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## Interview with Dr.Chapman

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## Interview with Dr.Chapman

management component of the commodity futures market, and when the chance arose he decided to sell the feed and grain business and trade on the financial markets. His trading and hedging experience benefitted him as he researched and developed systems to analyze market movements and provide sophisticated risk management techniques. Initially, he traded his own capital on the market and was extremely successful. He later had the opportunity to manage third party funds, and subsequently formed GK Capital Management in 1986. From then GK Capital posted steady gains and soon ranked at the top of currency trading firms.

Currently, GK has offices in New York, Houston, Dubai, and Kuala Lumpur. However, the nerve center of operations is located in downtown Bloomington in the CII East building, where 5 employees (and Mr. Klopfenstein) research, develop, and test quantitative analysis techniques in relation to the market. Among this select group is Colin Fitzgerald, another alumnus of Wesleyan.

With all his success, Mr. Klopfenstein has not forgotten his roots. GK Capital has a consistent policy of interning Wesleyan students every semester, introducing them to the foreign exchange markets, and allowing them to gain experience in these complex markets.

## **Interview with Dr. Chapman**

by Anne Peterson

Dr. Margaret Chapman, Dr. Arun Elhance, and Dr. John Wenum collaborated their skills and talents to create a book entitled Mitsubishi Motors in Illinois: Global Strategies that explores the economic and political impact of Diamond Star Motors upon the

Bloomington/Normal area.

Diamond Star Motors initially began as a joint venture between Mitsubishi Motors Company and Chrysler Corporation. With an amenable incentive package offered from the State of Illinois, Mitsubishi began assembling automobiles. "Mitsubishi's production methods have won Car and Driver magazine awards," commented Dr. Chapman. "They have a reputation of being popular, high quality, and reasonably priced automobiles."

Chapman and Elhance designed and administered several different surveys to both the employees and employers of Diamond Star and began to create a picture of how the company operated in relation to its community.

The results of Wenum's study exposed many of the common political and economic backlashes of Mitsubishi's and Chrysler's joint venture. One of the main criticisms regarding the nature of the state's incentive package to attract Mitsubishi to establish their plant in Central Illinois centered around the use of incentives to attract foreign firms to the state. "They are allowed to compete with a subsidy that is not available to local firms," said Chapman. Moreover, since Mitsubishi has a proclivity to access external suppliers, many critics argued that national suppliers would not be accessed by Mitsubishi because they would ship their native products over from Japan.

This, however, did not emerge as a viable option for the firm because of their reliance on just-in-time (JIT) production methods. They needed suppliers to be close enough to arrange a shipment to arrive at least once a day in order to maintain enough inventory for two shifts. Although the incentive package offered by the Illinois Department of Commerce and Community Affairs was successful at state level, the department was completely restructured by the following election. Illinois

voters apparently felt that the State should not offer incentives to foreigners that could potentially undermine other state industries, and hence there is now a strategic shift from this kind of prospecting.

Chapman and Elhance discovered that Diamond Star's suppliers are dispersed throughout the Midwest, although this is not what Diamond Star's own literature suggested. Diamond Star's existing suppliers are dispersed through Michigan, Indiana, Kentucky, Ohio, and have also indirectly benefitted from the Illinois Incentive Package. "They are free riders on the program because they do not contribute anything to the monetary incentive Illinois offered to attract the plant in the first place, and yet have gained new business from the joint venture," said Chapman.

Moreover, the surveys that Elhance and Chapman designed suggest that Diamond Star did not prefer business with Japanese suppliers. One of the other main reasons Mitsubishi has developed a driving reliance on local (within the U.S.) sourcing is due to the depreciation of the U.S. dollar. Importing engines to Bloomington/Normal simply became more expensive.

American suppliers, however, had problems with quality and punctuality with JIT production methods. "American suppliers voluntarily did not renew their contract, as they viewed Mitsubishi's high standards as unreasonable," said Chapman. Consequently, Japanese suppliers were taking away business from American products because of their reliability. American suppliers eventually learned how to meet Mitsubishi's high quality standards and production times through educational programs taught by Japanese auto suppliers. "It wasn't a case of the Japanese not wanting to use the current supplier base, but that it fell short in many ways," Chapman commented. It was apparent that American

suppliers had learned something from their Japanese partners when Mitsubishi began producing two different cars and shifted their supply demands to American suppliers.

The advent of Diamond Star in the community also added another 400-500 new jobs to the Bloomington/Normal area. The labor force, however, is much more dispersed through Central Illinois due to the fairly high priced housing market in Bloomington/Normal. "An interesting finding was that female heads of households were more likely to move to outlying communities, as the value of their time was greater", said Chapman. "They needed to be close to the plant, and chose to live in the outlying towns of Carlock, Heyworth, and Hudson, where the housing is more affordable." Consequently about 50% of the employees of Diamond Star commute into the plant from Central Illinois.

A survey that measured the employees' attitudes towards Diamond Star elicited a variety of responses. "The areas that scored the highest were the advanced levels of technology, quality, and the working relations between natives and Japanese colleagues," Chapman said. "Wages, management, and opportunities for advancement generated mediocre scores".

The community's perception of Diamond Star seems to have improved with time. "At first there was an unsubstantiated fear that Diamond Star was responsible for the 1988-89 drought because of their excessive use of the city's water supply," Chapman laughed. "That was definitely not the source of the problem." Others were concerned that there would be greater congestion in the schools, but in fact there were not many new students introduced into the school system due to the opening of Diamond Star. "Companies like State Farm have brought more families into the

community and school system by far than Diamond Star," said Chapman.

Chapman, Elhance, and Wenum found from their research that "Diamond Star was much more open than we expected," said Chapman. They were the only research team to have direct access to the labor force, given a list of auto suppliers. Other teams that wanted to accrue data were forced to use secondary data.

Putting the book together encompassed more than six years of research. Chapman enjoyed conceptualizing and the act of writing the book. "Compiling all the data and reading the scratchy surveys and putting them into spreadsheets left something to be desired," Chapman recalled with a smile.

## History of the Economics Society

by Elsie Shen

The Economics Society, founded in 1989 by Dr Seeborg and a group of students, is one of the most important academic societies on campus. Instead of making the Economics Society a chapter of the National Omicron Delta Epsilon Honorary Society, they decided to keep the society open to everyone who is interested in economics. It has turned out to be a very wise decision; the society has grown over the past five years and has provided Wesleyan students with great speakers, wonderful field trips, and excellent opportunities to develop communication and leadership skills. Funded by the Economics Department, the Society's main focus is academic. In the past school year, guest speakers enriched students' knowledge in different areas of economics. Dr. Chapman and Dr. Wenum hosted a book discussion; Gary Klopfenstein from GK Capital Management gave an expert's overview of

foreign exchange markets; Dr. Perry Dickson talked about "The Economics of Feeding a Hungry World;" Dr. Robert Eckley spoke about "Global Competition and Capital Goods." Besides detailed discussions on topics in economics, the Society has also had some business oriented speeches. Dr. Seeborg and Dr. Coates discussed the actuarial field, which suggested a potential career direction for upper-class society members. David Vance from Caterpillar gave a speech on economic forecasting at Caterpillar, which gave the students an interesting view of how a corporation handles economics issues. The Society also co-sponsored Business Tuesday with the Finance and Risk Management Association on Oct. 31; the featured speaker, Paul Bates of Bates Commodities talked about futures trading in commodities.

The economists at IWU not only extended their learning from textbooks to guest speeches, but also held social functions. The Kick-Off 16" Softball Game at the beginning of fall 1994 and Movie Night featuring Wall Street in January 1995 were two examples of these type of social functions. The Society on April 8th will go on its annual Cabrini Green trip and on April 19th the Omicron Delta Epsilon Initiation Banquet will be held.

The Econ Society has had some wonderful leaders in the past five years. Led by the first President Brian Fleming, the Executive Board 1989 built a solid foundation for Economics Society. Fleming went to law school after graduating from Illinois Wesleyan. Yeit Wei Wang, the third president of the Society, is a native of Malaysia. She has been working as an investment banking analyst at CS First Boston in New York; she is also currently planning on entering an MBA program at one of the top business schools. Barbara Kube, the fourth president, inherited the tradition from the first president and is going to law