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Courting Toyota, Selling Kentucky: Conflict and Relationship Building in the Establishment of Toyota Motor Manufacturing of Kentucky, 1984-1989

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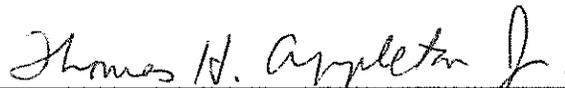
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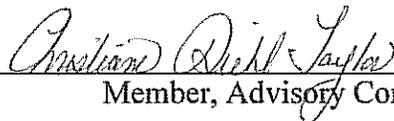
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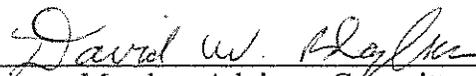
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By
Eric Bailey

Thesis Approved:


Chair, Advisory Committee


Member, Advisory Committee


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Dean, Graduate School

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Courting Toyota, Selling Kentucky:
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of Kentucky, 1984-1989

By

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Bachelor of Art
Eastern Kentucky University
Richmond, Kentucky
2011

Submitted to the Faculty of the Graduate School of
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in partial fulfillment of the requirements
for the degree of
MASTER OF ARTS
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DEDICATION

This thesis is dedicated to the memory of my father, whose hunger for knowledge and passion for life inspired the same in his son.

And to my mother; her perseverance and faith are the bedrock of my success.

ACKNOWLEDGMENTS

I would like to thank my thesis committee, Dr. Thomas Appleton, Dr. David Blaylock, and Dr. Christiane Taylor. In addition, I would like to thank the faculty and staff of the History Department. Education and research is truly rewarding and enjoyable when you are surrounded by people who have your respect, admiration and affection. I would like to thank my David and Katherine Moore for giving me a quiet and comfortable hideout from the world while I struggled to put my research into words. I would like to thank Deb Boggs at the Kentucky Department for Libraries and Archives, who helped me to plunder the depths of the Martha Layne Collins papers. I would like to thank Leslie Miller at the Kentucky Historical Society, who was willing to help a fellow Kentuckian trapped in Maryland conduct research from afar. Finally, I would like to thank those who graciously agreed to listen to my questions and tell me the story: Governor Martha Layne Collins, Secretary Larry Hayes, Jiro Hashimoto and Bill Londigran.

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Courting Toyota, Selling Kentucky:
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Chapter 1

Introduction and Thesis

In an address to the Japan/American Society of Kentucky, Governor Steve Beshear in 2008 called the building of Toyota Motors assembly plant in Georgetown, a small town in rural Scott County, Kentucky, “the most positive domino effect imaginable.”¹ It is now widely recognized that the arrival of Toyota Motor Manufacturing of Kentucky (TMMK), located in Georgetown, Kentucky, and Toyota Motor Manufacturing, North America, located in Erlanger, Kentucky, changed the commonwealth in profound ways. However, the change Toyota brought was not an inevitable march of welcome progress.

The road Toyota traveled to Georgetown was undeniably a rough one. Objections raised by those opposed to the plant ranged from complex legal argument to outright racism. Each step in the path that brought the Toyota plant to rural Scott County encountered the same problems many others have faced. The small community of Georgetown and the larger area of Scott County confronted a drastic shift in self-

¹ Steve Beshear, “Japan’s Economic Impact in Kentucky: Then, Now and Beyond,” Japan/America Society of Kentucky Conference, 25 March 2008, author’s notes.

identification. The transition from a rural agrarian milieu to an industrial and international worldview presented painful changes to those who retained the values of a preindustrial world. Though Scott County had experience with several industries, the huge economic and social change that Toyota promised represented a concrete shift in both the image of the area and how the citizens of Scott County identified themselves.

Industrial development in Scott County came not with the inevitable forward march of falling dominos, but rather as part of a complicated and sometimes painful process of relationship building forged between the national, state, and local governments, a multinational corporation, and two cultures engaged in a courtship that could have also resulted in polarization and animosity. All parties involved played a role in the new wave of industrial development in central Kentucky that was represented by TMMK in Georgetown.

The use of the term relationship is particularly important. Envisioning foreign implants (large industries that came to locate or relocate due to economic or political reasons during the 1980s) as icons of progress that spurred industrial growth in small communities presents problems in analysis. The interpretation of a company so large as to transform a community presents an image wherein the community itself is helpless in the face of a new master. It is certain that Toyota, as a force of economic might, held a large amount of coercive control over the shaping of events and control of other entities and individuals. The ability to control and shape the actions of others, for the sake of this paper, can best be described as power. It is through recognizing the presence of this

power (whether used or unused) that an examination of such a relationship can be made clear.

The Toyota plant indeed represented a change in rural central Kentucky. The largest form of employment in the area would no longer be agrarian but rather industrial. As a large company Toyota offered many economic benefits. However, the citizens of Kentucky also held significant power in this situation. Although the installation of TMMK was the result of large forces (the state government and Toyota), the ultimate success of the venture lay in the hands of the citizens of Kentucky. TMMK was not a force of an inevitable forward march of progress, nor was it simply a prize won by a powerful governor. The announcement of a new car factory in Georgetown was in fact the beginning of a relationship among the citizens of Kentucky, the state government, and the multinational corporation known as Toyota. Each of the parties in the arrangement held power. And while the nature of that power would shift over time it is clear that each party retained enough power to affect the final outcome. Toyota offered much needed jobs. The state controlled policy and offered a record-breaking incentives package. The people of Kentucky voted, exercising control over the state government. They also “voted with their feet,” deciding where they would work and even what kind of car they would buy.

Rather than a large and powerful “domino,” causing a chain of events out of others’ hands, the industrial development of Scott County, tied to the Toyota plant, is best represented as a relationship which begins in courtship and ends in union. In a relationship each participant controls an amount of power that can determine the nature

of the liaison or even sever the link entirely. In order to understand the industrial development of Scott County, focus should not be directed at the initial impetus of the transformation, but rather at the use of power in the budding relationship. Because each party held power, it is how the power was used, as well as an appreciation of the shifting balances of that power from moment to moment, that leads to understanding of the nature of the change that took place. In this manner, the courtship of Toyota was not a one-way wooing of a prized paramour. The courtship was, rather, an undulation of powers that remains in constant motion.

Additionally, it is through studying the actions of each party, as a form of power usage, that the terms industrial development and industrialization fail to define adequately the change occurring not just in Georgetown but also in many other rural communities in the Midwest during the 1980s. Industrialization, the shift from an agrarian to an industrial society, indicates a static beginning and end. It would be more accurate to call the change Scott County was undergoing, industrial acculturation. In other words, the change was just as much a social shift as an economic shift, and sociological change, when compared to economic change, is more dynamic and unpredictable in nature. Therefore, if the events surrounding TMMK are regarded as a relationship, it is easier to see a fluid situation. Thus a study of TMMK specifically and foreign direct investment generally will reveal change as an ongoing state of affairs rather than as an event that can be regarded myopically and separately from the broader course of history.

Chapter 2

Historiography

Two published works offer considerable insight into the birth and growth of TMMK in particular. First, *Japan in the Bluegrass* edited by P.P. Karan contributes a great amount of statistical knowledge. The work is a collection of papers presented at a conference at the University of Kentucky in 1999, which was inaugurated by former Japanese Prime Minister Morihiro Hosokawa.² Although most of the presentations were obviously written in endorsement of TMMK, the collection still offers a wealth of information regarding the decision on Toyota's part to place the plant in Kentucky, as well as the state's role in attracting the company. Other papers analyze the economic and social impact of TMMK on Kentucky. Substantial statistics are also presented which offer important information regarding public attitudes toward Toyota, particularly in Scott County.

Second, Elizabeth Duffy Fraas provides significant insight into Kentucky's state government in *The Public Papers of the Governors of Kentucky: Martha Layne Collins 1983-1987*, a collection of the most relevant documents of the governor's tenure.³ Included in the volume is the correspondence between the governor and Toyota executives as well as statements made by Governor Collins regarding TMMK. Fraas' commentaries prove noteworthy and discerning in bridging the gaps in documentation.

² P.P. Karan, ed., *Japan in the Bluegrass* (Lexington: University Press of Kentucky, 2001).

³ Elizabeth Duffy Fraas, ed., *The Public Papers of the Governors of Kentucky: Martha Layne Collins 1983-1987* (Lexington: University Press of Kentucky, 2006).

Several other works encompass the larger trend of Japanese automotive implants. In *Japanese Auto Transplants in the Heartland: Corporatism and Community*, Robert Perrucci examines the overall phenomenon of Japanese automobile companies building in the mid-western United States. The author explores many different companies; however his research on Toyota and Kentucky are valuable for the context in which they are offered. The events in Kentucky of 1984 to 1986 did not occur in a vacuum. Undoubtedly, all of the players involved in Toyota's coming to Kentucky were keenly aware of other states and companies' experiences in forming their own respective unions.

A concept of Perrucci termed "embeddedness" bears significant weight in this exploration of state funded industrial expansion. Perrucci argues that the success of many of these plants stems from the ability of the players involved to "embed" the plant and the company into the community. While this concept is particularly helpful in understanding how Toyota and the state made overtures towards the community, the actions of the community and the citizens of Kentucky deserve an equal amount of scrutiny. All sides of the growing relationship must be understood in order to see the flow of power in cementing the needs of each player.

Chapter 3

Background and Methodology

The relationship between Kentucky and Japan began in the early part of the 1980s as an unequal one, having more to do with international economics than a multinational corporation and state government. During the 1980s, the United States went from being the world's largest creditor nation to the world's largest debtor nation. In 1978 the United States trade balance showed its first deficit in eighty-five years. In four years, from 1980 to 1984, the trade deficit grew from \$10 million to \$135 million. U.S. industries such as steel, auto, and consumer electronics began to suffer from competition abroad.⁴ Japan, as the second most powerful industrial nation in the free world, represented one of the biggest competitors to the U.S. manufacturing sector.⁵

In what came to be called the “economic miracle,” or the “Jimmu Boom” (referring to the mythical Jimmu who founded Japan in 660 B.C.), the Japanese economy witnessed unprecedented growth after the Second World War.⁶ As the U.S. economy was slowing during the late 1970s and 1980s, the booming economy in Japan flooded the world market with consumer and industrial goods.⁷ Japanese direct foreign investment inside the United States during the Reagan Era grew to such levels that American fears of Japanese economic control began to be seen in popular fiction works such as Michael

⁴ Robert Perrucci, *Japanese Auto Transplants in the Heartland: Corporatism and Community* (New York: Aldine de Gruyter, 1994), 2.

⁵ Robert E. Cole and Taizo Yakushiji, *The American and Japanese Auto Industries in Transition* (Tokyo: Technova Inc., 1984), xxi.

⁶ Edwin O Reischauer, *The Japanese* (Cambridge: Belknap Press of Harvard University, 1977), 115.

⁷ *Ibid.*, 116.

Crichton's *Rising Sun*.⁸ The mounting fears of Japan were reflected in many national polls and studies. As will be shown later, growing pessimism pervaded American attitudes as the U.S. fell deeper into the recession surrounding the mounting trade deficit, rising unemployment, and stronger foreign competition.

In Kentucky, as well as the rest of the country, the call for employment was a common issue for the commonwealth's first female governor. Despite increasing anti-Japanese sentiment in much of the country and its leadership, the economic prospects that Japanese auto transplants represented to state governments and out-of-work citizens was undeniable. After Toyota's decision to build in Georgetown, it rapidly became clear that there would be a relationship between the corporation and the citizens of central Kentucky. However, it was not at all clear what the nature of that relationship would be. Toyota automobiles were a common sight on American roadways, and other Japanese automakers had built successful plants in other parts of the Midwest, such as Tennessee and Indiana. Toyota had also built a thriving partner plant with General Motors in California. The shape and effects of a potential plant were well understood to most who would be affected. Therefore the deciding factor in the formation of the relationship was the actions and reactions of Kentuckians. While the state government and Toyota used power explicitly in negotiating, buying land, and later trying to sell the deal to the citizens of the commonwealth, the people used power implicitly through voting and buying habits as well as explicitly through protests and citizens organizations that applied pressure to ensure the relationship developed in a way that fit the community.

⁸ Michael Crichton, *Rising Sun* (New York: Ballantine, 1992).

In order to understand how the relationship between Kentuckians and Toyota (and in many ways Japan itself) developed, three important factors must be analyzed: the overall national picture, the actions of state and local government, and the reaction of the local citizens impacted by the introduction of such a large industry. While these large themes provide a framework, a detailed examination involves many other elements. Inside this framework other interactions that apply in an interconnected fashion can be better recognized.

First and foremost, it is important to understand the national events and perspectives that both formed the ideals of the intersecting parties and allowed the subsequent events to occur. An examination of the political-economic policies of both the United States and Japan reveals the volatile economic climate of the decade. This climate particularly applies to the automobile industry, which to the public at large symbolized the growing disparity between American and Japanese technology. Also, a look at popular culture in the form of books and films as well as editorials in national magazines and newspapers will underscore the national tone in the U.S. regarding the perceived onslaught of Japanese companies. Contemporary surveys also offer a glimpse into American perceptions of Japan and Japanese companies. As these will show, the growing fear many felt of Japan and the Japanese became a key driver of governmental actions; indeed, public attitudes were a major force in policy decisions regarding economic relations. American public opinion was both reflected in popular literature and influenced by the messages delivered by those works. Any picture of the country the Japanese implants found in the 1980s would be incomplete without considering the role of popular culture and national mood because these were often the cause of governmental

policy and economic relations. In this manner popular culture, national mood, and governmental policy and foreign relations fall into a category that must be regarded as a whole.

A second and equally important factor in the establishment of TMMK are the actions and policies of Kentucky's state government as well as the actions of the local government of Georgetown and Scott County. Governor Collins actively lobbied for Toyota to build a plant in Kentucky, but she encountered several potential roadblocks along the way from both state legislators and local Scott Countians. Tensions within the state of Kentucky ignited a delicate dance as the legislature, the governor's office, local officials, Toyota management, and the United Auto Workers each promoted ends that appeared irreconcilable. Although compromise seemed immensely desirable to all parties, success was by no means inevitable.

The actions of state policymakers weighed heavily in the ultimate relationship formed between the state and TMMK. The public archives of Governor Collins as well as excellent coverage from the region's newspaper of record, *The Lexington Herald-Leader*, map the labyrinth of public policy adjustments and political maneuvering necessary to accommodate TMMK.

Finally, and perhaps most importantly, the reactions of average Kentuckians to the introduction of Toyota played a vital role in the relationship formed in Scott County. If TMMK had been poorly received by the public, its place in the commonwealth would have been tenuous. Any significant negative reaction would have also threatened the profits and stability of Toyota. Poor community perception would have also caused

considerable instability in the workforce. Scott County's transition from an economy dominated by agriculture to an industrial economic culture was often difficult, and resistance was by no means trivial. The citizens of Scott County did not live in a vacuum; other parts of the state within a short distance had long since developed into industrial areas. While residents in the Georgetown/Scott County community were most affected, the rest of the state was just as involved in forming the relationship. Public opinion statewide had significant impact on the actions of politicians and businessmen alike.

While public perception is often difficult to quantify, several methods offer a glimpse of how TMMK was originally perceived by Kentuckians as they sought to balance a need for jobs with changes that were swift and often intimidating. Many Kentuckians felt strongly enough to express their feelings in letters to local newspapers as well as to the governor's office. While extreme feelings on either side of any issue can often present a polarized interpretation, if properly analyzed and researched they also offer a window into understanding the perception of Kentucky as a collective consciousness. Surveys conducted at the time are also easier to understand when measured against the stratum of extreme opinions.

Chapter 4

The Nation

In his *New York Times* best-selling novel *Rising Sun*, author Michael Crichton tells the story of a murder that occurs at the grand opening of the Nakamoto Tower, a high-rise building in Los Angeles meant to be the new headquarters of a massive Japanese corporation. As the protagonist investigates, he uncovers layer upon layer of intrigue and corruption. The Nakamoto Corporation has influence reaching from the local police to the federal government at a time when America is losing its grip on its power inside its own borders. While the work was fictional, much of the paranoia portrayed was real. As a senatorial candidate in the novel said shortly before being coerced to change his platform, “Many Americans fear that we may become an economic colony of Japan Many Americans feel that the Japanese are taking over our industries, our recreation lands and even our cities.”⁹ In assessing the overall national landscape, works of popular culture such as *Rising Sun* offer revealing insight into a time period.

The 1980s was a time of fear as America’s economy faced recession while simultaneously, the Japanese economy enjoyed unprecedented growth. In order to counter the threat posed by Japanese imports, the U.S. implemented protectionist policies to allow American companies to compete. In the case of import quotas, the threat was enough to lead the Japanese government to compel their car companies to limit exports to

⁹ Ibid., 252.

the U.S.¹⁰ The new tariffs and quotas had other effects as well. Many Japanese companies saw the advantage of moving manufacturing directly to the U.S. in order to circumvent tariffs. These expansions, which began on a large scale with the Japanese automakers in the middle of the decade, brought this Japanese threat directly to the people of the U.S. as they saw these large auto companies encroaching on local communities and small towns such as Nissan in Smyrna, Tennessee and Honda in Marysville, Ohio. Surveys taken in the early part of the decade showed that between 1980 and 1982 the number of Americans who held a favorable view of Japan fell from 84 to 63 percent.¹¹

Fears stemming from the Second World War resurfaced in the early parts of the decade as many Americans saw Japan's growing economic presence in the country as a threat to national security. In polls conducted at the time, many cited memories of the war and fears of Japan "taking over" the United States.¹² Although most people did not accept such dire predictions, explosive rhetoric in the media and political spheres fanned the flames of anti-Japanese sentiments.

As Japanese foreign direct investment in the U.S. increased dramatically, protectionist debates in the White House and Congress became heated. From 1970 to 1987, foreign direct investment in the United States went from \$13 billion to \$262 billion. During the 1980 presidential campaign, vice-presidential candidate George H.W. Bush indicated that a Reagan administration would look at restricting Japanese imports as

¹⁰ *Lexington Herald-Leader*, 4 June 1984.

¹¹ *New York Times*, 6 April 1982.

¹² *Ibid.*

a way to protect U.S. auto companies. President Jimmy Carter also expressed concern and favored the United Auto Workers' attempts to encourage Japanese companies to build in the United States, though he did not want to restrict Americans to buying U.S.-made "gas guzzlers."¹³

First published in 1979, Ezra F. Vogel's *Japan as Number 1: Lessons for America* became highly influential. Vogel attempted to explain Japan's rapid growth and success in terms of models and institutions that western countries could emulate in order to make similar achievements, calling for a total reevaluation of American institutions. Vogel wrote that "in the effectiveness of its present-day institutions in coping with the current problems of the postindustrial era Japan is indisputably number one."¹⁴ With its provocative title and message *Japan as Number 1* became influential not just in the business community, where emulating Japan was quickly falling into vogue but the work also served to strengthen American fears of growing Japanese economic power. *Japan as Number 1* went through eight printings by 1983.¹⁵

Racist sentiments also played a part in the debate. In Detroit in 1982, a Chinese man was beaten to death by an American automobile worker and his stepson because they mistook him for a Japanese. Each was sentenced to three years' probation.¹⁶ In 1981, workers in a Teledyne plant in Milwaukee tore down and set fire to a Japanese flag. In the industrial Midwest, imported Japanese automobiles were blamed for the loss of as many as 250,000 jobs. Many Japanese executives living in manufacturing, agricultural,

¹³ Perrucci, *Japanese Auto Transplant*, 2-4.

¹⁴ Ezra F. Vogel, *Japan as Number 1: Lessons for America* (New York: Harper and Row, 1979), 22.

¹⁵ Sheila K. Johnson, *The Japanese Through American Eyes* (Stanford: Stanford University Press, 1991), 136.

¹⁶ *Ibid.*, 122.

and technological areas of the United States claimed some degree of racism and discrimination.¹⁷

The media in Japan were also concerned with what was perceived as a tense racial atmosphere. The Japanese media gave particular attention to an incident in the Democratic Environmental Caucus in which Congressman John D. Dingell of Michigan called the Japanese “little yellow people.” Speaking to a Japanese reporter, Akio Morita, the founder and chairman of the Sony Corporation, expressed dismay about the intensity of anti-Japanese sentiments in the U.S. “Things appear to have gotten as bad as they were on the eve of World War II I myself am repulsed by it.”¹⁸

Morita, along with Shintaro Ishihara, a member of Japan’s leading political party, coauthored the original Japanese version of the sensationalist book, *The Japan That Can Say No: Why Japan Will be First Among Equals*. When the book was published in the United States, in 1989, Morita chose not to allow the release of his sections of the book for fear of negative publicity for the Sony Corporation.¹⁹ Morita had previously published an autobiography titled *Made in Japan* that was highly critical of American business practices. *Made in Japan*, however, adopted a far less confrontational tone, only pointing out differences and occasionally chiding some particularly distasteful American

¹⁷ *New York Times*, 6 April 1982.

¹⁸ *Ibid.*

¹⁹ Shintaro Ishihara, *The Japan That Can Say No: Why Japan Will Be First Among Equals* (New York: Simon and Schuster, 1989), front flap.

traits such as corporate headhunting.²⁰ His work with Ishihara, however, suggested a coming confrontation in which only one winner could emerge.

By the end of the 1980s, many of the fears held by Americans seemed to be justified by the release of a translated copy of *The Japan That Can Say No*. Ishihara detailed ways in which the Japanese government and Japanese companies could surpass the U.S. as the greatest power in Asia and the global economy. The arguments Ishihara outlined were so startling that the U.S. State Department began circulating bootleg (and poorly translated) copies around the congressional halls. This unauthorized translation served to fan the flames of protectionism and political rhetoric. Ultimately, Ishihara's appeal for open dialog and understanding between Japan and the United States became less important than the alarming issue of economic threat that his works highlighted.

The first part of the title *The Japan That Can Say No* elucidates one of the greater misunderstandings between Americans and Japanese. In Japanese culture the direct use of the word no, or any confrontational language, should be avoided. Often vagueness is substituted in order to allow the other party to save face. It is considered rude to cause embarrassment to another person. This was famously illustrated when Japanese Prime Minister Eisaku Sato told President Richard Nixon that he would "do my damndest" to remedy the situation caused by Japanese textile imports flooding the U.S. market. Nixon, believing he had a deal, later assumed he had been lied to when nothing was done. In reality Sato had meant nothing of the kind.²¹ By proclaiming that it was time for Japan to

²⁰ Akio Morita with Edwin M. Reingold and Mitsuko Shimomura, *Made in Japan* (New York: E.P. Dutton, 1986), 151-52.

²¹ Robert C. Christopher, *The Japanese Mind* (New York: Fawcett Columbine, 1983), 172-73.

say “no,” Ishihara was indicating more than just a refusal to acquiesce to U.S. demands. He was also urging an uncommonly aggressive stance for his country in relations with the United States.

The second part of the title, *Why Japan Will Be First Among Equals*, underscored the inherent tensions involved in U.S./Japanese relations. Beginning in the 1960s (in the shadow of Japan’s postwar occupation), the United States had emphasized the concept of an “equal partnership” between the two allies. This “Reischauer Line” (a phrase coined by U.S. Ambassador to Japan Edwin O. Reischauer) was often used in diplomatic circles to describe the desired relationship that the U.S. envisioned for Japan.²² While earnestness on the part of most American policymakers and diplomats served to ease tensions, the obvious inequality of the situation in postwar Japan gave the phrase an aura of condescension. Ishihara’s (and Morita’s) use of the phrase “first among equals” was a direct challenge to American foreign policy and a blunt confrontation to U.S. economic hegemony on the world stage. The fact that many observers took the book seriously gave credence to the growing fears of Japanese economic power many held in the 1980s. Whether or not Ishihara’s arguments were sound, his work had a significant impact on American attitudes toward Japan. *The Japan That Can Say No* spent seven weeks on the *New York Times* bestseller list in 1991.²³

In purely economic terms, the threat of Japan’s growing economy proved somewhat exaggerated. By the early 1990s Japan saw a recession that greatly reduced its economic clout. Unrestrained lending and speculation led to a growing bubble that burst,

²² Edwin O. Reischauer, *My Life Between Japan and America* (New York: Harper and Row, 1986), 196-97.

²³ Johnson, *The Japanese Through American Eyes*, 15.

sending the Nikkei Index into a downfall despite numerous efforts by the Japanese government to stabilize the economy.²⁴ Poor structural issues as well as internal strife between the Bank of Japan and the Ministry of Finance caused the Japanese government to falter in dealing with the rising value of the yen.²⁵ As the yen went up in value it caused export prices to rise. In countries where Japanese exports had retained the advantage of cheaper prices, domestic products became competitive. As Japanese companies also found it cheaper to move production overseas to places such as the United States, unemployment in Japan rose. This hollowing out caused the bubble formed by Japan's rapid growth to become unstable. Economic collapse soon followed. Ironically, instead of easing American fears, this loss of economic power on the part of the Japanese was often used as a plot device by some authors as the trigger for violence. In his novel *Debt of Honor*, which will be discussed later, Tom Clancy used an economic threat to provide the impetus that allowed Japanese businessmen to force their country into a second war with the United States.²⁶

Although the economic playing field eventually began to level off in the 1990s, few in 1980s America foresaw any weakness in the growing Japanese presence in the U.S. In much of the United States the outlook of the general public became broadly pessimistic. This overall negative attitude grew steadily throughout the decade. By 1989, 48 percent of Americans believed the U.S. was declining as a world power.²⁷ And in 1991, 52 percent of Americans (and 53 percent of Japanese) thought Japan would be the

²⁴ W.G. Beasley, *The Japanese Experience: A Short History of Japan* (Berkeley: University of California Press, 1999), 260.

²⁵ William W. Grimes, *Unmaking the Japanese Miracle: Macroeconomic Politics 1985-2000* (Ithaca: Cornell University Press, 2001), 218-19.

²⁶ Tom Clancy, *Debt of Honor* (New York: Pocket Star, 1990).

²⁷ *New York Times*, 23 February 1989.

number one economic power of the next century. Only about 30 percent assumed it would be the United States.²⁸

In addition to economic tensions and lingering hostilities, racial prejudice in the popular media and culture reflected some fundamental misunderstandings between the two cultures that contributed to the anxious national mood. Several works such as Sheila K. Johnson's excellent *The Japanese Through American Eyes* have examined American stereotypes of Japan through the lens of popular fiction, films, polls, and editorial cartoons. However, for the sake of this study, the period from 1975 to 1995 bears significant weight in regard to the atmosphere faced by Japanese direct investment ventures in the United States. As Detroit continued to falter during the 1980s and into the 1990s, the automobile industry prominently symbolized the depths of Japanese economic incursion. As a result, Japanese-owned automobile plants bore the full weight of American attitudes toward Japan and the Japanese people. Toyota, the largest Japanese automaker, was the most visible of these companies.

American popular literature about Japan during the years surrounding the influx of Japanese-owned auto plants tended to fall into four major (yet not completely distinct) categories, all of which affected attitudes toward Japanese companies. The first category, economic studies promising profit from copying the Japanese, was expansive and enjoyed a significant following. Second, fiction dealing with the Second World War, was commonly utilized before as well as after the decade. A third category emphasized the uniqueness of Japanese culture to attract attention to the differences from western culture

²⁸ Ibid., 3 December 1991.

one could find in Japanese society. Finally, and perhaps solely linked to the time period surrounding the implant era, works focusing specifically on the economic tensions between the two countries exploited this anxiety to weave tales of violence linked directly to Japanese business. This category, more than any other, directly urged a negative American view of Japan and Japanese business.

As the second-leading economy in the world, it is little wonder that many books would be written about how Japan and its businesses had grown. In addition to models and institutions such as those enunciated in *Japan as Number 1*, Americans were eager to learn how the “Japanese system” and its specific techniques and strategies could work for them. Many books were published which offered increased profits and productivity using “lean production,” just-in-time delivery, or *kanban* (sign-board) assembly production. Musashi Miyamoto’s martial strategy guide, *The Book of Five Rings*, was even studied in American business schools, “where it was thought to contain important Japanese business precepts.”²⁹

One of the most popular of the works attempting to explain the reasons for Japan’s success, William Ouchi’s *Theory Z*, delineated the Japanese business philosophy towards workers. American companies, Ouchi claimed, could see more achievement by fostering lifetime attachments with their workers. Japanese companies were flourishing in terms of productivity because they offered lifetime employment and other incentives to their workers.³⁰ While it is debatable whether most of these practices were actually widely used in Japanese business, many American businesses and individuals sought success through the Japanese methods. (Most of Japan’s most successful businesses

²⁹ Johnson, *The Japanese Through American Eyes*, 120.

³⁰ William G. Ouchi, *Theory Z* (New York: Avon, 1982).

actually used practices suggested by Dr. W. Edwards Deming, an American.)³¹ *Theory Z* spent twenty-two weeks on the *New York Times* bestseller list in 1981.³²

By 1990, shortly before it collapsed, the Japanese economy, and Toyota in particular, had become so strong that many were lauding Japanese production and management methods as the new standard, even going so far as to call Toyota's "lean production" system, *The Machine That Changed the World*.³³ Japan's economy was flourishing, its companies dominated, and everyone was trying to explain how it had happened and how to profit from that knowledge. Unfortunately, so many different theories were advanced that what resulted was more confusion. In this confusion additional works of fiction only served to foster more conflicting perceptions of the Japanese.

Regardless of genre, the Second World War was one of the most common and expected settings for works about the Japanese. War, as a perennial theme in the arts, is a common topic of creative minds. In most such movies and books the Pacific Theater was a static setting. On one side the Japanese were the evil antagonists and on the other the Americans were the embodiment of righteous heroism.

Yet the Pacific Theater held a distinctive place in the American mind. As Ruth Benedict claims in the opening of her classic work on Japanese culture, *The Chrysanthemum and the Sword*, "The Japanese were the most alien enemy the United

³¹ *Lexington Herald-Leader*, 16 November 1985.

³² Johnson, *The Japanese Through American Eyes*, 15.

³³ James P. Womack, Daniel T. Jones, and Daniel Roos, *The Machine That Changed the World* (New York: Free Press, 1990).

States had ever fought in an all-out struggle.”³⁴ A steady stream of popular histories, war memoirs, and World War Two fiction added to this perception of the Japanese. The Japanese of the war were a people of both evil acts and unknowable minds, capable of both human logic and cunning as well as animal ferocity. The legacy of the Second World War weighed heavily in the minds of those who had fought and those who felt the burden of America’s faltering economy.

However, in addition to the histories and novels about America’s triumph over aggression and evil, many works also looked inward at American mistakes and barbarism during the war. In his Pulitzer Prize-winning oral history *The Good War* (which spent over five months on the *New York Times* bestseller list),³⁵ Studs Terkel recounts the stories of individual soldiers and others who lived through the war. In one account, similar in tone to many others, E.B. (Sledgehammer) Sledge tells of his anger towards the Japanese for what was done in China, the Philippines, and Bataan. In the same interview Sledge also remembers atrocities committed by American soldiers.³⁶ In the same work Terkel also tells the story of several *hibakusha*, survivors of the atomic bombs dropped on Hiroshima and Nagasaki. In addition to lingering animosities about the war, Americans were well aware of the horrors inflicted in the dropping of the bombs. Several works such as John Hersey’s *Hiroshima* were extremely influential in the United States.

³⁴ Ruth Benedict, *The Chrysanthemum and the Sword: Patterns of Japanese Culture* (Cleveland: World Publishing Company, 1946), 1.

³⁵ Johnson, *The Japanese Through American Eyes*, 15.

³⁶ Studs Terkel, “*The Good War*”: *An Oral History of World War Two* (New York: Ballantine, 1984), 56-63.

Americans flocked to hear survivors' accounts of the bombings and donated money for memorials, outreach, and survivor healthcare.³⁷

While hard to quantify, guilt as an influence in American attitudes toward the Japanese was not limited to the *hibakusha*. During the Second World War thousands of Japanese-Americans were detained in internment camps in the U.S. in order to ensure that they would not spy for the enemy. It was during the late 1970s and 1980s that many of those who were imprisoned in these camps began to bring the incidents to national attention. In 1988, Congress passed a bill which gave each survivor of the camps \$20,000 and offered an official apology. President Reagan, when signing the bill, called the camps "a grave wrong," and pointed out that Japanese-Americans had remained loyal during the war.³⁸ How much of an impact feelings of guilt played on American attitudes toward the Japanese is a subject beyond the scope of this study. However, it is important to recognize that Americans were discovering ambiguities in previously clearly defined lines of right and wrong concerning the war.

The concept of the Japanese as alien and unique contributed to a third category of works. In many treatments of Japan and its people the Japanese were the intriguing "other," a culture that was at once fascinating and impenetrable. This idea pervaded many books and movies regarding Japan, and some popular books and movies featured this motif, focusing heavily on ideas of honor and the martial history of the country. Inevitably, these works trended toward the violent aspects of Japanese culture. The Japanese, these works contended, simply held drastically different views about man's

³⁷ John Hersey, *Hiroshima* (New York: Vintage Books, 1989), 134-52.

³⁸ Ronald Takaki, *A Different Mirror* (Boston: Little, Brown and Co., 1993), 401-2.

relationship to society. It was these works that focused on defining for western audiences how the Japanese thought.

Two particularly popular works made heavy use of this idea. The novel *Shogun* by James Clavell told the story of an English ship captain who found himself wrecked in seventeenth-century Japan.³⁹ In the epic story the protagonist, Blackthorne, views medieval Japan through the eyes of a westerner. [Given Blackthorne's reaction to Japanese sexual practices and violent acts it seems likely that the character is viewing them more through the prism of twentieth-century sensibilities than those of a seventeenth-century mariner.]⁴⁰ He and his crew are subjected to tortures and cruelties as their captors decide their fate. They have entered a world of violence and subjugation where the military establishment rules all facets of daily life. Arrogant samurai behead those of lower status on a whim, and suicide is not only frequently practiced but is something to be desired as a final path towards honor.⁴¹

Blackthorne is exposed to a litany of abuses and humiliations. However, instead of hate he grows to respect the Japanese. Clavell leads his audience, through his protagonist, down a path toward appreciation and acceptance of his interpretation of historical Japanese culture. Yet it must also be understood that the primary appeal of *Shogun* was a fascination with a culture unique and alien to American sensibilities. This factor and the allure of violence cannot be overlooked in the popularity of the novel and the later twelve-hour miniseries on NBC. It is obvious from the work's popularity that in

³⁹ Clavell's John Blackthorne is based loosely on Englishman William Adams, who came to Japan in 1600 on a Dutch ship that wrecked off the coast of the island.

⁴⁰ Johnson, *Japan Through American Eyes*, 111-17.

⁴¹ James Clavell, *Shogun: A Novel of Japan* (New York: Dell Publishing, 1975).

regards to Japan, Americans expected both a violent and an alien culture. *Shogun* simultaneously reinforced this belief and urged its audience to attempt to understand the deeper facets of Japan and its people. It is unclear, though, whether it succeeded in this latter attempt.⁴²

Another popular hit during the decade that emphasized and utilized a theme of exceptionalism was the “Karate Kid” series. In the first movie a teenager who is being bullied, Daniel LaRusso, learns the Japanese martial art of karate from a neighborhood handyman. His mentor, Mr. Miyagi, teaches Daniel, through the course of three movies, about both self-defense and nonviolence. Four films were made in the popular series. (The fourth starred Hilary Swank as a female “karate kid” alongside Pat Morita reprising his role as Mr. Miyagi.) It is important that these films featured a positive image of Japanese and Japanese-Americans. As Sheila Johnson points out, “In *The Karate Kid* our guide to the Japanese ethos is a Japanese-American.”⁴³ Miyagi is not the typical stoic samurai of past works: he mourns his wife, drinks, and weeps for the burdens of his past which separate him from those he loves. Yet Miyagi is still in many ways a stereotype of the Japanese. He is obsessed with miniature *bonsai* trees and unswerving in matters of honor and duty. The movies also focus on many exotic features of Japanese culture. Throughout the films, moviegoers are deluged with images of *obon* festivals, tea ceremonies, and *kimono*. Daniel faces a culture that demands, in the name of honor, sacrifices that are painfully illogical and contradictory, all the more so because of the alien nature of the culture. The films brought to American audiences a picture of a

⁴² Johnson, *The Japanese Through American Eyes*, 111-17.

⁴³ *Ibid.*, 160.

culture that was both different and human and as such strengthened positive images of Japan while simultaneously reinforcing the alien nature of Japanese culture.⁴⁴

A fourth category of thought surrounding consideration about the Japanese seems to combine elements of the first three. In the aftermath of World War Two, many in the United States laid blame for the conflict on wealthy Japanese business leaders. These huge business conglomerates, known as *zaibatsu*, were responsible for Japan's war-making capability and, many believed, were also behind the incitement of the war. During the American military occupation after the war, many on both the left and right sides of the political spectrum urged the dissolution of these powers. However, most of the *zaibatsu*, seen as vital to the country's recovery, were allowed to survive.⁴⁵

By the Reagan era *zaibatsu* were no longer a subject debated in only the academic realm. Instead they had become the villain in a large number of popular works. In *The Rising Sun* these business leaders vied for control of the United States through subtle power plays and underground violence. However, in many works, *zaibatsu* were even more nefarious. Eric Lustbader's series of novels featured ninja - spies and assassins in medieval Japan - who are used freely and frequently by Japanese *zaibatsu* to assassinate business rivals in the United States.⁴⁶ Three of these novels, *The Ninja*, *The Miko*, and *White Ninja*, spent a combined thirty-five weeks on the *New York Times* bestseller list from 1980 to 1990.⁴⁷

⁴⁴ John G. Alvidson and Jerry Weintraub, *The Karate Kid*, Part I, II, III and IV.

⁴⁵ Johnson, *The Japanese Through American Eyes*, 60-67.

⁴⁶ Eric Van Lustbader, *The Ninja* (New York: Fawcett Crest, 1981); *The Miko* (New York: Fawcett Crest, 1984); and *White Ninja* (New York: Fawcett Crest, 1990).

⁴⁷ Johnson, *The Japanese Through American Eyes*, 15.

By the end of the decade *zaibatsu* had become the ultimate evil. In Clive Cussler's *Dragon* as well as Tom Clancy's *Debt of Honor*, Japanese business leaders actively sought the destruction of the United States. In *Dragon* a group of wealthy right-wing *zaibatsu* business leaders smuggle nuclear weapons into western countries in order to blackmail world leaders into acquiescing to their demands. They then insist (among other things) that Hawaii and California become Japanese territory. To draw readers' minds even further into a World War II mindset, the hero sets off an atomic bomb in the sea off the coast of Japan. The bomb had been intended as a third attack following the bombings of Hiroshima and Nagasaki. The bomber carrying it had been shot down and sunk, where it was left by the U.S. in order to ensure that no one knew it had ever existed. The underground explosion from the half-century-old weapon causes a tsunami that wipes out the enemy stronghold before the terrorist businessmen can activate their bombs.⁴⁸

In Clancy's *Debt of Honor* the *zaibatsu* are not just devious terrorists. The business leaders in Japan are those who control that country's government. These men, led by one who holds bitter memories from the war, guide Japan towards a direct military confrontation with the United States. First, they attempt to destroy the American economy through cyber espionage. Then the Japanese move to seize the Northern Mariana Islands, an American commonwealth. In the novel, Japanese citizens are whipped into an anti-American frenzy and violently target foreigners in the country. All of the difficulties are caused when the United States government passes a bill designed to

⁴⁸ Clive Cussler, *Dragon* (New York: Pocket Star, 1990).

mirror Japanese trade practices.⁴⁹ The suggestion is that war could easily flow from the very real trade friction between the two countries and that Japan would use violence to maintain an unequal trade balance. Both *Dragon* and *Debt of Honor* spent months on the *New York Times* bestseller list.⁵⁰

Whether popular fiction, movies, and other forms of entertainment were merely reflections of societal thought or, in fact, a driving force in the national psyche, matters little. It is through examining these most popular works that American perceptions of the Japanese can be seen. The fact that many people were exposed to, and sought out, these works clearly displays two sociological imperatives: Although many Americans were interested in the Japanese, a great number of Americans did not trust or were fearful of a powerful Japan.

While popular entertainment can be illuminating in many cases, it is of particular import when studying American attitudes toward Japanese and Japanese-Americans. Up until 1965, laws severely limited Japanese immigration to the United States. After regulations were loosened Japan was well on its way to economic power. As a result few Japanese actually chose to immigrate when they could. By 1980, Japanese-Americans were only the third-largest Asian-American ethnic group. Also, a majority of Japanese immigrants were female, married to an American husband. Also most Japanese immigrants were clustered on the East and West coast.⁵¹ As a result, relatively few Americans (particularly in the Midwest where most implants were built) had first-hand encounters with an ethnic Japanese. The case was even rarer for an average American to

⁴⁹ Clancy, *Debt of Honor*.

⁵⁰ Johnson, *The Japanese Through American Eyes*, 15.

⁵¹ Roger Daniels, *Coming to America: A History of Immigration and Ethnicity in American Life*, (New York: Perennial, 2002), 352-53.

have contact with a first-generation Japanese or Japanese-American. This scarcity of exposure would for an average American magnify the significance of popular media and entertainment. For many in Middle America, books and films formed opinion long before Japanese-owned auto companies began building.

As Japanese auto companies were investing in implanted factories in the United States the national mood toward the Japanese appeared vaguely negative. The American government was struggling with a recession and trying to craft economic policies that could deal with a growing Japanese economy. At the same time polls showed that Americans were increasingly ambivalent about both America's future and Japan's intentions. While Americans faced Japan's growing economic clout, popular media portrayed a Japan that was both unfathomably alien in culture and consistently aggressive both violently and economically.

Kentuckians, then, had reasons to be suspicious of Toyota. Undoubtedly, most had been exposed to the national media, whether through national stories covered in the *Lexington Herald-Leader* or network and cable television, or simply popular fiction and word of mouth, the flow of information was constantly available for those who would be the decision makers in Central Kentucky. For older Kentuckians, memories of the Second World War contributed to the impressions of the Japanese. Letters to the governor's office following the announcement of the plant often mentioned fears that were prevalent in the American popular culture that has been discussed. The Second World War was also often mentioned.⁵² However, Kentuckians also had a strong reason to welcome Japan's largest automaker. Toyota, like the Japanese automakers that came

⁵² The Correspondence of Martha Layne Collins, Governor of Kentucky, 1983-1987. A 1987- 494 box 7, Kentucky Department for Libraries and Archives, Frankfort (hereafter cited as Collins Papers).

to other states, offered thousands of well-paid jobs that Kentuckians desperately needed in the face of America's deepening recession. Martha Layne Collins and others in Kentucky government made sure that jobs were the focus of any public communications about Toyota.

Chapter 5

The State

On November 14, 1985, Governor Martha Layne Collins held a lavish state dinner at the Executive Mansion in Frankfort for Toyota executives who were concluding their inspection of possible sites for a car plant to be built in the United States. The unexpected late-night fireworks caused some in the area to call the police, concerned that the state capital was being attacked.⁵³ The following morning Collins' advisor and head of Kentucky's Japan branch, Jiro Hashimoto, went to the hotel where the Toyota visitors were staying so he could buy all the copies of the morning papers. Even if the visitors had enjoyed the fireworks, they would not have enjoyed the publicity, as confidentiality was of great importance to the company. While working to lure the Toyota plant to Kentucky, Collins often disagreed with advisors who recommended low-key events.⁵⁴ The governor's instincts proved to be correct. However, her solicitousness towards Toyota was only one of her tactics for drawing in the company. As Hashimoto's actions demonstrate, Collins had to maintain a fine line in many matters in order to establish the appearance of a united and friendly front for Toyota executives as well as potential investors. Most of the governor's efforts in her attempt to win Toyota went towards presenting the state as a place that would be welcoming of the automaker.

In order to appreciate Toyota's decision-making process and its evaluation of Kentucky's political climate, it is important to understand and evaluate the actions of the governor. Many, both with Toyota and in Kentucky, gave the majority of the credit for

⁵³ *Lexington Herald-Leader*, 16 November 1985 and 2 May 1986.

⁵⁴ Fraas, *The Public Papers of the Governors of Kentucky: Martha Layne Collins*, 7-8.

the company's choice and the fairly smooth transition to Governor Collins. In an interview in 2010, Governor Collins pointed to her childhood as a Southern Baptist and her attending meetings of the Women's Missionary Union. "I grew up studying missionaries all over the world and when you study missionaries you study the geography, the topography, the education, the politics, the food -- all of it. And so it's easy for me to work with them." "Basically what you have to have is what your mother taught you," she continued, "your Sunday manners, to be polite, to be respectful."⁵⁵

Toyota was the last and largest of the major Japanese automobile companies to build a plant in the United States. Because of its joint venture with General Motors to manufacture cars in California, many believed that the company would remain absent.⁵⁶ And by 1985, the Japanese government had lifted the voluntary quotas on auto imports that it had compelled Japanese automakers to accept.⁵⁷ Other factors, however, made a Toyota import plant not just profitable but necessary. While Toyota had hung back, other Japanese automakers had been busy establishing plants and bases of loyalty. Toyota had watched as its competitors' overseas operations earned increased profits. Making the situation even more profitable, the United States had allowed the value of the dollar to fall against the Japanese yen and other currencies. This was an attempt to make U.S. exports less expensive in competitor markets. With the dollar low compared to the yen it had become much more cost efficient for the Japanese to build in the United States than in Japan. So even without the threat of trade restrictions, the low dollars had the

⁵⁵ Interview by author, Martha Layne Collins, 22 June 2010.

⁵⁶ P.P. Karan and W.A. Bladen, "Japanese Investments in Kentucky," in Karan, ed., *Japan in the Bluegrass*, 38.

⁵⁷ *Lexington Herald-Leader*, 2 March 1985.

unintended consequence of drawing foreign direct investment from competitors eager to build on American soil and buy American companies and real estate.⁵⁸

Toyota was not the first target of the governor's attempts to draw investment. After Commerce Secretary Carroll Knicely had recommended to the newly elected governor that the Commonwealth make overtures to a variety of companies. Collins formed a team of advisors to work toward economic development. This team was composed of Knicely, Cabinet Secretary Larry Hayes, and Ted Sauer, the executive director of the Kentucky Commerce Cabinet's Office of International Marketing. The governor's team attempted to lure auto-makers from both the United States and Europe before looking toward Japan.⁵⁹

By the time Kentucky established an office in Japan in April 1983, twenty-one other states already had offices in that country. By 1985, however, Kentucky's commerce secretary was able to announce a new Japanese investment in the state, "on the average of once every 60 days."⁶⁰ In the early part of the decade the Japanese, according to Knicely, knew little of Kentucky: "They knew about Kentucky Fried Chicken and 'My Old Kentucky Home' and that was about it The image they had of Kentucky was primarily of a backwoods state."⁶¹ This sentiment was echoed by the head of Kentucky's Japan office, Jiro Hashimoto: "My most difficult task was to give Kentucky a new image as an industrial state for Japanese investors, rather than as the home of Kentucky Fried

⁵⁸ Perrucci, *Japanese Auto Transplants in the Heartland*, 25-26.

⁵⁹ Interview by author, Martha Layne Collins, 22 June 2010.

⁶⁰ *Lexington Herald-Leader*, 16 September 1985.

⁶¹ *Ibid.*

Chicken and bourbon whiskey.”⁶² Kentucky’s goal of attracting Japanese business thus hinged on first conquering prejudices on both sides.

Many factors, such as unemployment numbers, geography, and education, played roles in the decision making of Toyota and others. However, only a few of these could be immediately manipulated or accentuated by the governor’s office and its negotiators. Three tactics the governor’s office employed were the most successful in strengthening ties to Japan and Japanese business.

First, the governor made use of Kentucky’s existing contacts with the Japanese. Kentucky Fried Chicken Japan sponsored many of the governor’s activities in the region, even paying \$1.5 million to sponsor one of her trips to Japan in 1985. In popular culture The Stephen Foster singers, who performed “My Old Kentucky Home,” were very well known in Japan, where they toured in 1985.⁶³ The governor seized on this cultural tie by having the group perform for many of her functions with executives.⁶⁴ Commerce Secretary Larry Hayes, who was Kentucky’s cabinet secretary at the time, regarded the name recognition alone as being very important to the state’s initial attempts to meet with executives.⁶⁵

Collins and Hashimoto chose to make use of preconceptions of Kentucky rather than instantly trying to debunk them. Put simply, the majority of people in Japan had little thought of the state. Those who had occasion to think of that part of the United States probably brought some stereotyped images with them. However, it was much more important for Kentucky to become known to those in the Japanese business

⁶² Karan and Bladen, “Japanese Investment in Kentucky,” in *Japan in the Bluegrass*, 38.

⁶³ *Lexington Herald-Leader*, 16 September 1985.

⁶⁴ Martha Layne Collins to Bert Ballard, undated, Collins Papers.

⁶⁵ Interview conducted by author, 22 May 2010.

community than for the state to sponsor a myth-busting tour. After speaking with automotive makers both in the United States and Europe, Governor Collins began calling on companies in Japan as part of her visits to the country. She started with lower-ranking officials and worked upward with each meeting. “Some people might have gotten very aggravated or impatient or whatever but I didn’t.” she has recalled. “We built a relationship, I had lots of friends, still do, in Toyota.”⁶⁶

The news media was a second factor in Governor Collins’ foreign relations. They played an important role in attracting Japanese investments. *The Lexington-Herald Leader*, in particular, one of Kentucky’s leading newspapers, was outspoken in its support for the Toyota plant. After the announcement of the plant, the paper ran more than two dozen editorials mostly in favor of the project and the state’s investment.⁶⁷ In addition to its role of informing Kentuckians about the factory, the news media played an important part in attracting investments. It is clear from interviews in national newspapers that Japanese business leaders often closely examined American media.⁶⁸ Larger companies would have meticulously scrutinized any site for investment months ahead of time.⁶⁹

While investigating central Kentucky through the media, Japanese executives would have seen several articles published in the *Herald-Leader* in which several Kentucky cabinet members praised Japanese business investments in the state despite strong anti-Japanese rhetoric from the national congressional leadership and Reagan

⁶⁶ Interview by author, Martha Layne Collins, 22 June 2010.

⁶⁷ Stanley D. Brunn, “Attitudes toward Japanese Investments in Kentucky,” in Karan ed., *Japan in the Bluegrass*, 273.

⁶⁸ For examples, see *New York Times*, 6 April 1982, 29 September 1987, and 8 February 1990.

⁶⁹ While there is no direct confirmation that Toyota monitored Kentucky media, the actions Hashimoto took after the banquet provide strong anecdotal evidence that many had reason to believe this was the case.

administration. In an interview published in the paper, Commerce Secretary Knicely lauded Japanese investment in Kentucky as “a boost” to the economy. In referring to the trade friction between the U.S. and Japan, Knicely said it “doesn’t disconcert me at all . . . I feel like we are helping the trade imbalance when we attract investment here.”⁷⁰

The previous year the paper had published an article about the benefits that Nissan had given to the small town of Smyrna, Tennessee. The town was once known primarily for the speed-traps it used to bolster its failing revenue. Now, with the new auto plant, the town was growing and thriving.⁷¹ Kentuckians could see the results of Japanese investment in many surrounding states. In addition to Nissan in Tennessee and Toyota’s joint venture in California, other Japanese automakers had built plants in Ohio, Indiana, Michigan, and Illinois.⁷² In December the paper also ran an article praising plants in both Tennessee and Ohio.⁷³ The more the media covered these implants the greater the benefit was to both Toyota and Martha Layne Collins. As other plants were accepted in the Midwest, Toyota could make use of the expectations such success instilled in prospective communities anxious for the potential employer. Kentuckians saw jobs being created in other states as well as at home by plants supplying parts to plants in other states. Through this positive coverage, Collins could present Kentucky as a place united in its desire for a Toyota plant and eager to accept outsiders.

Viewing Kentucky as a place that would enthusiastically welcome a Toyota plant was ultimately one of the critical factors in the company’s decision. When asked why his company chose Kentucky a Toyota official said:

⁷⁰ *Lexington Herald-Leader*, 16 September 1985.

⁷¹ *Ibid.*, 24 June 1984. The paper also reported about Smyrna and Honda in Ohio on 8 December 1985.

⁷² Perrucci, *Japanese Auto Transplants in the Heartland*, 6-7.

⁷³ *Lexington Herald-Leader*, 8 December 1985.

The most decisive factor was the dinner party hosted by Governor Collins in November. Governor Collins arranged to have many people there – The president of the University of Kentucky, the president of the Kentucky Chamber of Commerce and all these people. Our people thought that here in Kentucky everybody is united to help Toyota.⁷⁴

Giving Toyota a picture of a united Kentucky was not accomplished merely through dinner parties. Governor Collins and her aides displayed particular solicitousness towards Japanese businesses. After the dinner party Collins released a statement about the event saying that Toyota had “repeatedly asked that their site evaluation process be conducted in a highly confidential manner I cannot emphasize to you too strongly the need for maintaining this level of confidentiality.”⁷⁵ The governor’s office honored this request diligently. Before the dinner the governor knew that the site selection was down to Kentucky or Tennessee;⁷⁶ however, no mention of this leaked to the press.

Throughout the selection process, Governor Collins and Kentucky’s Commerce Cabinet remained remarkably attentive to Toyota as well as other foreign investors. In September 1985, Commerce Secretary Knicely told the *Herald-Leader*, “In this administration we’ve made four trips to Japan They know if they have a problem that needs to be solved, we can be on the scene – with the governor, if necessary.”⁷⁷ While being interviewed in 2001, Collins recalled her approach to the negotiations:

⁷⁴ *Louisville Courier Journal*, 14 October 1986, found in Perrucci, *Japanese Auto Transplants in the Heartland*, 68.

⁷⁵ *Lexington Herald-Leader*, 16 November 1985.

⁷⁶ Elizabeth Fraas, “‘All Issues Are Women’s Issues’: An Interview With Governor Martha Layne Collins on Women in Politics,” *Register of the Kentucky Historical Society* 99, No. 3, (Summer, 2001): 243. (hereafter Fraas interview).

⁷⁷ *Lexington Herald-Leader*, 16 November 1985.

Toyota was my customer. I was providing a service. Toyota had narrowed it down from around twenty states, to sixteen, down to ten. At one point they asked for more information. I told [executive director of the Kentucky Commerce Cabinet's Office of International Marketing] Ted Sauer, "Take this information and go [to Japan and] personally deliver it, and stay there, and answer any questions they might have." That project team didn't have any other states that did that. So it was one of those things where they said, "They're going to work with us."⁷⁸

Governor Collins later stated that as far as she was aware Kentucky was the only state that had high-ranking cabinet members personally deliver information to Toyota. She credited this in part for her success.⁷⁹ Collins also recalled sending her team to New York City to "accidentally" run into Toyota chairman Eiji Toyoda and arrange a telephone conversation with Collins.⁸⁰ It was on this New York trip that the decision was made to establish a plant in Kentucky.⁸¹

In addition to the governor's office, local Georgetown officials and state legislators also met with Toyota and often expressed a desire to work towards accommodating the company. Collins later said that because so many legislators had visited Japan and Asia and had talked with Toyota and other companies, it made the passage of an incentives package in the legislature much easier.⁸² Kentucky's U.S. Senator Mitch McConnell said through a spokesman that he had been in contact with Toyota several times a week and was available to "meet, talk, answer questions, persuade, cajole, whatever."⁸³ Georgetown's mayor and the Scott County Judge

⁷⁸ Fraas interview, 241.

⁷⁹ Interview by author, Martha Layne Collins, 22 June 2010.

⁸⁰ Ibid.

⁸¹ Janet W. Patton and H. Milton Patton, "Dynamics of Growth and Change in Georgetown, Kentucky," in Karan, *Japan in the Bluegrass*, 125.

⁸² Interview by author, Martha Layne Collins, 22 June 2010.

⁸³ *Lexington Herald-Leader*, 27 November 1985.

Executive also answered questions from the company's selection committee and expressed a strong desire for the plant.

A final (and ultimately controversial) tactic used to reinforce Kentucky's desire to help Toyota was the record-setting incentives package the state offered to the company. Many economists have speculated that the size of the incentives packages matter little to large companies given that the largest incentives represented only a small fraction of the initial investment a company had to make to establish a plant.⁸⁴ However, Kentucky's incentives package, estimated to be between \$125 and \$350 million, was at the time the largest state incentive ever offered to a multinational corporation.⁸⁵ [While much of the incentive went for land options and tax incentives, \$55 million went directly to worker training and much also went to providing the initial hiring infrastructure for the plant.]⁸⁶ In an interview with the *Louisville Courier-Journal*, a Toyota executive spoke about the importance of Kentucky's huge incentives package when asked if other states had offered more:

I cannot say because once we actually decided to come here then we started to go into details. The other states we did not get into that. Those incentives [from Kentucky] were just enough to cancel out the disadvantages, such as inadequate sewage capacity, hilly land and narrow roads near the site. If the government had not offered that we would not have been able to come here. But we came here not because of that (the incentives package) but because we felt we had the full support of the people here.⁸⁷

⁸⁴ Perrucci, *Japanese Auto Transplant in the Heartland*, 131.

⁸⁵ Karan and Bladen, "Japanese Investment in Kentucky," in *Japan in the Bluegrass*, 20.

⁸⁶ Ibid.

⁸⁷ *Louisville Courier Journal*, 14 October 1986, found in Perrucci, *Japanese Auto Transplant in the Heartland* 131-32.

As the quote indicates, the incentives package was important to Toyota. (It would have been absurd for a company official to curtail future possible incentives by indicating that they did not matter.) However, when the decision for a plant location was made, the actual size of the package had not been negotiated. Jiro Hashimoto agreed, saying, “Incentives were not everything but Toyota wouldn’t have located in Kentucky without the incentive package because of the competition from other states.”⁸⁸ Indeed, further research conducted during the 1990s indicated that incentives bore little significance financially when a company was choosing a location. Incentives became more important after the decision was made.⁸⁹ The most important part of the incentive was that it signified that the state was fully supportive of Toyota.

As Robert Perrucci suggests, incentive packages can also have another relevance for multinational corporations. By observing the political maneuverings in forming an incentives package and the later public debate after the package is made public, a corporation can gauge the level of support that exists within the state for the company. A governor who promises something and then has trouble within his or her own legislature would then lose credibility in negotiations. Also, if a legislature is strongly divided, then the site loses value even if the dollar amount of the package is large. In addition, the size of an incentives package before it is made public indicates the strength of the negotiators because it reveals the level of confidence in the strength of the package that the governor and legislators anticipate. A larger offering gives assurance that once the incentives

⁸⁸ Interview by author (conducted via email), 11 May 2010.

⁸⁹ David M. Potter, “State and Local Government Negotiations with Japanese Multinational Corporations,” in Karan, *Japan in the Bluegrass*, 51.

package is made public that it will stand. Thus, “the politics of the incentives package may be more important than its economics.”⁹⁰

One important value of the incentives package was that a large portion of it went to acquiring the land on which the plant would be built. This allowed Toyota executives four important advantages in addition to lessening expenditures on the initial cost of the plant. As previously mentioned, Toyota was afforded the opportunity to observe reactions of citizens in Georgetown to a possible plant. While negotiations were handled in secret, the presence of Japanese nationals and sudden presence of a third party (in this case Norfolk Southern)⁹¹ making inquiries about land options was an obvious indication to citizens about the strong possibility of Toyota’s building a plant in Scott County. While most of the small community was enthusiastic about the reported three thousand jobs the plant represented, some landowners balked at initial attempts to acquire their property.⁹²

This difficulty with some of the holdouts in the attempted acquisitions allowed Toyota to observe the standing of Kentucky’s government in terms of following through on its promises. Favorable terms in any agreement would have little benefit if the state could not honor its end of the bargain. Meanwhile Toyota’s third advantage, that of plausible deniability, allowed the company to avoid some of the bad feeling that any strong pressures on landowners might generate in the media.

Finally, in its role as a third-party observer, Toyota’s process for finding a site was greatly simplified. The company could devote resources that might have been used

⁹⁰ Perrucci, *Japan Auto Transplants in the Heartland*, 133-34.

⁹¹ *Lexington Herald-Leader*, 26 November 1985.

⁹² *Ibid.*

to negotiate for land for other pursuits. It could also measure the public reaction generated by the speculation about the site and the actions of the state and those acting for the state. In this manner the value of the state's incentives package figured greatly in Toyota's decision. While the monetary value of the package held significance, it was also of great value to the company in gaining insight into the mindset of the other parties in the situation that had yet to directly voice their opinions concerning the potential agreement. The state could make any contract with the company it chose but the ultimate say in the success of Toyota's venture would belong to the citizens of Kentucky.

Chapter 6

The People

The official announcement of Scott County as the location of Toyota Motor Manufacturing, Kentucky, was made on December 11, 1985.⁹³ In the final days before the announcement all indications pointed to Kentucky. Indeed, the night before official word was given, Senator McConnell called a press conference to make his own announcement.⁹⁴ However, it was not until the governor, state and local officials, influential Kentucky citizens, and Toyota executives gathered in rural Scott County to openly dedicate the site that average Kentuckians began to openly play a part in the decision-making process.

In assessing the reaction of Kentuckians to Toyota it is important to study not just quantified reactions on the part of citizens, such as through surveys. It is also useful to observe how leading actors tried to influence public reaction. By analyzing local government, state government, the media, Toyota, and other interested parties it is easier to understand both how the public was expected to react and why it reacted the way it did. Of particular interest are the local government's interaction with Toyota and the gubernatorial election of 1987. Politicians, as the most vulnerable to public opinion, often provide clues, through their actions, of how the public was expected to react. The successful gubernatorial campaign of Wallace Wilkinson, who first spoke out against the incentives deal and then later retracted some of his harshest rhetoric, is particularly revealing.

⁹³ Karan, ed., *Japan in the Bluegrass*, 1-3.

⁹⁴ *Lexington Herald-Leader*, 12 December 1985.

As Toyota used Kentucky's incentives package to gain insight into how Kentuckians would view the plant, so too did the record-breaking payout serve as a jumping-off point for citizens to make their initial observations about the deal Governor Collins had concluded on their behalf. The people's reaction to this offer to Toyota as well as other perceived negatives and positives would ultimately lead the commonwealth to form a relationship with the large multinational corporation. The nature of this relationship, not secret negotiations and back-room deals, would be the difference in whether the venture succeeded or failed. Also, additional supplier plants and businesses might have appeared to have fallen into place in a "domino effect" as Governor Beshear asserted in 2008.⁹⁵ However, the character of Toyota's relationship with the people of Kentucky was what influenced where each plant would be located. In other words, it was no guarantee that Toyota's suppliers would locate in Kentucky.

Similar to her strategy to sell Kentucky to Toyota was the governor's effort to shape the company's image to Kentuckians. But Collins was not the only party trying to influence public opinion regarding the automobile giant. The media in Kentucky before and after the announcement devoted a great deal of attention to Toyota. Between 1984 and 1986, the *Lexington Herald-Leader* ran hundreds of articles concerning the company. Particularly in the days leading up to a decision from the company, the paper published several articles about the benefits of similar imports to other states. The majority of these articles mentioned the large number of jobs and the economic boost offered by the factory. However, the paper also pointed out the potential negatives of the plant, including additional traffic congestion, possible pollution, and increased population.

⁹⁵ Beshear, JASK conference, 25 March 2008.

As the media, with its own role to play, worked to make Kentuckians aware of all views, each of the other actors in the arrangement made their positions known. The two most visible parties, the state government and Toyota, each immediately began to paint the agreement in a positive manner, extolling the added jobs, the boost to the economy and education, and the positive image that the plant could give to the state.

However, after the plant was announced, others began to voice opposition to the company. These critics cited widely diverse reasons, yet they all seemed to revolve around the central theme of resistance to a perceived imposition on citizens by forces that they could not control. In order to understand the complex web of competing interests it is vital first to understand the participants involved in the debate and their own desires. It is how the people of Kentucky perceived these groups that set the foundations of the state's relationship with Toyota. Of the participants in the debate the most prevalent were Toyota, state government, local government, organized labor, and one very vocal group called Concerned Citizens and Businessmen of Central Kentucky (CCBCK). The following will focus on how each group presented itself and its interest to citizens of Kentucky as well how the Commonwealth responded to these groups. Additionally, because it is of particular value in assessing public reaction, the role of the media and how it was used by and how it responded to each party will be examined.

Additionally, while using the media to analyze different groups and the power they wielded, it must be understood that the media was also a powerful group. In the growing relationship between Toyota and various powers within the commonwealth, the media also had the power to control the nature of the liaison. Each editorial, news story and even advertisements, added to the general knowledge the public used to make its

decision. The media, however, decided what was newsworthy and what could be overlooked. And as will be seen later, even the decision about what was in proper taste, had lasting impacts on how Toyota was able to settle into Kentucky and the community of Georgetown.

Toyota and the People:

Toyota, the largest of Japan's automakers was also the most conservative of the transplant companies.⁹⁶ Change for the automaker was difficult, just as it was for the citizens who would feel its impact. It was the role of the company to recognize the problems that could occur and lessen the inevitable tensions.

While the Toyota plant would have the most direct impact on Scott County and the Lexington Metropolitan area, the whole of Kentucky had a role to play in determining the success of the venture. With such a large undertaking Toyota would need "willing workers, nearby suppliers and a convenient base for U.S. operations in rural Scott County."⁹⁷ None of these could be supplied completely by the small community of Georgetown. Using a system of "just-in-time" delivery, Toyota's production methods differed radically from typical mass production in the United States. Instead, Toyota employed a production technique known as "lean production," which utilized small groups and broad employee classifications. Instead of opposing force relationships

⁹⁶ *Lexington Herald-Leader*, 8 December 1985.

⁹⁷ *Ibid.*

between labor and management, a consensual relationship was emphasized.⁹⁸ And most important to Toyota's success, long-term relationships with suppliers were necessary.⁹⁹

The automobile, a complex piece of machinery, required a ready supply of parts made to very exacting standards. In order to ensure a steady output of products, each part, ranging from seats and steering wheels to full body frames and tires, must be available in a steady stream to the assembly plant. Unlike American auto companies, lean production as practiced by many Japanese companies called for very little on site inventory. Instead, parts were provided daily to the assembly plant from a large network of supplier plants located within a close driving distance of the central factory. This system called for close ties between Toyota and its suppliers, many of which would be located in Kentucky. In order for Toyota to succeed, these suppliers needed to succeed.

The difficulties surrounding differences in business practices between U.S. and Japan most often surrounded the *Keiretsu* system. *Keiretsu*, often compared to *zaibatsu*, refers to the interconnected and interdependent system of multi-company conglomeration of industry.¹⁰⁰ Toyota's *keiretsu* structure, a focus of many studies, has been called "one of the most complicated *keiretsu* systems of the Japanese enterprises."¹⁰¹ Unlike *zaibatsu*, the *keiretsu* system often skirted antitrust laws in both Japan and the United

⁹⁸ Contrary to many models of the day, in theory, the Toyota model made no distinction between those who worked on the assembly line and those who directed their labor. All employees at the plant should be trained in every job at the plant, and a clear chain of advancement followed the acquisition of knowledge as an employee built seniority.

⁹⁹ Richard Florida and Martin Kenney, "Transplanted Organizations: The Transfer of Japanese Industrial Organizations to the U.S.," *American Sociological Review* 53 no. 3. (June 1991): 381-98.

¹⁰⁰ Chalmers Johnson, *MITI and The Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford: Stanford University Press, 1982), 11-12.

¹⁰¹ Unryu Suganuma, "The Geography of Toyota Motor Manufacturing Corporation," in Karan, ed., *Japan in the Bluegrass*, 90.

States by an interconnectedness not just of family or ownership, but also through loose associations. For instance, an executive from one company might sit on several boards of a competitor. In addition, many executives maintained friendships with leaders of supply companies or companies that could influence their own. To many critics, the *keiretsu* system was perceived as even more threatening than the *zaibatsu*. The chain of connection was much more convoluted and hard to break through.¹⁰² This centralization of control and interconnectedness of Japanese business often caused concern among Kentuckians. However, Governor Collins suggested in a recent interview that because Toyota owned a majority share of most of its suppliers, it was more likely those suppliers would locate in the state despite the rancorous atmosphere surrounding the incentives package.¹⁰³

Although most central Kentuckians welcomed the plant, the question was not whether Toyota would be seen as a good thing for Georgetown. The question was what the environment would be later for the suppliers and those associated with the plant. In order for the whole system to succeed, the voters of Kentucky needed to anticipate a future in which benefits could be felt around the state. The state government, as a representative of Kentuckians, would not always play ally to the corporate interests of Toyota if the citizens of the commonwealth saw no, or little, benefit from the relationship.

¹⁰² Mid-America Project, Inc, *Keiretsu, USA: A Tale of Japanese Power*. (July, 1991) . This was a pamphlet used by labor leaders and other opponents of Japanese business in the United States.

¹⁰³ Interview by author, Martha Layne Collins, 22 June 2010.

The nation as well as Kentucky viewed the Japanese through the prism of mass media and entertainment. Toyota, in Kentucky, became the focus of feelings about the Japanese in the state. This anti-Japan sentiment was often used by forces opposed to the plant or Toyota's business model. [Several protests against Toyota were held outside the Japanese Embassy in Washington, D.C.¹⁰⁴] The interest the nation found in Japan became interest in Toyota. So, too, did the distrust and fear of a growing Japanese economic power. As Kentucky's new symbol of the world's second-largest economic power, it was incumbent upon Toyota to work swiftly to shape its image in a positive light. It was also incumbent upon state officials to follow through on delivering a citizenry that was fully behind the deal. Governor Collins had promised a Kentucky that would be united in support of Toyota. Although much of the state may have seen the potential good from Toyota, the situation was still tentative as the people of Kentucky were suddenly confronted with the reality of a Japan that was much closer than a book or film.

The benefits of the Toyota plant to the areas around Georgetown were relatively obvious. However, the rationale for the rest of the state was less evident. In matters pertaining to image, Toyota was fortunate to have the state government working on its behalf. In many instances the interests of the state and the company coincided. While the state had to justify its large incentives to the automaker, Toyota immediately had to start playing the role of a good corporate citizen.

Not coincidentally, the nature of Toyota's agreement with the state allowed it to remain in the background on many controversial issues. In some cases, inaction on the

¹⁰⁴ Interview by author, Bill Londrigan, 17 May 2010.

part of the company worked in its favor as much as some more overt measures. Two of the biggest expenditures of the incentives package were for the purchase of land and for the training and hiring of workers for the plant. These were also two of the most volatile areas of Toyota's interactions with the citizens of the state. Perhaps one of the best decisions on the part of Toyota was to let the state handle matters that under other circumstances the company might have wanted more control over. In other words, by relinquishing one type of power, Toyota was able to redirect the power to the public, instead of placing itself directly in playing field.

In some instances conflict surrounded the purchase of farmland from families who had inhabited the area for decades. In the case of one particular family, conflict grew when Marilyn Singer, a farmer's wife, refused to sign documents for a land option on the property. Although the property was for the Toyota plant, the story in the media centered around the commerce cabinet and pleas to the woman from both state and local government officials.¹⁰⁵ Toyota was regarded more as a silent witness to the exchange as heated rhetoric floated around the state. Eventually the deal was agreed to without the consent of the woman, with arrangements made between state arbitrators and her husband.¹⁰⁶ In this case, much of the negative attention involved the state government. Viewpoints concerning the negotiation were focused on the family and the governor's office instead of the company.

Second, over 60 percent of the state's incentives package for Toyota was dedicated to the training and hiring of potential workers. In the year following the announcement of the plant, the governor's office alone received dozens of letters from

¹⁰⁵ *Lexington Herald-Leader*, 6 December 1985.

¹⁰⁶ *Ibid.*, 1 August 1986.

citizens in the area looking for employment. By the beginning of 1987, more than 40,000 people had begun the application procedure.¹⁰⁷ Most of these prospective employees would have to be turned away. With the burden of these disappointments directed towards the state's employment office (Toyota still had the final say in hiring but referrals came from the Kentucky Employment Office), the carmaker was allowed enough distance to claim a modicum of innocence in the matter.

It was reported that whatever bad feeling existed about Toyota was in fact directed at the state and not at the company. The governor's secrecy during the deal was often mentioned in news stories and commentaries about the plant. One Scott County resident echoed the sentiments of many in the rural community: "I have really bitter feelings about the governor I feel she pulled a fast one."¹⁰⁸ Many Kentuckians often separated feelings about the governor or the legislature from their feelings about the company. Relieved of some of the burdens of bad press, Toyota was allowed to focus on community relations and publicity.

On May, 1986, during the groundbreaking ceremony for the plant, Toyota made one of its first moves toward reconciling its goals with attitudes in the community. The company announced it would donate one million dollars for the county to use for public facilities.¹⁰⁹ While the county initially indicated it would use the money for upgrades to water and sewer facilities, it eventually decided to use it for a new community center.¹¹⁰

¹⁰⁷ Ibid., 12 January 1987.

¹⁰⁸ Ibid., 10 August 1986.

¹⁰⁹ Ibid., 6 May 1986.

¹¹⁰ Ibid., 9 January 1987.

A little more than a year later, Toyota announced a corporate gift of \$50,000 to the United Way of the Bluegrass in addition to \$42,000 donated by its employees.¹¹¹

Gift giving, however, was not the only way Toyota tried to persuade the community it was a “good corporate citizen in Kentucky.”¹¹² The company also remained responsive to local concerns about matters ranging from urbanization to the environment. The company often met with local officials and interest groups.¹¹³ The term “good corporate citizen” was used frequently by Toyota. The phrase became the mantra that the company employed to surround its attempts to earn the approval of the community and the state. On April 17, 1987, Toyota made one great stride towards winning the graces of the local community. The city of Georgetown had been worried about how to pay for the mounting expenses that were associated with the plant. To help alleviate this burden, Toyota sent a letter to Tom Prather, its mayor, asking that the company be made an “official corporate citizen and taxpayer of Georgetown.”¹¹⁴ This allowed the city to collect around \$1.7 million a year in tax revenue from Toyota and its employees by annexing the plant site. This surprise move on the part of the company garnered significant praise from local officials.

While it is obvious that Toyota was making overtures towards the community for the sake of establishing itself as a solid corporate citizen, these gifts, as well as the jobs the company offered, served to accomplish the goal of cementing Toyota as a vital part of the state. The automaker, however, could not affect these changes on its own. The local

¹¹¹ Ibid., 15 October 1987.

¹¹² Ibid., 6 May 1986.

¹¹³ Ibid., 10 August 1986, and Perrucci, *Japanese Auto Transplants in the Heartland*, 129.

¹¹⁴ Ibid., 17 April 1987.

and state governments also played a vital part in welcoming Kentucky's newest corporate partner.

The State Government and the People:

While making a transition to U.S. production was difficult for Toyota, helping Toyota to become firmly established in the state was much more trying for the governor as well as local officials. Elected officials had two fronts of conflict to face in the aftermath of the announcement of the new plant. While the added jobs gave a boost to the governor's Democratic Party, the incentives package as well as perceived negative impacts associated with the development gave ample ammunition to political opponents. Officials had to strive to appeal to voters as well as formulate policy that would accommodate Toyota and honor the agreements made in negotiations for the plant. Many times these two goals were in direct opposition to each other.

In the years after the announcement, the governor's office received some seventy requests concerning employment at the plant or Toyota. The office referred all such letters to the Cabinet for Human Resources. It is remarkable that such a large number of people found the need to go directly to the governor's office with job inquiries long before the plant actually opened. Yet this fact also displays the tenuous position occupied by the state government. Over half of the state's incentives obligation was devoted to handling human-resource needs for Toyota. The Department for Employment Services within the Cabinet for Human Resources had "overall responsibility for recruitment, testing, training and job selection and referral efforts for Toyota Corporation

and the companies involved in preparation of the site and facility.” This placed the additional burden on the department of “monitoring, evaluation, assessment, detailed accounting and follow-up during all phases of our involvement.”¹¹⁵

Those applying for employment with Toyota represented a large number of citizens. In addition to the 40,000 who applied for employment, the family, friends, and associates of those job seekers comprised a potentially powerful force in terms of votes and public opinion. By taking the burden of the hiring process from Toyota, the governor had effectively made the job search of thousands of Kentuckians a political issue as well as a personal one. Thus it was vitally important to elected officials at the state level for the Toyota venture to succeed.

Of course, it is notable that the large portion of the incentives package devoted to worker training as well as other parts that involved education gave the governor’s office an important public-relations advantage. During her term, Governor Collins often cited the need for improved education. The incentives package also called for a robotics institute at the University of Kentucky, a school for Japanese children, and other expenditures for training and education.¹¹⁶ So while the incentives package was indeed a liability for the governor, it was also a large educational expenditure, and the governor’s office rarely missed an opportunity to point out this fact. Collins often needed the media to dispel many of the false impressions that were evident in some of the letters her office received. “You need the media, you need people, to try to help you explain and educate rather than just throwing something out wanting the reaction,” Collins commented

¹¹⁵ E. Austin Jr., Letter to Martha Layne Collins, 20 May 1986, Collins papers.

¹¹⁶ Fraas, *The Public Papers of Governor Martha Layne Collins*, 274-76, and *Lexington Herald-Leader*, 18 December 1985.

recently. “I’m an old schoolteacher, and when there’s misinformation on a page I’m going to mark it with a red pen. I don’t like misinformation. We like accuracy. Okay?”¹¹⁷

As the state worked to highlight the positive aspects of the incentives package, it also painted a picture of immediate benefits from Toyota. Many proponents of the plant declared that Toyota would bring a much-needed image boost to the state. In the year following the announcement and groundbreaking for the plant, state and local officials mentioned the change in the state’s image that Toyota brought in as least sixteen different stories published in the *Lexington Herald-Leader*.¹¹⁸ The proclaimed image boost that the large plant brought to the state served as a mollifying influence. The jobs from Toyota would go mostly to those in the central part of the state; however, tax dollars for the incentives package came from all Kentuckians. Often the strongest reactions against the plant and the incentives package in particular came from outside central Kentucky.

Most elected state officials believed that the Toyota plant must be a success. However, some of these same officials also realized that quick political gains could be made by voicing open opposition to the large incentives package. The incentives package quickly won approval in the Kentucky legislature. But, shortly after the initial announcement of the package, an open rift became visible between those who opposed the package and those who saw its necessity. The Toyota plant itself was rarely mentioned in this debate. Most politicians refused to argue against the thousands of jobs it represented. The incentives package was almost regarded as a separate matter. This

¹¹⁷ Interview by author, Martha Layne Collins, 22 June 2010.

¹¹⁸ *Lexington Herald-Leader*, throughout. Methodology used was a searchable word-processing document containing all of the newspaper articles about Toyota from 1984 to 1987.

development was an obvious benefit to Toyota. The governor and state legislators, conversely, found difficult political ground in the large expenditure of state funds. This public compartmentalization of issues also shows that the citizens of Kentucky held both a definite desire for the plant to succeed and a resentment (varying in severity) of the way the state had conducted the negotiations. It was important to Toyota that this resentment and suspicion not be attached to its venture.

It was clear that many Americans feared the economic power of the Japanese. It seems that much of the fear and suspicion of Kentuckians shifted in the immediate aftermath of the announced deal. Without making its negotiations public, the governor had made an agreement with a large company that was also a representative of the world's second-greatest economic power. As a symbol and de facto representative of Japan, Toyota also became a focus of the interest that many Kentuckians felt for the company. It can be argued that while the interest many felt for Japan became focused on Toyota, the fear and suspicion of Japan became an anger that was instead directed at the state government. This is suggested by the rhetoric of war and race rhetoric that many people used in letters to Governor Collins.¹¹⁹ That is not to say that Toyota did not have to deal with some fear mongering from organized opposition. However, it is clear that opposition to the incentives package was mostly antagonistic toward the governor. This is most apparent during the gubernatorial campaigns. While political opponents criticized the governor, in the *Lexington Herald-Leader's* coverage, most avoided direct negative comments about Toyota.

¹¹⁹ Collins papers.

Within the governor's Democratic Party severe criticism of the incentives package led the way in the upcoming gubernatorial campaign. (At the time Kentucky governors were limited to one term.) Lexington businessman Wallace Wilkinson claimed that the incentives package was exorbitant and a sign of weakness for the state: "I think it went wrong from Day One because we approached the negotiations with an attitude that we had to have them (Toyota) whatever the cost."¹²⁰ Later in his campaign Wilkinson stepped up his criticism, commenting to reporters that the deal "was stupid. We gave away too much. That money could have been used in creating just as many, maybe more, jobs throughout the state."¹²¹ Of the gubernatorial candidates, Wilkinson was the most outspoken critic of the Toyota deal, even running several television advertisements that were sharply critical of the incentives package.¹²²

Other candidates, including Lieutenant Governor Steve Beshear, also criticized the deal. (Later, as governor in 2008, Beshear would tout his role in the deal.)¹²³ As the *Lexington Herald-Leader* pointed out at the time, the deal was an easy target because it had already been "offered, accepted and approved."¹²⁴ It is interesting that the Republican frontrunners were hesitant to criticize. Both Larry Forgy and State Representative John Harper, the eventual Republican nominee, had played supporting roles in the deal. Forgy had personally encouraged holdout Marylyn Singer to agree to sell land to Toyota. This is also possibly because one of the state's leading Republicans, U.S. Senator Mitch McConnell, was a strong advocate for the agreement and even

¹²⁰ *Lexington Herald-Leader*, 18 August 1986.

¹²¹ *Ibid.*, 3 May 1987.

¹²² *Ibid.*, 20 March 1987.

¹²³ Beshear, JASK conference, 25 March 2008.

¹²⁴ *Lexington Herald-Leader*, 18 August 1987.

claimed some of the credit for the plant before the official announcement.¹²⁵ Governor Collins recently commented that Senator McConnell had no role in luring the plant.¹²⁶ The senator's office acknowledged in 2010 that Senator McConnell played no part in the deal.¹²⁷

John Harper introduced a resolution in the Kentucky House of Representatives in February 1986 "requesting Toyota to use American engineers, architects, contractors, and labor in designing and constructing the Georgetown Toyota automobile plant."¹²⁸ This stand on the part of the Republican delegation in the House was relatively toothless when compared to Democratic rhetoric. When announcing the resolution Harper told the *Lexington Herald-Leader*, "We're for the plant, and, by and large, the delegation supports the administration's \$125 million incentive package to get the plant."¹²⁹

After he had won the Democratic nomination, Wilkinson eased his criticism of the deal. The Democratic nominee told reporters, "My campaign message was not an attack on Toyota. I have nothing against Toyota This commonwealth has entered an agreement with Toyota and I would expect it to be carried out."¹³⁰ However, Wilkinson's campaign rhetoric had been worrisome to Toyota, whose officials met with the outgoing Collins administration in order to ensure that all parts of the deal were finalized and the state could not break its agreements. Collins later admitted that Wilkinson's opposition was a difficulty. "It made my job harder, very hard It wasn't just Toyota, think about, we got a hundred and forty-some supply companies. So if you cut off your nose to

¹²⁵ Ibid., 12 December 1985.

¹²⁶ Interview by Author, Martha Layne Collins, 22 June 2010.

¹²⁷ Statement from the office of Senator Mitch McConnell to the author, 21 April 2010.

¹²⁸ 18 February 1986, House Resolution no. 84, 86 RS BR 2132, found in Collins Papers box 7.

¹²⁹ *Lexington Herald-Leader*, 15 January 1986.

¹³⁰ Ibid., 29 May 1987.

spite your face by being ugly to the one thing, then what are you going to get?"¹³¹ After securing his primary victory, Wilkinson quickly moved to assure Toyota and any future investors that the state was still interested in providing a friendly business environment. In November 1987, Wilkinson would win the governor's race.

Whether intended or not, it is conceivable that Wilkinson's opposition to the incentives deal also helped to offset possible anger on the part of the thousands of Kentuckians who would be turned down for employment with Toyota. While the state was handling much of the hiring, Wilkinson, as governor, could point to his record of resisting the deal and blame the previous administration when disgruntled applicants complained of hiring problems. What is definite is that Wilkinson found it politically expedient to separate himself from the agreement. By doing so he also gained some strength in terms of policy towards the automaker during his term in office. Wilkinson's opposition may have also led to further gains for Kentucky. Toyota, perhaps preferring to deal with Collins, negotiated an engine plant to be built in Scott County before she left office. The engine plant added another 500 to 1,000 jobs to the gains in employment for the county.¹³²

The fact that Wilkinson made the Toyota project a major campaign issue is important in understanding how the people of Kentucky regarded the situation. The results of the campaign are even more important in understanding how Kentuckians had accepted Toyota. This is particularly true for central Kentucky and Scott County. In the Democratic primary, Wilkinson received 25.4 percent of the vote in Scott County, placing him second in the county. As will be shown later, the citizens of Scott County

¹³¹ Martha Layne Collins, Interview by author, 22 June 2010.

¹³² *Lexington Herald-Leader*, 21 October 1987 and 9 October 1987.

foresaw significant economic benefits to the plant; however, they were skeptical about many of the possible effects of industrial development. The inconclusive position of the people of Georgetown and Scott County can clearly be seen in the rest of the state as well. Many throughout the state both supported Toyota and opposed the incentives plan. Although it is impossible to ascertain true motivations, it is possible that this separation between cost and benefits allowed most who had reason to fear the situation to direct anger at state government instead of Toyota. It would be inappropriate to conclude that this was the case for even a significant amount of those who raised oppositions. However, it must be understood that this is a possibility and the actions of many in the public eye provide strong anecdotal evidence to this interpretation.

The governor's office also had difficulties outside of the state. Many of the challenges to the deal caused the federal government to delay granting the Toyota plant foreign-trade-zone status. A foreign-trade-zone or sub-zone allowed companies to delay paying tariffs on imported parts until the finished product was shipped.¹³³ Whether opposition to sub-zone status was the cause or an excuse for delays is unclear. However, it is apparent that the difficulties in attaining FTZ status were further indication of the growing friction in American attitudes toward foreign trade. The opposition in Kentucky is an additional manifestation of many of these frustrations.

In an attempt to settle the many questions regarding Toyota, the governor's office decided on what it called a "friendly lawsuit."¹³⁴ Most of the opposition to the incentives package centered around the question of whether it was constitutionally acceptable.

¹³³ Ibid., 26 March 1986, and letters to Martha Layne Collins from Malcolm Baldrige, US Secretary of Commerce, 16 May 1986 and 6 October 1986 as well as letter from Collins to Baldrige 20 March 1986. found in Collins papers box 7.

¹³⁴ *Lexington Herald-Leader*, 6 February 1986.

According to Kentucky's constitution, the state government could only give land for public use and specifically forbade transferring land to private corporations. The Collins administration and others argued that allowing the company to use the land in order to create jobs constituted public use. However, the question would remain unsettled until the Kentucky Supreme Court ruled on the constitutionality of the incentives package. On May 7, 1986 the state filed a lawsuit in Franklin Circuit Court to force a ruling. More than a year later, on June 11, 1987, the Supreme Court ruled in a narrow four-to-three decision that the incentives package was constitutional. While the legal battle over the incentives package had ended, the public debate continued.¹³⁵ And in the intervening year between the filing of the lawsuit and the final decision, the debate would become exceedingly acrimonious.

The Opposition and the People: AFL-CIO

In the year it took for the Kentucky Supreme Court to reach a verdict, two opposition groups vociferously opposed any action reconciling the state with Toyota. The United Auto Workers and other union interests made specific use of the incentives package to raise public sentiment in favor of their goals. Ultimately, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) wanted the Toyota plant to open as a union shop. Toyota's joint venture with General Motors, New United Motor Manufacturing Incorporated, was a union plant, so the United Auto Workers had reason to believe that the Georgetown plant could be as well. The initial

¹³⁵ Ibid., 12 June 1987.

skirmishes, however, were fought with the Ohbayashi Corporation, which was overseeing the construction for Toyota.¹³⁶ The Georgetown assembly plant would ultimately not be unionized. But the battle between organized labor and the Ohbayashi Corporation played a more significant role in the early formation of a relationship between the citizens of Kentucky and Toyota.

Initial tensions formed when Ohbayashi began preparing for construction. To handle the labor contract, the company hired the law firm of Ogletree, Deakin, Smoak & Stewart, a firm known as a “union-buster.”¹³⁷ Larry Hayes called the choice a mistake and blamed inexperience on the company’s part. However, the move “created an environment that appeared to be an anti-union environment, when truth of fact Toyota was viewing the construction of this plant as a one-time cost.”¹³⁸ Others have claimed that Toyota never intended to use union labor and Ohbayashi’s choice of law firm was evidence that the company was antagonistic toward labor from the start.¹³⁹ Whether the choice was deliberate or not, it had the definite consequence of increasing the public perception that Toyota did not intend to open a union shop.

Within the AFL-CIO, the Building and Construction Trades Department handled initial negotiations with Ohbayashi. In June 1986, the AFL-CIO announced it would ask its affiliated trade unions not to refer any of their members to work on the Georgetown project.¹⁴⁰ Ohbayashi insisted on a merit shop arrangement. The unions balked because a merit shop would allow a non-union company to bid on work for the project.

¹³⁶ Ibid., 18 January 1986.

¹³⁷ Ibid., 25 November 1986.

¹³⁸ Interview by author, Larry Hayes, 22 May 2010.

¹³⁹ Interview by author, Bill Londrigan, 17 May 2010. Londrigan is now the President of the Kentucky AFL-CIO. And *Lexington Herald-Leader*, 11 July 1986.

¹⁴⁰ *Lexington Herald-Leader*, 7 June 1986.

Ohbayashi also required contractors to “agree to a no-strike clause and to work without regard for different shifts and who installs equipment.”¹⁴¹ In other words, once a contract was signed, union workers would be stripped of vital leverage in any further negotiations.

The AFL-CIO undoubtedly wanted to force Ohbayashi (and Toyota) to employ only union workers. The cause, though, was much larger than one construction project. The AFL-CIO chose the Toyota project deliberately. Toyota was emblematic of the influx of foreign automakers, most of which were non-union. Jerry Hammond, the head of the Kentucky State Building Trades Council, voiced the stand of organized labor: “We’re going to draw a line here and take a stand . . . [agreeing to Ohbayashi’s terms] would be like digging our own grave.”¹⁴²

Hammond took the lead in the union’s fight against Ohbayashi in Kentucky. As attempts to unionize continued, it became obvious that the conflict was not just between Ohbayashi and the Building Trades Council. The real conflict was between Toyota and union leaders. While negotiations between the Building Trades Council and Ohbayashi were carried out around a table, the larger conflict was played out in the court of public opinion.

For the purposes of understanding the formation of Kentucky’s relationship with Toyota, it is more important to appreciate public sentiment concerning the union fight and not just the legal debate. In point of fact, the two were often confused at the time. The *Lexington Herald-Leader*, at one point, was forced to print a retraction when it reported that the AFL-CIO had met with Toyota officials.¹⁴³ They had, in reality, met

¹⁴¹ Ibid.

¹⁴² Ibid.

¹⁴³ Ibid., 11 July 1986.

with officials from Ohbayashi. Taking this confusion into account, Hammond and other union officials chose to pressure Toyota instead of Ohbayashi. Bill Londrigan, who worked as a researcher for Hammond, said about Toyota and Ohbayashi, “From our perspective they were one and the same Ohbayashi wasn’t going to do anything without Toyota being one hundred percent in agreement.”¹⁴⁴ Public sentiment mattered far more to the auto company than to Ohbayashi. While Ohbayashi catered to corporate clients, Toyota sold directly to the public. It was also apparent that Toyota had significant power of coercion over Ohbayashi, because Toyota had frequently contracted with the Ohbayashi group over the course of forty years.¹⁴⁵

Londrigan has recalled public opinion as being a powerful force in favor of the Building Trades Council. “We were trying to build pressure on them, that’s what we were trying to do,” he recently said. “We were pressuring them any which way we could to try and get them to come to the table.”¹⁴⁶ In targeting Toyota and others who could be pressured, Hammond chose the most visible source of contention surrounding the deal. Direct tactics were not the only means unions officials used in order to pressure Toyota. Shortly after union negotiations with Ohbayashi broke down, Hammond petitioned the court to become part of the “friendly” lawsuit the state had filed questioning the legality of the incentives package.¹⁴⁷

In addition to challenging the package, Hammond disputed any other attempts by Toyota to advance construction of the plant. He filed objections against the plant’s air-pollution permit and its waste-discharge permit. While publicly denying that he was

¹⁴⁴ Interview by author, Bill Londrigan, 17 May 2010.

¹⁴⁵ *Lexington Herald-Leader*, 18 January 1986.

¹⁴⁶ Interview by author, Bill Londrigan, 17 May 2010.

¹⁴⁷ *Lexington Herald-Leader*, 11 July 1986.

trying to halt construction on the plant, Hammond continued to exercise obstructionist policies toward the company.¹⁴⁸ Londrigan confirmed that time was a factor in the negotiations with Ohbayashi. Commenting that millions of dollars of work had already been done before negotiations even began. “Before we could even get our feet in the door they started construction work like lickety-split I mean we weren’t even at the table until the thing started rolling.”¹⁴⁹

In one of its most visible moves, the Kentucky State Building Trades Council also ran television advertisements critical of Toyota. The advertisements featured images of workers repairing the Statue of Liberty and claimed the Toyota plant project was a threat to American workers. This move was clearly aimed at Toyota instead of Ohbayashi, revealing that Hammond’s objective was to apply pressure to the auto company to intervene in the negotiations. The advertisement’s direct appeal to patriotism and reference to a foreign threat made obvious use of American fears of Japan. Accusations of xenophobia and outright racism implicit in the imagery caused considerable controversy. Many found the advertisements so objectionable that Lexington television stations refused to air them. They were only aired in Louisville.¹⁵⁰

The debate surrounding the use of union workers at the construction site was so threatening to the project that Lieutenant Governor Beshear wrote a letter to Martha Layne Collins urging her to become personally involved in the negotiations. He also offered his own services to help broker an agreement. Citing the harm the situation could cause for future business recruitment, Beshear wrote that “the Commonwealth can ill

¹⁴⁸ Ibid., 31 July 1986.

¹⁴⁹ Interview by author, Bill Londrigan, 17 May 2010.

¹⁵⁰ *Lexington Herald-Leader*, 7 August 1986.

afford to have this situation escalated into a long-term national labor-management problem.”¹⁵¹ Five Kentucky legislators also expressed apprehension, sending letters of concern to Collins, Toyota Chairman Dr. Shoichiro Toyoda, and the Ohbayashi Corporation.¹⁵²

Toyota faced a significant amount of pressure applied by public opinion and the state legislature. Hammond continued to attempt legal action to delay construction of the plant. The company was also facing a possible shift in power to a governor who regarded the company less favorably. By August, the AFL-CIO was calling for a boycott of Toyota vehicles.¹⁵³ Toyota executives fully understood the situation the company was in and the power of public opinion. Toyota’s general manager in Lexington told that city’s Rotary Club, “The Kentucky project cannot be considered a success unless Toyota and the community coexist in harmony.”¹⁵⁴ By November the union was staging protests against Toyota outside the Japanese embassy in Washington, D.C. They had also announced plans to picket the embassy on December 7, the anniversary of the Japanese attack on Pearl Harbor.¹⁵⁵ Before that date, however, Ohbayashi settled its negotiations with the Trades Council and agreed to hire workers, union and non-union, through union shops. While Toyota admitted no direct role in the settlement, most agreed that the automaker had decided not to risk harming public relations any further and had coerced Ohbayashi into a settlement.¹⁵⁶

¹⁵¹ Steve Beshear to Martha Layne Collins, 6 October 1986, found in Collins papers box 7.

¹⁵² Letter from States Representatives Pat Freibert, Mark Farrow and Louie Mack, and States Senators Ed Ford and John E. Trevey to Martha Layne Collins, 12 July 1986, containing letter to Shoichiro Toyoda and W. Ohba from above mentioned, 12 July 1986. Found in Collins papers box 7.

¹⁵³ *Lexington Herald-Leader*, 29 August 1986.

¹⁵⁴ *Ibid.*, 25 August 1986.

¹⁵⁵ *Ibid.*, 18 November 1986.

¹⁵⁶ *Ibid.*, 26 November 1986.

The settlement as well as other actions by the company signified that Toyota (as well as those in organized labor) was well aware of the power that citizens wielded over the success of the venture. In the most extreme of these situations, Toyota also understood the palpable undercurrent of racism that pervaded the public debate. Many Americans held outright animosity towards the Japanese. But even more worrisome, many more held beliefs of American superiority that could easily be used by those seeking to derail the plant for their own reasons.

The Opposition and the People:

Concerned Citizens and Businessmen of Central Kentucky

The second opposition group to Toyota seemed to have no specific goal other than to oppose either the deal with Toyota or certain parts of it. The Concerned Citizens and Businessmen of Central Kentucky (CCBCK) rapidly voiced opposition after the initial announcement of the plant.¹⁵⁷ As one of the first and the most vocal of the opposition groups, the CCBCK attracted those who opposed the deal for a variety of reasons. However, the most unifying factor for its members was resistance and suspicion directed against the Japanese people. Individual group members encompassed all of the fears that many Americans felt towards the Japanese.

An accurate assessment of any foreign implant cannot be achieved without examining racism at the time. Undoubtedly, racial bias played a large role in Toyota's struggle to gain acceptance in Kentucky, yet it is important not to place undue emphasis

¹⁵⁷ Initial reports of the group appear little more than a month after the initial announcement. See *Lexington Herald-Leader*, 15 January 1986.

on a single phenomenon. At times racial discrimination masked itself in terms of national security; however, it must be understood that few who believed that Japanese economic power represented an actual threat to security were racially motivated. Understanding that it is impossible to comprehend exactly an individual's true motivation, an examination of possibilities must be performed.

As the group most responsible for the use of rhetoric referring to race or nationality, the CCBCK represents the best place to begin a discussion of race as it applied to the Toyota project and Central Kentucky. However, the CCBCK was by no means the only group that used racial or xenophobic terminology to press their opinion. It has been shown that the AFL-CIO and others exploited fears of foreigners or jingoistic rhetoric to draw support for their cause. [A few examples include the previously mentioned anti-Toyota commercials and the planned demonstrations on the anniversary of the Japanese attack on Pearl Harbor.] The difference is that the AFL-CIO had a defined goal of eventually unionizing the Toyota plant. The CCBCK housed individuals with varied goals and reasoning, yet all directly opposed the venture.

The CCBCK drew many who opposed the plant but were unaffiliated with or opposed to unions. As the only group whose motivations were varied, the CCBCK represented a glimpse of the myriad reasons that caused many to criticize Toyota. However, in its public dealings the group most often mentioned three fears about the project: fear of Japan's economic power, concerns about the incentives package, lingering suspicion of the Japanese because of the Second World War. This is also true of the dozens of letters to the governor's office protesting the plant.¹⁵⁸

¹⁵⁸ Collins papers, box 7.

By far the most mentioned problem with the deal was the incentives package. However, the large amount of money involved indicated many things to many people. The head of the CCBCK, Don Wiggins, called the incentive “a giant step backward toward socialism.”¹⁵⁹ Meanwhile, most simply considered the deal a giveaway of state money that represented both a loss to the state as well as a symptom of Kentucky’s acquiescing power to a large business. To many, the large payout for the plant felt like the state was, in effect, begging Toyota to come to Kentucky. On a personal level it is perhaps understandable how many could view the government’s action as a loss of face for the state. Viewed through a prism of perceived inferiority to Japan the large incentives package could easily be seen as the state admitting that the only way it could improve its economic condition was to appeal to a foreign company. This phenomenon could also explain why many felt so strongly about the Toyota project. As was shown earlier, the rest of the country believed that Japan would soon surpass the United States as the strongest economic power in the world. In this state of pessimistic public mood reinforced by significant media coverage around the country a large foreign company making such a large impact in the region would have instantly been regarded with suspicion.

The strong feelings about the agreement may explain why past fears, already affecting the country, brought many to link Toyota with perceived Japanese economic aggression. This fear easily led to a third factor in the resistance many felt toward Toyota. In most contexts, fear of Japan’s economic power and memories of World War Two were inseparable. Certainly, in some cases the linking of Japan with the Second

¹⁵⁹ *Lexington Herald-Leader*, 17 January 1986.

World War, such as union protests on the anniversary of the attacks on Pearl Harbor, was a deliberate attempt to draw sympathy to their cause. However, it is also clear that many legitimately held these views.

Often in recalling the war many people referred to an economic war or invasion. Many echoed the sentiments of CCBCK member Glenn Roberts who said, "They tried to defeat our country in World War II with military force. They come out of that with another plan - 'we'll take their industry.'"¹⁶⁰ This rhetoric applying hostile terminology to economic situations clearly indicates that many citizens of Kentucky followed the national media of the day. As was shown earlier, much of America feared Japanese economic power.

Letters of protest received in the governor's office also frequently made reference to war fears and lingering animosity. Many accused the governor of treason, while others mailed clippings from various national newspapers and magazines that made reference to the attack on Pearl Harbor or Japanese economic aggression. With the exception of a few letters posing concerns about the plant's environmental impact, all of the letters questioned the large incentives package.¹⁶¹ As one letter writer said, "I fought these people in the 40's and now my tax dollars are being used to make their life better." The writer also wondered how many of the jobs created would be for Japanese nationals.¹⁶² Another writer said, "ask yourself this question-'Why do I want to give jobs to the

¹⁶⁰ Ibid., 30 July 1986.

¹⁶¹ Collins Papers, box 7.

¹⁶² Letter from John Connor to Senator Wendell Ford, forwarded to Martha Layne Collins, Collins Papers, box 7.

Japanese when our own unemployment situation is critical?' Do you want us to be stabbed in the back again?"¹⁶³

As these examples show, many around the state had little understanding of the particulars of the deal with Toyota. Some believed that the plant would be staffed entirely by Japanese. Others thought that the state was dealing directly with Japan. With little exception those who wrote to the governor opposing the plant referred to Toyota, Japan, and the Japanese as interchangeable.¹⁶⁴ This provides strong anecdotal evidence that Toyota, in the minds of many Kentuckians, was a focus of citizens' feelings about Japan and that many equated the plant with the national economic situation.

It is unclear whether racist sentiment caused resistance to Toyota or resentment of the incentives package gave rise to greater than average racist rhetoric. While an examination of race, in total, is beyond the purview of this work, it is nonetheless important to realize that racial sentiments did play a role in the debate. It is imperative to examine these racial frictions because the clash of culture also displays the power of popular voice in affecting policy on the part of both Toyota and the state government.

While it is hard to measure actual impact on the electorate, the racial imagery used by union leaders in anti-Toyota advertisements likely led Toyota to pressure a settlement between Ohbayashi and the Building and Construction Trades Union. Toyota made the decision that it could ill afford to have the negative press caused by the building project at a time when it was establishing a base of operations in the United States and seeking to avoid unionization in the assembly plant once it was built. Equally, while the victorious Wilkinson campaign did not in any way use racial posturing, it undoubtedly

¹⁶³ Letter from Marian Baker to Martha Layne Collins, Collins papers, box 7.

¹⁶⁴ Collins Papers, box 7.

benefited from its strong stance against the agreement by the previous administration. In the matter of the growing relationship between Kentucky and Toyota, the question of race became one small factor in a myriad of issues facing the company and the community as residents weighed the perceived costs and benefits from the plant. Against the other larger issues facing Georgetown, race quickly faded from the public forum just as the CCBCK faded as well. By April 1987 the group could only manage five protesters when they picketed the offices of the *Lexington Herald-Leader* complaining of pro-Japanese bias.¹⁶⁵

The Local Government and the People:

If one word could describe the local government's situation in Georgetown and Scott County during the construction of the Toyota plant, it would be "overwhelmed." Before the announcement of the Toyota plant, Georgetown had a population of around 11,000 and had over 170,000 acres of land devoted to agriculture.¹⁶⁶ (At the time Scott County listed only twenty-six residents of Asian or Pacific origin.)¹⁶⁷ In the following years the population in Georgetown increased significantly. By 2000 the official census population stood at 18,080.¹⁶⁸ As community leaders struggled to deal with increased demands on public utilities, services, and roadways, local citizens struggled to grasp what shape the community would have after the plant was established.

¹⁶⁵ *Lexington Herald-Leader*, 12 April 1987.

¹⁶⁶ *Ibid.*, 17 November 1985.

¹⁶⁷ *Ibid.*, 8 December 1985.

¹⁶⁸ Kentucky State Data Center, <http://ksdc.louisville.edu/sdc/census2000/cityprofiles/GeorgetownDP.pdf>, accessed on 12 August 2010.

Local government leaders were given little advance warning before the Toyota announcement. They were, of course, aware that the community was under consideration for the plant, but negotiations were handled at the state level.¹⁶⁹ This exclusion from the decision-making process had a great impact on how the community and its leaders reacted to the agreement. Georgetown mayor George Lenahan and Scott County Judge-Executive Charlie Sutton both participated in helping to show the county to visiting Toyota officials in 1985, and both of the local leaders also encouraged the deal.¹⁷⁰ This is not to say, however, that the impact of the deal did not negatively affect local officials. And by the time of the beginning of construction new officials were entering office in the aftermath of a local campaign held in late 1985.¹⁷¹ The pending industrial boon does not seem to have played a significant role in the local elections. It seems that the reality of the pressure of their new situation was unknown to the newly elected local officials.

Speaking about the new Mayor, George Lusby, a member of the town council told the media, "What used to be a laid-back, part-time job has become an impossible job for one person."¹⁷² Georgetown's new mayor, Samuel Pollock, who complained of "telephone elbow" was confronted with a barrage of unexpected problems. He told the *Lexington Herald-Leader*, "One of the biggest problems . . . is lack of information. Nobody has told the city what the state is going to do to help alleviate these gigantic problems. You just don't know. You're in the dark."¹⁷³ City officials specifically mentioned problems of overcrowding in schools and traffic congestion. Community

¹⁶⁹ Janet W. Patton and H. Milton Patton, "Dynamics of Growth and Change in Georgetown, Kentucky," in Karan, ed., *Japan in the Bluegrass*, 124.

¹⁷⁰ *Lexington Herald-Leader*, 17 November 1985.

¹⁷¹ *Ibid.*, 4 March 1986.

¹⁷² *Ibid.*

¹⁷³ *Ibid.*

officials were not the only ones to voice concerns about problems that the plant could cause. Other perceived problems mentioned within the community were: Increased crime and pollution, higher cost of living, shortages in housing, higher taxes, and harm to local farms.¹⁷⁴

In questioning the Toyota project, however, local leaders rarely directed frustrations at the automaker. Instead, most friction in the debate occurred between the state government and local officials. Local leaders felt that the state had the duty to assist in the transition their community was undergoing. Requests for assistance, though, were apparently given minimal priority by the governor. Referring to state officials, Pollock said, "I would suspect they feel they have brought this multimillion dollar industry in at considerable expense, so the spinoff[sic] in jobs and taxes should be sufficient for us But we still have concerns about what will happen between construction and the time when we get money from taxes."¹⁷⁵

The local government's role as both cheerleader for Toyota and antagonist toward the state represented the feelings of many in the community. As has been shown, many in Georgetown sensed that they had been left out of the discussion and felt resentment towards those in the state government who had brokered the deal. However, most in the county also saw the benefits, such as jobs, that could come with the factory. Local leaders were those most accountable to and closest to local citizens. They lived and worked in the community. They were, in fact, true representatives of the community in that they were both elected officials and citizens/residents. Thus a discussion of local

¹⁷⁴ James G. Hougland Jr., "Public Perception of Toyota in Kentucky," in Karan, *Japan in the Bluegrass*, 288.

¹⁷⁵ *Lexington Herald-Leader*, 24 August 1986.

reaction and perception of Toyota is best understood within a dialogue of local politics. As a matter of understanding public opinion the two often were (and remain) inseparable.

When discussing public opinion concerning Toyota two important caveats must be mentioned. First, as is to be expected, opinions often differed (especially concerning the incentives package) according to geographic separation from the area of the plant.¹⁷⁶ This is, obviously, because the greater the distance one was from the plant, the fewer benefits that individual could expect in terms of increased employment. However, in analyzing the nature of the relationship between Toyota and the state, the initial contact between the company and the local region would play the most pivotal role. This is because the region would come to act for the state as a form of litmus test for other regions that might have a supplier of the Georgetown plant in their community. This is also because geographic distance provided eastern and western parts of the commonwealth the objectivity to play the role of observer and to form opinion based upon evidence provided by the Toyota experiment.

The exception to this situation was that far eastern Kentucky had other reasons to become resentful of the situation. Toyota officials chose to use natural gas instead of coal to power the plant. This was inflammatory to the eastern coalfield regions of the state. Furthermore, Columbia Gas, which would provide gas for the plant, raised its rates for its customers in eastern Kentucky as well as central Kentucky in order to pay for the pipeline to the plant.¹⁷⁷ Thus most in the eastern part of the state saw little direct benefit

¹⁷⁶ This was especially true for regions falling outside of what many called the “Golden Triangle,” an area encompassing the northern tip of the state including Lexington and Louisville, i.e. *Lexington Herald-Leader*, 22 May 1986, 25 August 1986 and 6 October 1986.

¹⁷⁷ *Lexington Herald-Leader*, 7 March 1986, 15 October 1986.

from the venture and a heavy burden. This, more than geographic distance, probably led the eastern part of the state to be reluctant to accept Toyota.

Second, it is important to understand the role of economic class in the formation of opinions about Toyota. While economic concerns often outweigh class cohesion it is important to understand the underlying currents in regards to initial perceptions concerning the prospect of the Toyota plant. While many would reach similar conclusions in the matter to the evolution of opinion, the underlying causes for these decisions often dictated where opinions would diverge in other areas related to Toyota.

A distinct class separation can be seen in examining letters sent to the governor's office concerning Toyota. In the months following the announcement of the Toyota project, the governor's office received some forty letters of concern directly related to the project. Of these, the majority appeared to be from people who would be considered working class, middle class, or lower class. While many specifically mentioned their economic or job status, or exhibited a lack of education indicative of low economic status, almost all showed a level of class consciousness through identifying with those who would be considered proletarian or agrarian in origin.¹⁷⁸ Most letters opposing the plant were hand-written and contained profanity, grammatical errors, and accusations that "they are now winning the economic war by 'bombing' us with their auto plants."¹⁷⁹ Many others lamented the environmental and urbanizing impact of the plant.

While class cannot be determined concretely through allusion or education status, the nature of the complaints to the governor strongly suggested that those of lower income and education were more likely to reject either the Toyota plant or the incentives

¹⁷⁸ Collins papers, box 7.

¹⁷⁹ Letter from Michael Drutz to Martha Layne Collins, Collins papers, box 7.

package. This is by no means indicative of the wisdom of the deal. However, by recognizing the difference in class reaction it is clear that many on the lower tier of Kentucky society perceived no immediate benefits to be gained from a relationship with the multinational corporation. It also reveals that in the battle for public opinion those in blue-collar industry were the focus of attention for both those against the plant and its proponents. For the relationship to develop in an agreeable manner, those who were suspicious of the company, and those who spoke loudest, were the power base in control of Toyota's success. In other words, while class may have played a role in a person's likelihood of welcoming the plant, all economic classes held a significant degree of power in the success of the venture.

Conversely to the letters of complaint, the governor received over fifty letters of congratulations for her role in bringing Toyota to Kentucky. With few exceptions, the vast majority of letters expressly articulating support for the Toyota deal were printed on paper containing company or governmental letterheads. Business leaders and politicians from across the state were widely supportive of the venture. This fact by no means displays the degree to which these individuals identified with upper class or bourgeois society. The fact that most of those supportive of the deal were also from professional and business classes and felt strongly enough to articulate this in writing to the governor's office provides strong indications of the underlying issues that formed initial opinion. This is further supported by a sociological study by James G. Hougland Jr. that found a strong correlation between income level and likelihood a respondent would be supportive of TMMK.¹⁸⁰

¹⁸⁰ James G. Hougland Jr., in Karan. ed., *Japan in the Bluegrass*.

A study conducted by the University of Kentucky examining public opinion in Scott County revealed that class determinants such as income and education level indicated a person's likely response to the plant. Those who had failed to graduate from high school answered about 15 percent less favorably when they were asked if they believed the plant would benefit the area. However, within this group, the percentage favorable to Toyota was still the majority at 54.9 percent.¹⁸¹

Race and social class may have been factors in the base from which a relationship formed between Kentucky and Toyota. However, the most important factor in the relationship building process was what Robert Perrucci described as a cost versus benefit analysis. That is, members of society measured the benefits of the plant against the negative impact it could have. Much of this analysis occurred before the first automobile was produced during the construction phase of the enterprise. Perrucci pointed out that often the media and the government played a large role in this decision-making process:

Newspaper stories remind the reader repeatedly of the company's \$800 million investment; of the two thousand production workers to be hired; of the \$40 million payroll that will flow into the county; of the spin-off companies and thousands of jobs that will follow the transplant. And even before any of these things come to pass, there will be two to three years of construction with over one thousand workers and an \$11 million payroll.¹⁸²

Although the media held a significant amount of power and could have become an arbiter or advocate in the budding relationship, news sources and the local government, also gave a large amount of attention to negative factors involved with the plant. Frankfort's *State Journal* published six editorials in 1986 critical of the state's

¹⁸¹ *Lexington Herald-Leader*, 18 October 1986.

¹⁸² Perrucci, *Japanese Auto Transplants in the Heartland*, 107.

incentives package.¹⁸³ Georgetown's mayor, while supportive of the plant, often complained about the lack of assistance from the state with problems associated with overcrowding and the drain on local public facilities.¹⁸⁴ By September 1986, Samuel Pollock resigned as mayor of Georgetown due to health concerns. In his statement to the media, Pollock cited the pressures associated with accommodating the sudden impact of the plant on his community.¹⁸⁵

Pollock's resignation is emblematic of the stresses on the Georgetown community during the initial phases of the Toyota project. In the study of public opinion conducted by the University of Kentucky the majority of those questioned mentioned fears associated with large-scale industry and growth. School crowding and increases in crime and pollution were among the fears most often cited. Attitudes about the plant itself seemed to be ambivalent, with an almost even split in support for the incentives package. Equally large percentages cited both positive and negative aspects of the plant.¹⁸⁶

This hesitant attitude among the populace in Scott County is indicative of a situation that transcended simple classifications of class and race. While proponents on both sides of the issue made attempts to appeal to certain segments of the population, it appears that citizens of central Kentucky adopted an attitude of reserved judgment. This ability to remain un-swayed by the strong rhetoric on either side of the issue indicated that the citizens of Georgetown were willing to reserve judgment until further evidence was presented.

¹⁸³ Stanley D. Brunn, "Attitudes towards Japanese Investments in Kentucky," in Karan, ed., *Japan in the Bluegrass*, 272.

¹⁸⁴ *Lexington Herald-Leader*, 24 August 1986.

¹⁸⁵ *Ibid.*, 19 September 1986.

¹⁸⁶ *Ibid.*, 18 October 1986.

It cannot be concluded that failure to reach an overwhelming community consensus is indicative of a populace that is resigned to a situation forced upon it. The local government of Georgetown remained adamant in criticism of both the state government and Toyota. Residents in Scott County also frequently voiced concerns through demonstrations and lawsuits concerning matters from water to development. What is interesting, however, is that most of these complaints from citizens and local government were not directed at Toyota. The state government bore the brunt of these criticisms.¹⁸⁷ By September 1987 Tom Prather, who had succeeded Sam Pollock as mayor, had become strongly critical of Governor Collins. His letters to the governor, it was said, requesting aid had gone unanswered for months.¹⁸⁸ This slow response from the state government may have aided Toyota which was much more responsive to local concerns. Asking to be annexed by the city and making various charitable donations allowed Toyota to play towards the needs of the community that were going unheeded by the state. While Toyota was still an unknown entity to many residents, the resentment that had been generated by the state government allowed citizens to see positive possibilities. Prather voiced this attitude in 1987: "There is a degree of unknown about what changes will come It would be naive to think there won't be problems with a project this size. But the benefits outweigh the problems."¹⁸⁹

Perhaps the best indicator of the public's role in the developing relationship is that polls showed a steady increase in favorable views of the Toyota plant. Between 1986 and

¹⁸⁷ Ibid., 7 October 1986.

¹⁸⁸ Ibid., 28 September 1987.

¹⁸⁹ Ibid., 16 July 1987.

1995, the percentage of Scott County residents who said Toyota was benefiting the community went from just over 75 percent in 1986 to 90 percent in 1995.¹⁹⁰

Citizens of Scott County exercised a significant amount of power and influence in the developing relationship with Toyota. Through local government and the media they voiced criticism and demanded accommodations from both Toyota and the state. As one of the parties in the courtship involving the state and Toyota, Georgetown played one of the most vital roles in determining the nature of the pairing and retained significant control over local industrial policy.

¹⁹⁰Hougland in Karan, ed., *Japan in the Bluegrass*, 287.

Chapter 7

Summary and Conclusions

Given the secrecy involved in negotiations and the power represented by the state government and a large multinational corporation it is easy to assume that the introduction of TMMK to Georgetown was the result of large forces acting from outside a community. It would also be easy to assume that these forces spurred a progress that was both inevitable and beneficent to citizens who could only accept (in many cases grudgingly) the overwhelming tide of good fortune that progress carried in its wake.

Research reveals that this was not the case. The actions of citizens in Kentucky caused changes and reactions from both the state government and Toyota that forced events to shift in directions they favored. This is especially true in the case of Toyota which made donations and allowed the plant to be annexed by Georgetown in order to help alleviate the pressure the facility placed on local public services. Toyota also forestalled much of the possible trouble with union forces by allowing union labor to be used in the construction of the plant. Despite the governor's public relations blitz following the announcement of the incentives package, Kentucky later elected a governor critical of some aspects of the deal. Although the incentives deal passed quickly through the legislature, rifts quickly formed later. For their part the citizens of Scott County and their local leaders in Georgetown overlooked many of the negative impacts of the growing industry for the sake of future benefits that the majority viewed as favorable.

As events moved forward the courtship continued. While each party exercised power, one conclusion can be drawn: each party desired a relationship. The events were

not inevitable. Industrial development was a choice, not a definite conclusion. The desire to form a union of equal interest drove the courtship of Toyota. It is within this desire on the part of all involved that true history was made.

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