

ECONOMIC HISTORY

When a South Carolina City Tried to Become Motor City

The Fifth District's automotive entrepreneurs eventually lost out to the forces of agglomeration

BY JESSIE ROMERO

In the early 1900s, hundreds of entrepreneurs across the United States tried to get into the car-making business. Most of them produced only a few cars at best — but buggy maker John Gary Anderson of Rock Hill, S.C., thought he had a real shot at giving Henry Ford a run for his money. “These [Detroit] factories are turning out five thousand cars per annum,” he wrote in an appeal to potential shareholders. “Why can’t this be done in the South — even in Rock Hill? It can and we believe it will.”

The Anderson Automobile Co. did achieve national distribution and produced more than 6,000 cars between 1916 and 1926, far more than any other Southern auto manufacturer. It eventually failed due to faulty engines, not to mention price competition from the Ford Motor Co. But Anderson’s dream to turn Rock Hill into the car capital of America — and the aspirations of many other manufacturers — may have been doomed from the start, as the forces that contributed to the concentration of the auto industry in Detroit were well underway by the time he entered the race.

Made in Dixie!

Anderson was born in 1861 in Lawsonville, N.C., and raised by his grandparents after both his mother and father died of tuberculosis. In his teens, Anderson relocated to Rock Hill, then a town of fewer than 1,000 people just south of the North Carolina state line. (Today, Rock Hill is considered part of the Charlotte metro area.) Anderson was intent on climbing the economic ladder, and in 1881, with only a few months of formal schooling, he managed to purchase an interest in a grocery store. Three years later, he married Alice Holler, the daughter of a prominent local businessman, and started a successful buggy company with his new father-in-law.

As historian J. Edward Lee describes in his 2007 book *John Gary Anderson and His Maverick Motor Company*, Anderson was an enthusiastic booster of his adopted city. He formed its first chamber of commerce and played a major role in persuading the Winthrop Normal and Industrial College, today Winthrop University, to relocate there from Columbia in 1895. He also advocated diversifying the South’s economy away from cotton — in no small part because farmers dependent on the crop couldn’t afford to buy buggies when crop prices fell. Transforming Rock Hill would require “leaders of vision, courage and enterprise that are rarely found in small towns,” Anderson wrote in his autobiography. Not lacking in self-esteem, he believed he was up to the task.

In 1910, two years after Ford launched the Model T, Anderson and his sons started tinkering with gasoline engines. At the turn of the century, many cars had electric engines, but within a few years the internal combustion engine dominated the market. (See “Car Wars,” *Econ Focus*, Fourth Quarter 2014.) Six years later, they introduced the Anderson Motor Co. to the world with a week-long open house for prospective dealers and customers. The cars received favorable reviews; *Automobile* magazine described the “Anderson Six” as a “new car manufactured in a new territory... a good unit assembled in a neat chassis with extra lavish equipment.” It sold for \$1,250.

Anderson emphasized that lavishness, hoping customers would choose quality over cost. A brochure proclaimed, “You will find the upholstery deep and wide, stuffed with real curled hair and carefully tailored in real leather. You will find the finish of lasting luster, hand applied and hand rubbed, involving twenty-one distinct operations in all.” Anderson also appealed to regional pride, adopting the slogan, “A little higher in price, but made in Dixie!”



John Gary Anderson was a big proponent of advertising and designed his own ad campaigns. He manufactured a wide range of cars (including the 1919 Allen convertible Roadster pictured here) and painted them any color a customer wanted.

IMAGE: COURTESY OF DR. J. EDWARD LEE

For several years, the strategy appeared to be working; investors were eager, and 200 workers produced as many as 22 cars per day. The company wasn't a match for Ford, however, which had introduced the assembly line in late 1913 and by 1915 could produce between 50 and 250 cars per day in a single plant. Across more than two dozen facilities (including one that opened in 1914 in Charlotte), Ford was manufacturing more than 45,000 cars per month.

The U.S. economy entered a severe recession at the beginning of 1920. Many automakers had invested heavily in new equipment, anticipating a postwar surge in demand, but found themselves with excess capacity and debts they couldn't pay when that demand dried up. General Motors survived courtesy of an investment by the du Pont family; Ford survived by cutting prices even further (and by forcing dealers to accept — and pay cash for — shipments they hadn't ordered).

Anderson didn't have that kind of leverage, and he "seemed perplexed about the problems facing the industry," according to Lee. He didn't start lowering prices until 1921, and even then, his cars cost two to four times more than a Ford. It turned out most customers cared more about price than quality. "To be sure, [the Model T] didn't have many of the extras one got with the local product, such as silver fittings, satin-covered rope and twin vanity sets, but [it] usually got passengers to their destinations," Lee wrote.

Anderson persevered for several more years, urging local consumers to "buy at home" and warning "what a hole would be left in Rock Hill should the Motor Company be taken away." In 1922, he launched a cheaper touring car called the "Light Aluminum Six," which cost \$1,195. But a basic Ford touring car cost just \$298, and the new Anderson model turned out to have a major defect in its engine. The company had to shut down production to fix the problem and never recovered. Anderson appealed to the city for help, but in 1926 the Anderson Motor Co. and its assets were sold at auction for \$53,000, just enough to pay the back taxes. The *Rock Hill Record* reported the news on Sept. 9, 1926: "And thus comes to an end the most ambitious enterprise ever launched in Rock Hill."

Why Not Richmond?

Anderson wasn't the only automotive entrepreneur hoping to get in on the burgeoning car craze. By 1909, there were around 270 automobile manufacturing companies across the United States — and hundreds of other enthusiasts experimenting who never managed to actually produce anything. Nor was Anderson the only person optimistic about the South's prospects. In 1910, a writer for the *Richmond Times-Dispatch* gushed about the "vigorous and far-seeing young men" at the Richmond Iron Works, a cooperative of several small foundries, who were starting to manufacture cars in the city. "Why should not Richmond make automobiles just as good as any that ever came from the factories in Detroit or any other town?" he wrote. He added a prediction: "The automobile industry is

going to be a big thing for Greater Richmond."

The Richmond Iron Works ceased car production in 1912.

But it wasn't the end for Virginia auto manufacturing. Around the same time, a group of businessmen persuaded James Kline to move his company from Pennsylvania to Richmond. He set up on a plant on the Boulevard — today the site of a Greyhound bus station — where he assembled around 3,700 cars between 1912 and 1923. A little over 100 miles west, in Lynchburg, the Piedmont Motor Co. started producing cars in 1917. It manufactured between 2,500 and 3,000 cars, most of which were purchased by other companies and sold under other names, before going bankrupt in the early 1920s.

Many automotive entrepreneurs were, like Anderson, former buggy makers. In Baltimore, Charles and Jacob Spoerer, the sons of carriage and wagon builder Carl Spoerer, started making cars in 1907. Until deciding in 1914 to focus instead on tire and auto accessory sales, they manufactured, among others, a roadster, a touring car, and a landaulet, essentially a limousine with a convertible top. Richard Corbitt of Henderson, N.C., also was a carriage builder; his company, Corbitt Automobile Co., was the only North Carolina firm that managed to build a production model, although he sold at most 100 vehicles between 1907 and 1912. Corbitt continued building trucks and farm equipment until the company was liquidated in 1952.

Other manufacturers' connection to the auto industry was less clear. Baltimore's Sinclair-Scott was known for apple peelers and food-canning machines before it started producing a roadster called the "Maryland" in 1907. (The Maryland was originally manufactured in Boston under the name Ariel; Sinclair-Scott acquired the rights when Ariel went bankrupt.) Sinclair-Scott built close to 900 cars before going back to food canning in 1910.

One source of publicity for these early manufacturers was multiday driving tours, in which cars had to reach checkpoints within specific timeframes and were penalized for repairs. In these, the "Washington" automobile, manufactured in Hyattsville, Md., by the Washington, D.C.-based Carter Motor Car Corp., performed quite well. In the 1910 Munsey Historic Tour, a 12-day, 1,500-mile race, two Washingtons finished with perfect scores. An advertisement later that year proclaimed the Washington the "Victor of Victors." But Carter couldn't scale up and went bankrupt in 1912.

Automotive Agglomeration

Despite the flurry of activity in the Fifth District and across the country, the American automotive industry was highly concentrated nearly from the beginning. By most accounts, the industry got its start in New England in 1895. Within 10 years, 68 percent of auto manufacturing firms were located in just six cities: Detroit, New York, Chicago, Indianapolis, Rochester, N.Y., and St. Louis.

Detroit had the highest share, with 25 percent, followed by New York with 15 percent and Chicago with 10 percent. Indianapolis, Rochester, and St. Louis each had between 2 percent and 8 percent of firms. Concentration increased dramatically over the next four decades. Between the mid-1910s and the mid-1920s, the number of firms fell from around 200 to just 40, and Detroit's share increased substantially. By the 1940s, only eight auto manufacturers remained and nearly all of them were in Detroit.

Broadly speaking, there are four factors that could contribute to such geographic clustering, or what economists call "agglomeration." The first is intra-industry spillovers, which occur when firms located near other firms in the same industry share knowledge and inputs. There may also be inter-industry spillovers, when knowledge is shared across firms in related industries. Agglomeration might also occur when employees leave an incumbent firm and start another firm in the same industry, known as "family network" or "spinout" effects. Finally, a cluster might be the result of a location's unique attributes, such as natural resources or a favorable regulatory environment.

What explains the agglomeration of the U.S. auto industry? That question was explored by Richmond Fed economist Zhu Wang, Luis Cabral of New York University, and Daniel Yi Xu of Duke University in a 2018 article in the *Review of Economic Dynamics*. The researchers ran a "horse race" between the potential contributing factors and concluded that in the short run, the most significant were spinouts and inter-industry spillovers from local carriage and wagon manufacturers. Local inputs, such as iron and lumber, played a smaller role. "This finding highlights how human capital, accumulated at a location by working in the same or a related industry, contributes to industry agglomeration," says Wang.

From a long-run perspective, however, the location of the carriage and wagon industry in the first place was determined by the availability of local inputs. In addition, spinouts are influenced by the local regulatory environment; one reason there were so many spinouts in Detroit was that Michigan had passed a law banning noncompete clauses in 1905. In this sense, Wang says, "It is fair to say that location-specific effects accounted for the lion's share of the auto industry's agglomeration."

Wang and his co-authors distinguished two different phenomena: the agglomeration of the auto industry in a few cities, particularly Detroit, which had already occurred by the early 1900s, and the industry shakeout that led to the marked decline in the number of firms by the 1940s. "Before the assembly line, you needed a lot of producers to meet the demand," says Wang. "But the scale economies

created by the assembly line meant you only needed a few firms. Detroit had already built up an advantage that enabled it to capitalize on the new technology — and that agglomeration occurred before the industry consolidated."

Full Circle

After his company failed, Anderson spent most of his time in Lakeland, Fla., with his wife until his death in 1937. He never forgave Rock Hill for "abandoning" his company; he devoted nearly 100 pages of his 900-page biography to criticizing the leaders who hadn't returned his loyalty.

After the bankruptcy, Manhattan-based M. Lowenstein and Sons Co. purchased the vacant car factory and built a textile processing facility. Known locally as "the Bleachery," the Rock Hill Printing and Finishing Co. opened in 1930. Residents viewed the opening as "proof that the 'Good Town' [as Rock Hill was popularly known] was Getting Better," according to a 1953 history of Rock Hill by the late historian Douglas Summers Brown. The facility eventually expanded to 31 buildings over more than 30 acres and helped foster the economic growth Anderson had hoped to provide. In 1952 and 1960, Rock Hill residents had the highest per-capita income of any South Carolinians. At the peak in the mid-1960s, nearly 5,000 people — 70 percent of Rock Hill's workforce — worked there. With another 33 textile factories in Rock Hill, the Bleachery was at the center of an agglomeration of its own.

During the 1980s and 1990s, many textile manufacturers moved overseas. M. Lowenstein and Sons sold the Rock Hill Printing and Finishing Co. in 1985, and the new owners closed the facility in 1998. The building sat vacant for more than a decade, subject to fires and vandalism. The city purchased most of the site in 2011 and has partnered with developers to create a new complex called University Center, part of a broader revitalization effort known as Knowledge Park. Scheduled to be completely open by 2020, the mixed-use center will feature restaurants, apartments, office space, a hotel, an indoor sports complex, and housing for students at Winthrop University, the school John Gary Anderson worked so hard to bring to the city.

Detroit's "Big Three" auto manufacturers began to face serious foreign competition themselves in the 1980s. Today, eight of the top 10 automakers by U.S. market share are based overseas (including Chrysler, which merged with Italy's Fiat in 2014). And car and truck manufacturers, including BMW, Mercedes, Toyota, and the Japanese company Hino, operate plants in the Fifth District. BMW's plant is in Spartanburg, S.C., a little more than an hour's drive from Rock Hill. **EF**

READINGS

Cabral, Luis, Zhu Wang, and Daniel Yi Xu. "Competitors, Complementors, Parents, and Places: Explaining Regional Agglomeration in the U.S. Auto Industry." *Review of Economic Dynamics*, October 2018, vol. 30, pp. 1-29.

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