

Extending the Lesson
Trade & Commerce

After reading the article on pages 111 – 112, answer the follow questions.

1. What caused Indiana’s automobile industry to shrink?

2. When was Indiana a leading manufacturer of automobiles?

3. What four car companies were located in Indiana?

4. What were some of the innovations Indiana automobile makers designed that are still sued today?

5. What was the difference between how Indiana automobile manufacturers assembled cars and Detroit?

6. What two events lead to all but one Indiana automobile manufacturer to close by the mid 1930s?

7. What car manufacturer remained in Indiana? When did it close?

8. What economic change help to bring Indiana automobile manufacturing back to life in the 1980s?

9. What major Japanese company brought jobs to southern Indian in 1995 and where did it locate?

10. What other major Japanese company brought jobs to southern Indian in 2006 and where did it locate?

11. Why have many foreign auto manufacturers located in the United States?

11. In what positive ways did the agricultural revolution bring about social changes among Native Americans ?

12. In what negative ways did the agricultural revolution bring about social changes among Native Americans ?

INDIANA'S AUTO INDUSTRY: How has it changed, and what impact has it had on the communities where the factories are located?

At one time, Indiana rivaled Detroit as the United States automotive capital. Indiana was home to several popular car brands that produced some of the finest automobiles in the world. Over time, however, unfavorable economic conditions took their toll on Indiana carmakers, putting the industry in virtual hibernation. Not until the 1980s did the automobile industry make a comeback in the Hoosier state. This resurgence has had a significant impact on several local economies, as well as the state as a whole.

What destroyed Indiana's auto industry?

When you think of the American automobile industry, Detroit, Michigan, probably comes to mind. While Detroit is today considered the United States's undisputed auto center, it was not always king. In the early 1900s, Indiana was a leading manufacturer of American

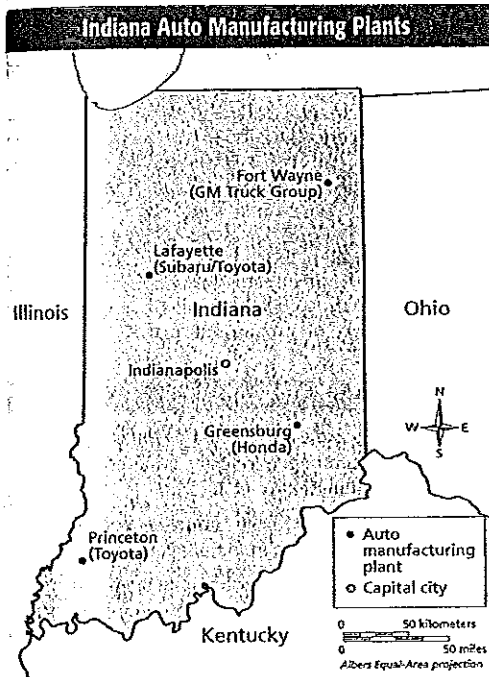
cars and rivaled Detroit in terms of annual production. Indiana companies such as Studebaker, Duesenberg, Stutz, and Cord made great advancements in the automobile industry, some that are still in use today, such as tilt steering, cruise control, and hydraulic brakes. Until 1905 Indianapolis was home to more automotive plants than any other American city.

In the 1910s and 1920s, when Henry Ford introduced the assembly line to mass-produce his Model T, that all changed. Indiana's car manufacturers continued to manufacture cars by hand, which made them more expensive. Maintaining this strategy worked for a while, but economic recessions in the 1920s forced consumers to purchase the cheaper mass-produced cars made in Detroit. Indiana automakers that did not close due to the recessions of the 1920s were finished off with the economic collapse of the Great Depression. Only Studebaker found its way through the Depression, but eventually closed in 1963. After Studebaker's closing, Indiana's automotive industry lay dormant until the 1980s.

Why did the auto industry make a comeback?

In 1986 Fuji Heavy Industries Ltd. and Isuzu chose Lafayette, Indiana, as the site of a new manufacturing plant. In that same year, General Motors (GM) began making trucks at a new plant in Fort Wayne, Indiana. This represented a rebirth of Indiana's automotive industry. Soon more car manufacturers grew interested in Indiana as a possible manufacturing location. In 1995 the Toyota Motor Company announced it would build a one billion dollar manufacturing facility in Princeton, Indiana. Today the plant employs around 4,700 employees, and thousands more work at Toyota's supplier companies. In 2006 Honda Motor Company announced plans to build a brand new 550 million dollar manufacturing facility in Greensburg, Indiana. Auto companies such as Toyota and Honda are drawn to Indiana due in part to an abundant and skilled workforce, but also because of economic benefits like tax abatements—not making a company pay property taxes for a period of 10 to 20 years.

The trend of foreign carmakers setting up operation in the United States is a result of the demand for their products. Foreign cars have gained a reputation for reliability and fuel efficiency. These factors have caused U.S. sales to soar since the late 1970s.



Fuel-efficient cars look more attractive to consumers who face high gas prices due to the rising price of foreign oil. To help meet the growing demand, and cut the costs of importing cars into the United States simultaneously, foreign manufacturers have been eager to build their cars in the United States. Midwestern communities such as Princeton and Greensburg have been the beneficiaries of such desires and will play an important role in foreign carmakers' efforts to increase their U.S. sales.

What has the comeback meant for the local and state economies?

C The impact of an automobile manufacturing plant on a local community's economy is vast. Not only do the jobs created from a plant's opening have a positive effect on a local economy, but the jobs created to support the plant's operations have a state-wide economic impact. To better understand how a manufacturing plant in one part of the state can affect the whole, you need not look any further than the Toyota plant in the southwestern Indiana town of Princeton, near the city of Evansville.

When Toyota announced plans to build a new manufacturing plant in Indiana in 1995, the initial investment of one billion dollars was meant to build an auto plant that would create around 1,300 jobs. Soon after construction began, however, plans were made to expand the location to build additional car models, thus creating additional jobs. More expansions followed, eventually bringing the total investment to 2.6 billion dollars. Today the Princeton Toyota facility employs approximately 4,700 workers, plus nearly 500 in support staff for foodservice, security, and maintenance. This type of job creation can completely transform a local economy like that of Gibson County, where Princeton is located. Such economic activity also causes a ripple effect that positively impacts the economy at the state level.

A study conducted by the University of Evansville and the University of Southern Indiana found that for the 2.3 billion dollars Toyota spends for annual plant expenditures, 5.5 billion dollars are created in economic output statewide. Almost a third of that money is concentrated in the Evansville metropolitan area. This statistic shows just how important the economic ripple effect can be for both state and local economies.

Statewide, the Toyota plant in Princeton is responsible for an estimated 31,000 jobs. Most of the additional jobs come from direct suppliers of Toyota. These



A The construction of Honda's new auto assembly plant in Greensburg, Indiana, is welcomed by local residents. The new plant will bring approximately 2,000 new jobs to the area.

companies set up operations near the auto plant, usually within a 50 mile (80.5 km) radius, and supply the necessary components to manufacture the cars. For example, Total Interior Systems of America, also located in Princeton, Indiana, employs over 450 people to make the seats that go into Toyota's cars. This type of business boom around the Evansville metropolitan area is due, in part, to the credibility the area gained when Toyota moved in. Any company looking to invest in the area can see what a success the Toyota plant has been and feel confident about the area's economic stability.

The June 2006 announcement of the Honda Motor Company's intentions to build its own auto plant in Greensburg, Indiana, points to the continued economic viability of the state. There is no reason to believe the same pattern of economic success enjoyed by the Princeton/Evansville area will not follow the construction of the Honda plant in Greensburg. If Honda can create the same type of economic ripple effect created by Toyota, Indiana's economy will once again benefit from the presence of a major automaker.