an animated character? Something that's not real but somehow becomes so real that people watching it laugh and cheer. That's way more than drawing, and if you don't get that you don't even deserve to be in this business."

"Well, Walt, the fact is that I'm not only in the business. It's *my* business. And here's the deal. And this, understand me very clearly, is my last and final offer. "I'll pay \$1,800 per short. And split profits fifty-fifty. I'll even keep you and Roy onboard if you want. And raise your salaries by \$200 per month. You'll be well paid."

Disney could only roll his eyes.

"Quite the offer, Charlie. You steal Oswald. So, you might as well *steal* my studio while you're at it too? My business? Then you'll give me and Roy a raise? What sweet generosity! King Charlie grants serf Disney a wage!"

The sides of Mintz's mouth rose in a smile of sorts. "Well, your animators, soon *not* to be your animators, seemed happy enough with a pay raise. What makes you so different? You named Oswald 'lucky,' but it really was you who got lucky to come up with Oswald, as you couldn't have gotten anywhere without me. So let me help you ride Oswald into the sunset. It'll be good for you."

Disney stood, grabbing his coat and hat.

"Walt, the moment you step through that door, we're done. *You're* done."

He turned back to Mintz as he grabbed the door handle. "I agree. We are done. I was slow to see all this. Your rottenness. Shame on me. But on the second part? I'm not only not done, Charlie. I haven't even gotten started."

March 13, 1928, Westbound Train

The waiter brought Walt and Lillian coffees. The cups weren't filled to the top, as the rocking of the train sent the hot liquid up and down the sides. Don't cry over spilled milk went the old saying. What about a spilled business?

They had finished their meal on the dining car as they started their trip back to Los Angeles. It was always a long haul, but this one was going to be the worst, thought Walt.

Lillian looked across at him. She had questions. So did he. Perhaps, if nothing else, they could try to make sense of it all.

"Was there any positive from the trip?" she asked.

"I wish I could think of something, dear. The trip cost a bunch. I lost Oswald. I think I lost all my animators except for Iwerks. I couldn't persuade anybody to support me or my studio as the creative force behind Oswald. I thought I was a pretty good salesman, but I think I lost that idea too."

"I just can't believe how badly you've been treated," she said. "That Mintz is like a kind of prey animal. I don't want you to become like that."

"Me either. But it didn't work being the way I am. I've got two more Oswald shorts to make under the old contract. Then? Nothing."

She grimaced. "Walt, you can be entirely too optimistic. As you were coming to New York. But don't flip the switch to entirely pessimistic."

“Well, what do you suggest? I am open to all ideas.”

“I suggest ten questions,” she replied. She liked that little game. And knew he did not.

He leaned back. “We’ve got plenty of time in this train. You can probably get to more than ten.”

“Number ten,” she said. “What was the biggest mistake you made that put you in the position to lose Oswald?”

“Trusting the wrong people. For too long. People who betrayed me. For a little money.”

“Well, people have been betrayed for less, Walt. Number nine. What could you improve to make the next year be better than this one? Not about others. About you?”

“Hmm. I thought you considered me perfect just the way I am.” That brought only a furrowed brow.

“I know I’m not the easiest fella to work with. But I’ll never get anywhere if I can’t build teams of people who actually want to work with me. I need to figure out how to be demanding without being so....”

“Overbearing? Tyrannical?” She was smiling now.

“Thanks. Yeah. Definitely. I’ll work on a lesser tyrant version of myself.”

“Number eight. Did audiences really like Oswald?”

“Yes, they did. You know, I went to plenty of theaters and just sat in the back to watched people’s reactions. And people like Oswald. But maybe more importantly, they are interested in him. What will he do next? What surprises lay in store. Sometimes he’s more interesting than the characters in the feature. An animated film character more interesting than an actor or actress. That’s the funniest thing...”

“Question seven. Why do audiences find Oswald interesting?”

“Because he’s got a personality. A persona. You know he’s got a certain look, a certain way he moves, a certain set of facial expressions that all point toward a personality. I don’t think that was great in our first couple, but it’s probably what’s improved the most and set Oswald apart from other animations.”

“Number six. If Oswald is the most interesting, animated character today, does that make him the winner for all time?”

She knew how to get him going. “I certainly hope not. I look back at our first couple Oswalds and cringe now. Imagine in ten years. Better Oswalds. At least if I was working on him. And better new characters in general.”

“Number five. Will Mintz make better Oswalds?”

“No. He’ll start squeezing expenses out from day one. Oswald will probably get worse. Remember that he wanted a monocle on Oswald originally? Monocles warm up audiences so much!”

“Number four. Can you come up with another character to introduce to the world? One with even more personality than Oswald?”

“I think it’s the only way to get us back on our feet. We need another character. We played with a few drawings of a mouse character a few years ago. Is a mouse more charming than a rabbit?”

She laughed at that. “Maybe. It depends on the mouse, I suppose. Question three. What will be the mouse’s name?”

He closed his eyes and tried to recall. It took a moment but came to him. “Mortimor! Mortimor Mouse. How’s that?”

Question two. “Can you *please* come up with a name better than Mortimor?”

“Is that a question?”

She smiled. “Last one. For now. When will you get started?”

It All Started with a... Rabbit!

“I only hope that we never lose sight of one thing – that it was all started by a mouse.”
— Walt Disney, 1954

Walt Disney was a storyteller. Not just in the animations, shows and movies he created, but in his narrative about how his business came to be. Pegging the start of the Disney studio to Mickey Mouse is a tidier story. But really, it kind of, sort of, started with a rabbit! And there were other animations before Oswald, too.

Mickey Mouse was created as a replacement for Oswald the Lucky Rabbit after Disney’s split with Charlie Mintz. Mintz’s company, Winkler Pictures, went on to create a series of cartoons starring Oswald after Disney finished the remaining two shorts for the original contract. Mintz

did hire way more animators from the Disney studio. Ub Iwerks would stay with Disney for a while longer and be a part of creating the new animated character, Mickey Mouse.

Mickey Mouse's early development happened while Disney produced the final Oswald cartoons he contractually owed Mintz. Walt Disney would cite that the original inspiration for a mouse came from a tame mouse at his desk at his Laugh-O-Gram Studio in Kansas City, Missouri, where he'd started on his entrepreneurial journey as an animator.¹

"Mortimer Mouse" had indeed been Disney's original name for the character before his wife, Lillian, convinced him to change it (or at least that's the legend), and ultimately Mickey Mouse came to be.

Mickey was first seen in a test screening of the cartoon short *Plane Crazy*, on May 15, 1928, but it failed to impress a test audience and Walt couldn't find a distributor for the short.² Walt went on to produce a second Mickey short, *The Gallopin' Gaucho*, which was also not released for lack of a distributor.³

Steamboat Willie was first released on November 18, 1928, in New York. It was co-directed by Walt Disney and Ub Iwerks.⁴ Although it was the third Mickey animation produced, it was the first to be distributed, and thus is considered by Disney as Mickey Mouse's debut.

Steamboat Willie wasn't the first cartoon to feature a soundtrack connected to the action but was one of the best considering that the sound was synchronized throughout the film. Sound films or "talkies" as they were called at the time, were new and still considered innovative. Walt Disney himself was voice actor for both Mickey and Minnie and would remain the source of Mickey's voice through 1946.

Mickey Mouse, through use of sound and Disney's ever-present drive to improve animation quality, would become the most prominent animated character of the time. As the Great Depression progressed in the early 1930s, Mickey Mouse's popularity continued to rise, as would the marketing prowess of Walt Disney and Company. By 1932, for example, The Mickey Mouse Club would have one million members.⁵ At the fifth Academy Awards in 1932, Mickey received his first Academy Award nomination. Walt Disney would eventually receive an honorary Academy Award for the creation of Mickey Mouse.

Mickey would, in time, be eclipsed by other characters created at Disney such as Donald Duck as well characters from other studios, but his role as a pioneering character for the business would leave him as the symbol of the business while it evolved through the decades.

What about Oswald the Lucky Rabbit?

Disney and Iwerks completed 26 (possibly 27) Oswald shorts for Universal Pictures. Under Mintz's stewardship about the same number of Oswalds were completed in the next couple years, but Universal ultimately pulled the same maneuver on Mintz as he had on Disney, hiring

away animators in a new animation studio. Disney later looked at this as a sort of poetic justice for how he thought he had been mistreated.

Mintz would continue to produce other animations at his studio in the following years. His studio would be renamed Screen Gems after Columbia Pictures acquired it a few months before he died of a heart attack at age fifty in December 1939.

Universal produced 150 Oswald shorts up to 1938. Eclipsed by Mickey's fame, he faded from films after 1938, appearing one last time in 1943. He lasted longer in print, gracing the comic pages through the 1960s in the U.S., and later in Mexico and Italy.

When Bob Iger became COO and President of Disney in 2000, he took a crash course in Disney history. And one of the things he learned about was Oswald the Lucky Rabbit. He approached a colleague, Dave Bossert, about it, who eventually wrote a book about the project, *Oswald the Lucky Rabbit: The Search for the Lost Disney Cartoons*.⁶

"I read about Walt and the origins of the company and learned the details of Oswald and Mintz," Iger told Bossert for the book. Iger decided one of the things he wanted to accomplish was to bring Oswald back to the company.

In 2005, events would weirdly align to make this happen. Network broadcast rights to NFL games were set to expire, and NBC outbid ABC to air Sunday Night Football. Under contract with Disney-owned ABC was Al Michaels, a megastar sportscaster. When Iger found out that Michaels wanted out to move to NBC, which owned Universal, he came up with an idea: ask for Oswald.

"Most at NBC/Universal didn't even know they owned the character it had been dormant so long," Bossert writes in his book. In the end, Disney traded Al Michaels for the rights to the original 26 Oswald shorts that Walt Disney and Ub Iwerks had created.

About one of the weirdest sports trades in history, Al Michaels commented at the time: "I'm going to be a trivia answer someday."

After almost seventy years, Oswald was back home at Disney, taking his place alongside Mickey and the rest of the iconic Disney characters.

But Disney hasn't done much with Oswald since his return. He appeared in a series of videogames, in a limited-edition DVD collection and in a few Mickey Mouse shorts, but otherwise not much.

Perhaps Oswald's legacy is as the unlucky rabbit for Walt Disney. A character that was deeply important to Walt, but was taken away from him, leading to the creation of Mickey Mouse, and perhaps even more importantly Walt's evolved business model design where his business retained all rights to characters and copyrights.

Mickey Mouse became one of the most successful cartoon characters in film history and part of the foundation of a global entertainment empire. But lurking in the background is Oswald, the *unlucky* rabbit that was one of the necessary though difficult lessons for the entrepreneur, Walt Disney.

There are seven parts of the The Entrepreneur's Ethic. Disney's work exemplifies Ethic 4 – Invest for Tomorrow. This is the time-orientation of entrepreneurship. Which time horizon do I work toward?

And Walt Disney's list of things into which he invested himself, his resources and the time and resources of others that dented the universe is long.

Develop cartoons as a film form.

Introduce synchronized sound.

Develop camera technologies for color and depth.

Create the genre of feature length animations.

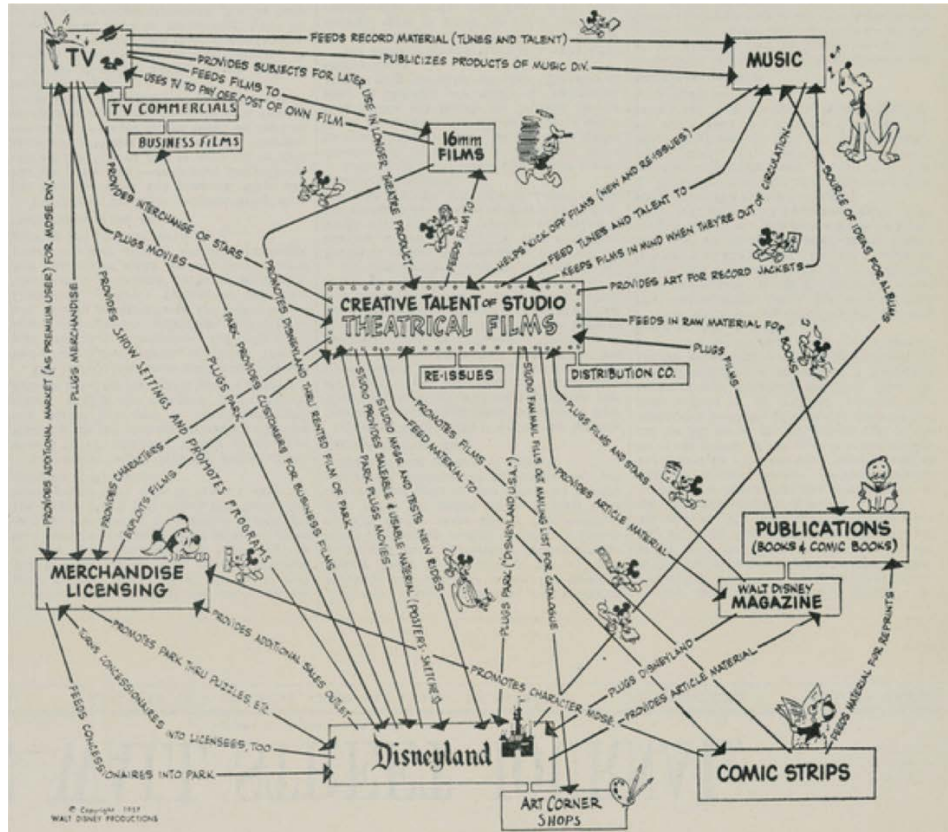
Build bridges from the movie industry to television.

Develop new concept for amusement and entertainment parks and build it.

Envision a business model template that can scale for decades.

Entrepreneur storytelling in ways that delight us to this day.

Ethic 4 – Invest for Tomorrow.



A 1950s strategy map drawn by Walt Disney.⁷



Oswald the Lucky Rabbit, *Trolley Troubles* (1927)⁸



Partners is a 1993 copper statue by Blaine Gibson depicting Walt Disney holding the hand of Mickey Mouse. It is the central point of attention as people walk past it to enter Disney theme parks.

End Notes

¹ Walt Disney: Conversations (Conversations With Comic Artists Series) by Kathy Merlock Jackson with Walt Disney ISBN 1-57806-713-8 page 120

² Wikipedia entry for *Plane Crazy*. https://en.wikipedia.org/wiki/Plane_Crazy

³ Wikipedia entry for *The Gallopin' Gaucho*.
https://en.wikipedia.org/wiki/The_Gallopin%27_Gaicho

⁴ Wikipedia entry for *Steamboat Willie*. https://en.wikipedia.org/wiki/Steamboat_Willie

⁵ Polsson, Ken (June 2, 2010). Chronology of Walt Disney's Mickey Mouse (1932–1934) Ken Polsson personal page.

⁶ Bossert, David. *Oswald the Lucky Rabbit: The Search for the Lost Disney Cartoons*. Disney Editions, 2017.

⁷ [Disney and Integrators Versus Aggregators](#). Stratechery. Ben Thompson. October 13, 2020.

⁸ Oswald the Lucky Rabbit. Wikipedia. https://en.wikipedia.org/wiki/Oswald_the_Lucky_Rabbit