From Mill Town to Euroville: Economic Change and the Arrival of Foreign Corporations in Spartanburg, South Carolina

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By the mid-1960s, South Carolina's post-WWII economy had begun to resemble a wild rollercoaster ride. The state's economy had sent mixed messages ever since the end of the war. Federal New Deal -dollars had awakened the Palmetto State from its economic lethargy, and its pro-business administrations of the post-war era labored to keep the momentum going. Relocating northern manufactories, homespun business activities and federal construction projects created new jobs and wealth all over South Carolina. Articles in national business magazines marveled at South Carolina's economic progress. New plants rose from the Piedmont to Charleston, and most indicators seemed to suggest that South Carolina was catching up with the rest of the nation ["South Carolina's New Plant Boom," 1960, p. 126; Edgar, 1992, pp. 81-95; Edwards, 1967, pp. 4-5].

Yet, the changes were not as far-reaching as many wished. Despite all its progress, South Carolina remained a predominantly agricultural state, striving to outgrow its cotton-based economic culture. In the mid-1960s, roughly half of South Carolinians still inhabited the countryside, cultivating mostly cotton and tobacco [Edwards, 1967, p. 1; Edgar, 1992, p. 97]. Its industrial base was equally homogenous. In the early 1960s, textiles constituted more than half of all manufacturing in the state. Even many of the supposedly diversifying chemical factories that arrived during the 1960s were simply nylon and polyester producers that fed old spinners with fashionable new fabrics. In short, South Carolina in the 1960s was merely at the beginning of its economic realignment. The mechanization of cotton cultivation and western competition in agricultural products put thousands of farm hands out of work, and new, increasingly automized factories were unable to employ all displaced rural workers.

[1] I would like to thank Professors William W. Stueck, James C. Cobb (University of Georgia) and Peter Coclanis (University of North Carolina) for their insights, criticism and encouragement. Their invaluable contributions have helped me to turn my raw ideas into a more disciplined study of the southern economy and global markets. As far as any possible errors and omissions are concerned, I alone bear the responsibility.

BUSINESS AND ECONOMIC HISTORY, Volume Twenty-eight, no. 2, Winter 1999.

In the heart of these changes was the South Carolina Piedmont. As the center of southern textile industry, the recent arrival of Japanese textile imports had exposed locals to the vulnerability of their main industry. The hated Japanese "one dollar blouse" had shocked the Piedmonters by demonstrating that somebody could actually produce textiles at a lower cost than the Piedmont's famously cheap labor [Edgar, 1992, pp. 91-92]. Hardly any South Carolina community had more to fear from foreign competition than Spartanburg. A mill town of 44,000, Spartanburg and its surrounding Spartanburg County were located in the heart of the Piedmont's textile industry. In 1958, 19,450 of the Spartanburg County's 25,319 manufacturing jobs were in textiles [U.S. Census of Manufacturers, 1961, p. 39-9]. The town lived according to the demands of the textile markets.

During the import-crisis Spartanburg's civic and business leaders had joined the chorus demanding higher tariffs for foreign textiles. As it became obvious that the federal government was not going to restrict Japanese imports or provide any other form of significant tariff-protection to their textiles, Spartans felt forced to seek other ways to secure their economic future. Increasingly, a notion arose among some key members of the Spartanburg business elite that if they couldn't fight the internationalism, maybe they should try to use it to their advantage. Enter Spartanburg's Reverse Investment -plan.

The Origins of Spartanburg's Globalization

In the 1950s, Roger Milliken, a northeastern textile magnate, had moved large parts of his operations to Spartanburg. When Milliken was looking for new machinery for his rapidly growing Spartanburg factory, he realized the American textile industry's dependence upon Swiss and German machinery producers. European machines were technically superior to their American counterparts, and the best textile machinery available came from German-speaking Europe ["European Business People Like Carolina," 1972, p. 62]. As Milliken purchased his equipment from Rieter Company and Sulzer Brothers in Winterthur, Switzerland, he also made them an offer that was hard to refuse [Vogl, 1979, p. 26].

Textile-machinery requires a lot of service. Machines break easily, and they need spare parts and almost constant maintenance. Milliken convinced his suppliers that it would be beneficial for them both if the Swiss would open sales and service -operations in Spartanburg. By the early 1960s, Rieter and Sulzer had opened their American headquarters in Spartanburg. In 1965, another textile-machinery manufacturer, Karl Mentzel Maschinenfabrik, tried to improve its competitive situation in the South by opening a machinery-manufacturing plant in Spartanburg [Vogl, 1979, p. 26].

After the arrival of Rieter and Sulzer, Spartanburg's boosterist elite began fully to recognize the remarkable potential of European direct investments. With textile industries in decline, the time appeared right and the risk worth taking to go after foreign investors. Local Chamber of Commerce CEO

Richard Ellery Tukey, a transplanted New Yorker, started to promote Spartanburg's Reverse Investment plan. In all its simplicity, the plan sought economic growth by recruiting foreign corporations into the town.

Going after the big fish, Tukey and the rest of the Spartanburg Chamber of Commerce threw themselves with almost obsessive determination into the slowly awakening competition for foreign investors. When German chemical giant Hoechst announced in 1965 that it was scouting locations for a chemical factory it had decided to build in America to produce polyester fiber, the Chamber launched a frantic 26-day campaign to bring the factory to Spartanburg [*The Independent,* May 9,1993, p. 16; *The Sunday Times,* November 1, 1970, p. 1].

Demonstrating a keen understanding of foreign executives' concerns, Tukey and the Chamber sold the Europeans the economic justification for locating in Spartanburg. Tukey showed the Germans how cheap land was in Spartanburg. Additionally, local boosters emphasized how educated labor, energy, and water were abundant in the South Carolina Piedmont, and how effortlessly Hoechst products and necessary raw materials could move within the American and global markets via interstate highways and Charleston harbor. In addition to speaking of economic justification, Spartanburg's boosters worked to ease a variety of German concerns, ranging from the quality of Spartanburg schools to the availability of dark bread [Foerster, 1998]. The guests also received all the information they needed about where to live, how to deal with the American bureaucracy, and even how to shop in South Carolina [Tunley, 1974, p. 166; *Spartanburg Herald-Journal,* October 23, 1966, p. C-1].

Hard work, salesmanship, and luck secured Spartanburg's success with Hoechst. The company chose to settle in Spartanburg because it was—as Spartans had pointed out—the geographical center of the U.S. textile industries. According to one Hoechst-executive's calculations, approximately 80 per cent of all American textile factories were within a 250-mile radius of Spartanburg. Also important was the town's ability to provide workers, its pro-business infrastructure, and availability of land, water, and energy. The final factor, however, turned out to be the American Hercules Company's preliminary plan to set up a polyester-raw-material factory in Spartanburg. Hoechst executives learned about the plan, met with Hercules and together the companies decided to invest $115 million to build a joint-venture factory in the northern part of the county [Foerster, 1998].

Hoechst's Spartanburg-operations proved to be a success. Word of mouth about southern hospitality, nice business climate, and—especially—the profitable South Carolina Piedmont industrial scene spread in Europe. In Frankfurt, Germany, Hoechst's home base, the local Chamber of Commerce became an unofficial propaganda center for Spartanburg's industrial community. Tukey's motto, "I'll do anything to get them here and help'em get in the black. Then word of mouth does the rest," seemed to be working [quote from Parris, 1988, p. 42]. As the European business expansion in South Carolina and the European nationals' presence in Spartanburg grew to thousands, the town became worthy of its new nickname: Euroville.

The Tide Turns to South

As new foreign corporations kept on coming to Spartanburg and its neighboring Greenville, the economic developments in the Piedmont became a hot topic among South Carolina politicians and industrial salesmen. In the late fall of 1967, during a flight home from Basel, Switzerland, Tukey aroused then lieutenant governor John C. West's interest in Spartanburg's reverse investment plan. West was sold on the idea immediately. Back in Columbia, he started quickly to implement the plan on the state level.

The lieutenant governor made international recruitment an essential part of his statewide political agenda. West admitted that he took Spartanburg's program and used it as an important part of his successful bid for governor in 1970 [*Spartanburg Herald-Journal,* August 5, 1979, p. A-4]. The rhetoric of internationalism, exotic appeal of foreign business contacts and economic growth formed an attractive lure for South Carolina's political and business elites. The Spartanburg way proved to be the South Carolina way, and after Tukey delivered his gospel of reverse investment at the first Southern Governors' Conference in 1971, other southern states, most notably Georgia, jumped in.

The South Carolina Piedmont, and especially Spartanburg, was definitely at the vanguard of international industrial recruitment. When the state of South Carolina started to take some initiative in foreign recruiting, the state representatives often simply followed the Spartanburg-model. In recruiting foreign corporations, South Carolina officials went directly to the industrialists. Their sales methods emphasized direct selling, giving attention to even the smallest potential investors, and showing keen concern to the potential investors' smallest problems and questions [Stanley, 1967, p. 3]. The Palmetto state officials even adopted the name of their trade missions from Spartans. When governor Robert E. McNair and lieutenant governor West led a 15-member industrial specialist delegation to a three-week, five-country European recruitment tour in September, 1969, they called the trip "South Carolina's First Reverse Investment Mission [South Carolina Mission Sparks Brisk Interest be Europeans, 1969, p. 22]."

Additionally, the sales pitch sounded even more appealing after the foreigners heard about South Carolina's hefty incentive-package. The state offered a right-to-work law, cheap land, no inventory taxes on locally manufactured finished goods and a five-year tax moratorium on most property taxes. South Carolina also possessed a high-ranked, state-wide network of technical schools to produce trained labor. If problems or questions arose, foreign industrialists found out that they had an easy access to state officials, who usually proved to be very eager to give their assistance [Cobb, 1982, pp. 189-90].

South Carolina's international recruiters operated with remarkable independence from federal authorities. Despite some half-hearted efforts of the Kennedy and Johnson administrations, the United States had not succeeded in creating a far-reaching and comprehensive international recruitment program. The best known federal plans to get foreign investment in the United States—such as Kennedy-Johnson Foreign Investors Tax Act of 1966—took years to formulate and were not very effective in fulfilling their intended purpose. Additionally, they seemed to be tailored to benefit foreign stock-market investors rather than international industrialists. While the South Carolina State Development Board was active in promoting the state to various plant location firms, the Board did not make significant efforts to sell South Carolina through American consular offices overseas, believing that this route would not reach sophisticated foreign investors [Peppas, 1979, p. 126].

Although the federal government did not show keen interest in encouraging foreign investments in the United States, its fiscal policies opened the proverbial floodgate of foreign investment. On August 15, 1971, President Nixon, frustrated with both domestic economic problems and difficulties in international economic cooperation, announced that the United States had taken itself off the gold standard, and that it would impose a 10 per cent surcharge on all dutiable imports. In other words, Nixon ended the Bretton Woods -contract.

Before Nixon's announcement, several foreign corporations had already tested American markets. In most cases, however, the investments were relatively small, especially when compared to the American investments in Europe. Some European corporations, such as those operating in Spartanburg, had entered the United States to tap into a highly specialized market where they had a crucial know-how advantage. A few bolder European investors had arrived to the United States to get into the world's biggest and most competitive market, hoping to learn successful strategies from the presumably superior American executives ["Buying a Slice of America," 1971, p. 90]. Now, the devaluation of the U.S. dollar and a 10 per cent surcharge on imports made direct foreign investment in the United States attractive—and often a necessity—for the Europeans who depended upon their trade with America.

In Europe, inflation, energy and labor shortages, tightening government control of business and rapidly saturating markets were cutting the edge off the old continent's economic growth [Why Foreign Corporations Are Betting on the U.S., 1976, p. 50]. After the devaluation of the U.S. dollar, the enormous dollar assets of European central banks, undervalued U.S. corporations, and the availability of cheap and educated labor led many European investors to view the United States as the latest Xanadu. "It's a joke, isn't it," marveled a young British investment banker Michael Horsman in a Forbes interview. "Europe is flooded with all those Euro-dollars that you paid for our businesses. Billions and billions. The answer for us is to lap up those dollars and buy into America. I am in El Dorado. It's like getting Harrod's at half price" ["The Foreigners Are Coming," 1973, p. 28].

While European investors were overcome by the rapidly rising American fever, "neither the Congress nor the Executive displayed any interest in the issue of inward investment." When Representative John C. Culver, the chairman of the Subcommittee on Foreign Economic Policy of the House Foreign Affairs Committee, held hearings in 1972 on the adjustment assistance program to ease the pressures toward protectionism, he complained that "no one even mentioned the possibility of encouraging foreign investors as a way to increase domestic employment" [Pastor, 1980, p. 222].

Due to federal lethargy, states had remarkable autonomy to shape their strategies for going after foreign investors. The states did the selling, gave out incentives and worked to build mutually beneficial networks between themselves and their industrial immigrants. The lack of federal interference and interest allowed the states to set many of their own rules regarding foreign investment. The system benefited foreign corporations by allowing them to shop around for the best deal [We Love You, We Love You Not, 1975, p. 82]. It also gave a significant advantage to the states with previous experience on dealing with foreign investors.

Most of the states successful in attracting foreign investments were located in the Sun Belt. Foreigners had noticed the drift of American factories down South. Like the U.S. corporations, multinationals were intrigued by the same reasons that had guided the relocation of northern factories, namely the lack of unionization, low taxes, growing markets, cheap labor and abundant natural resources ["Investing in the United States," 1977, p. 101]. By 1974, $7.5 billion of the nation's total of $19 billion in foreign industrial investment was located in the Sun Belt, stretching from southern California to the Commonwealth of Virginia [*Spartanburg Herald-Journal*, August 29, 1976, p. A-11].

As the states competed for foreign investments, nobody could match South Carolina and—especially—its Piedmont, again led by Spartanburg. South Carolina and its flagship city of industrial recruitment had the experience to deal with foreign investors. By the late 1970s, most international business magazines had printed stories acknowledging South Carolina's superiority on attracting foreign industries. *The Economist* summed up its observations in a June 1977 story:

> The most skilled angler for foreign investment has been South Carolina. Around 70 companies... have been landed by a blend of southern charm and northern hucksterism.... English lessons are laid on at schools for foreign children, local shops nudged into stocking foreign cheeses and wines, and to impress prospective investors they are fetched into South Carolina by private jet and chauffeured around state in impressively large limousines ["Investing in the United States," 1977, p. 101].

The growth of foreign industrial investments in South Carolina was almost mind-boggling. In November 1973, more than 50 foreign-owned plants were either operating or building around the state, representing approximately $432 million in capital input [*The Wall Street Journal*, November 5, 1973, p. 6]. In 1974 alone, foreigners invested a total of $313 million in South Carolina industries. This meant that almost 47 per cent of all industrial investments in the state that year came from abroad [*The Columbia Record*, August 23, 1977, p. 2]. After a couple of more modest years, foreign industrial investments again totaled over 30 per cent of all industrial ventures in the state between January 1977 and May 1979. By the latter date, the total foreign investment in the state was valued at $2.5 billion, providing jobs for at least 27,000 South Carolinians. Spartanburg alone hosted over 30 per cent of these investments [Whitaker, 1979, p. 1].

The flow of international companies to Spartanburg has continued all the way to the present. Following the textile machinery corporations and Hoechst, French tire-manufacturer Michelin opened a large factory in Spartanburg in 1974. Rhone-Poulenc of France, Ciba Geigy of Switzerland, Saxonia-Francke, Eltex of Sweden and tens of other, smaller companies came in during the next decades. The continued growth of Spartanburg County's population and increased automatization of local textile mills secured the availability of labor, although at the higher cost than what some local businesses would have desired. The fact that foreigners usually paid higher salaries than local textile mills did not settle well with everybody. By the early 1980s, the executive vice president of South Carolina Textile Manufacturers' Association, John G. Beasley, complained of the region's "just about depleted" workforce: "We would like to see the new industries locate in some of the state's less industrialized areas where there are more people who need work" [*The Columbia Record*, November 26, 1981, p. C-1].

Despite state-level attempts to direct South Carolina -bound international corporations to other parts of the state, Europeans seemed to insist in settling in the Piedmont-area. In addition to business reasons, the existence of large international communities made Spartanburg-Greenville area even more appealing for foreign corporations and their executives. The continuing influx of foreign companies and individuals has led some to describe the place (with a tongue in cheek, no doubt) as "the most cosmopolitan little city in the Blue Ridge Mountain region." Today, driving through the town on Interstate-85, or, as locals call it, "the autobahn," one sees the large factories of Hoechst, Michelin, BMW and other European-owned factories dotting the roadsides. Spartanburg County is currently home to approximately 3,500 foreign nationals. In local malls and movie theatres, spoken French and German mix in with southern accents, and each year the town celebrates Bastille Day and Octoberfest almost as enthusiastically as it does the 4th of July.

Foreign corporations changed Spartanburg and its environs. Their presence helped to raise income, diversify the economy and introduce this region into cultural pluralism of international cuisine, art and foreign languages. Walter B. Edgar, a historian and director of the University of South Carolina's Institute of Southern Studies, went as far as describing Spartanburg and its neighboring Greenville as "in many ways... more sophisticated than Atlanta" [*Los Angeles Times*, November 26, 1994, p. A-1]. True or not, nobody can challenge Spartanburg's importance in the creation of the economic "Boom belt" of the 1990s, a prospering stretch of Interstate 85 starting from Durham, North Carolina and ending in Atlanta.

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