12-2018

The State of the Union? Transnational Manufacturing and the US Labor Movement

Zachary Joseph McKenney
University of Tennessee

Recommended Citation

This Dissertation is brought to you for free and open access by the Graduate School at Trace: Tennessee Research and Creative Exchange. It has been accepted for inclusion in Doctoral Dissertations by an authorized administrator of Trace: Tennessee Research and Creative Exchange. For more information, please contact trace@utk.edu.
To the Graduate Council:

I am submitting herewith a dissertation written by Zachary Joseph McKenney entitled "The State of the Union? Transnational Manufacturing and the US Labor Movement." I have examined the final electronic copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Sociology.

Jon Shefner, Major Professor

We have read this dissertation and recommend its acceptance:

Frances Ansley, Michelle Christian, Harry Dahms, Paul Gellert

Accepted for the Council:

Carolyn R. Hodges

Vice Provost and Dean of the Graduate School

(Original signatures are on file with official student records.)
The State of the Union? Transnational Manufacturing and the US Labor Movement

A Dissertation Presented for the
Doctor of Philosophy
Degree
The University of Tennessee, Knoxville

Zachary Joseph McKenney

December 2018
ACKNOWLEDGEMENTS

First and foremost, I would like to thank the organizers and members of UAW Local 42 in Chattanooga, Tennessee. For reasons of confidentiality I cannot thank them personally, but it is clear that without their support and guidance this dissertation would not have been possible. I saw firsthand how tirelessly these individuals worked to gain union recognition and collective bargaining at Volkswagen, and I firmly believe that these folks are on the frontlines of the fight against economic inequality in the US. I hope that some of the research that I completed for them in the course of writing this dissertation was helpful to their ongoing work, but I know that the debt that I owe them can never be fully repaid.

Dr. Ulrike Gutzmann was instrumental in granting me access to the Volkswagen Corporate Archives in Wolfsburg, Germany. She provided invaluable assistance throughout my stay in Germany and I cannot thank her enough for all of her help. The other archivists in Wolfsburg were equally helpful and kind, and I am especially indebted to Madeline Janke, Dominick Docklen, Lena Raine Kuiting, and Jenny Janzen. Without their guidance, I would not have been able to make it through the Volkswagen cafeteria lunch line, let alone navigate the miles of documents contained in the Volkswagen archives. While in Germany I was also tremendously fortunate to be able to speak with Sabrina Zajak, Thomas Haipeter, Martin Krzywdzinski, Ulrich Jurgens, Stefan Rother, Cassandra Engeman, and Christine Gerber, all of whom provided wonderful information and insights into my research that I doubtlessly would have obtained anywhere else. Vielen dank!

I would also like to thank the staff at the Tennessee Department of Economic and Community Development who helped on many occasions during my research. They were transparent and forthcoming with my many requests and were always willing to speak with me regarding issues of corporate location decisions and economic incentives in Tennessee. I am also grateful to Matthew Murray and William Fox who also provided excellent insight into these and other questions.

My dissertation committee of Jon Shefner, Paul Gellert, Michelle Christian, Harry Dahms, and Fran Ansley deserve enormous credit for this research. Most of what is valuable in this dissertation is a direct result of their training, and I will forever be grateful for their help. My dissertation chair, Jon Shefner, merits special acknowledgment for his role helping craft this dissertation.

Finally, I would like to thank to my wife, Circe McKenny, for inspiring me to take up this topic in the first place. Were it not for her love and support throughout my graduate career, I doubt that I would have had the persistence to finish this dissertation. Thank you.
ABSTRACT

The process of globalization has fundamentally altered the relationship between states, corporations, and trade unions. The increased mobility of capital combined with the desire among state actors to attract foreign direct invest has led to an unprecedent decline in trade union density in nearly every developed nation. This decline is concerning because numerous studies have indicated that trade union density is a key factor in mitigating the impacts of globalization and combatting economic inequality. As a result, states and state actors should increasingly look for ways to facilitate the expansion of trade union density. One promising avenue for doing so involves examining the behavior of foreign owned firms operating in the US. Using a combination of ethnographic and comparative historical methods, this dissertation explores the labor practices of Volkswagen Group of America with a specific eye towards how union representation is negotiated with the United Automobile Workers. Although Volkswagen is a company with a celebrated labor history and a unique model of employee representation, the efforts to organize a works council and certify a labor union at their Chattanooga facility were met with hostility on the part of the firm, outside pressure groups, and state politicians. This dissertation argues that the changing composition of the state apparatus has led to a situation in which the capitalist class is increasingly responsible for guiding policies that, in both the short and long term, disproportionately harm members of the working class.
I first learned that Volkswagen was coming to Chattanooga in the summer of 2009. Although the official ground-breaking ceremony of the manufacturing facility had occurred a few months earlier, the news hadn’t garnered much attention outside of the region. I was sitting in the living room of my brother-in-law’s home in the St. Elmo district of the city. Nestled at the base of Lookout Mountain, their modest home was located within walking distance of the Tennessee-Georgia border. His friends and family members were regaling me with tales about just how lucrative the jobs at the manufacturing facility would be. “Chad’s gonna make $30 an hour just driving parts from the supplier park to the plant.” “I hear the assembly workers are gonna make even more than that.” “Joe said you could even get a free Jetta if you get hired.” It was pure speculation at this point as production wasn’t scheduled to begin at the plant until 2011, but the guests in the living room that day were universally hopeful about the prospects of the plant. Everyone planned to apply to Volkswagen. Beers were raised to the toast of “Guten Tag,” the only German anyone in the room knew.

At the time I didn’t give the Volkswagen plant much thought. I was still a bright eyed undergraduate in college about to embark on my senior year. But I was, like everyone else in the room that evening, excited about the news. The global economic crisis of 2008 opened my eyes to precariousness of the US job market, and I was increasingly fearful of the dwindling job prospects that awaited me after graduation. As I watched the US government bailout giant corporate entities such as American International Group and General Motors to the tune of roughly $9 trillion in tax payer dollars, local communities crumbled. Family members and friends lost their jobs. A sense of desperation that I had not witnessed in my lifetime became seemingly ubiquitous. The prospect of Volkswagen investing $1 billion in the Chattanooga
economy and creating 2,000 jobs was a hopeful one. I saw it as a potential beacon of economic
recovery. Mostly I was just hopeful that some of my family in the room that evening might get a
shot at one of those $30 per hour jobs.

My interest in the Chattanooga Volkswagen plant picked up in April 2011. The first
Volkswagen Passat had just rolled off the assembly line. One of my brother-in-law’s friends
landed one of the coveted positions at the plant, and, although he didn’t get a free Jetta, the
company did an offer him a generous lease on a Tiguan. I entered graduate school a few months
later and immediately began exploring topics that were tangentially related to the situation
unfolding in Chattanooga. What was the relationship between deindustrialization and the rise of
precarious employment? What factors attracted large manufacturing firms like Volkswagen to
locate in the US? What are prospects for brining manufacturing jobs that pay a living wage back
to the US? Although the Volkswagen plant in Chattanooga was not, at the time, a direct topic of
my investigation, the situation was never far from my mind.

I was first inspired by Bluestone and Harrison’s seminal work on the topic The
Deindustrialization of America. According to the authors, the US underwent a massive industrial
transformation beginning in 1969. Largely as a result of disinvestment, many workers in the
manufacturing sector witnessed a slew of plant closings and watched their employment
opportunities erode. Bluestone and Harrison discuss this process through the lens of
globalization and argue that, as a result of the post WWII economic boom, firms had become
accustomed to very high rates of return on investment, some as high as 15.5 percent in the early
1960s. As rates of return on investment began to decline throughout the decade, firms began to
search for new ways to increase their profitability. Plant relocation in search of cheaper wages
was viewed favorably by many firms. Within the US, the search for greater profitability usually
involved firms relocating their manufacturing basis from the North and Midwest to the South. As the decade progressed, manufacturing plants were increasingly being relocated to the Global South. In addition to physical relocation, firms also began seeking higher returns on investment by channeling their profits away from industrial upgrading and research and development and into financial speculation and company mergers and acquisitions. As a result of this process, Bluestone and Harrison estimate that between 1969 and 1976 roughly 38 million jobs were lost in the US.

Bluestone and Harrison’s work on this topic inspired a wave of literature which illustrated the detrimental impact of runaway capital in the US. One related topic which became central to my research as a graduate student was the subsequent decline in labor union density in the US. The process of deindustrialization has led to massive decline in manufacturing jobs that were once the hallmark of labor union density. Relatedly, firms have become increasingly hostile towards labor unions. During the post WWII boom years, management could afford to make concession to organized labor in the form of the social contract that specified regulations regarding recognition, pay, working conditions, and retirement benefits. During the 1970s, when profit margins became leaner, management argued that they could no longer afford to honor the social contract. Regardless of whether or not this was actually the case, the threat of exit that firms began to use reduced the leverage that labor unions could use in the bargaining process. Although the threat of exit has always been used by firms to discourage unionization, the increased mobility of capital in the era of globalization meant that management could now make good on that threat. The increased mobility of capital led me to ask additional questions about the future of the US labor movement. What strategies are labor unions currently employing to organize runaway firms? What should the state’s role be in promoting unionization? Can labor
unions from different countries collaborate in Lilliputian fashion to establish universal labor standards?

As I began to learn more about Volkswagen, I was excited not only because of the prospect of employment for some of my friends and family members, but also because Volkswagen is a company with a labor relations model that should be admired and celebrated. It is a company that embraces the principles of codetermination between workers and management. Volkswagen allows for the presence of works council made up of trade union members who represent the interests of the workforce at nearly all of its manufacturing plants. The corporate structure of Volkswagen is also unique in that nine of the twenty-one members of the supervisory board are made up of blue collar workers. I thought that Volkswagen’s presence in Chattanooga might accomplish of the dual task of bringing manufacturing jobs back to the US and allowing labor unions to gain a foothold in an area of the country that is hostile to organized labor. Perhaps, I thought, the US labor movement could learn something from a foreign corporation.

Looking back at my initial assumptions when I began the research is an exercise in naivety. For reasons that will become clear in the dissertation, the workers at the Volkswagen auto plant never got their labor union or German-style works council. In doing so, the United Automobile Workers lost out on their best chance to unionize a foreign-owned corporation in the last thirty years. A few of my friends and family members were able to find jobs at the Volkswagen plant, but, at $32 an hour, they are the lowest paid autoworkers in the US. In the process of this research I found that those 2,000 jobs, which I was initially grateful to Volkswagen for creating, were subsidized by federal, state, and local governments at an unprecedented rate. This dissertation is about Volkswagen, the United Automobile Workers, and Tennessee elected officials. But what I found in Tennessee is but a microcosm of a larger process
of neoliberal globalization that involves the changing relationship between corporations, labor unions, and the state. How this relationship evolves is critical not only to those individuals who I shared living room with in St. Elmo, but to future of organized labor and global economic inequality.
TABLE OF CONTENTS

CHAPTER I INTRODUCTION ........................................................................................................... 1
Labor and Globalization .................................................................................................................. 3
Union Responses to Global Challenges ....................................................................................... 10
Research Questions ...................................................................................................................... 14
Methods ........................................................................................................................................ 15
   Ethnographic Analysis: Structural Fieldwork ............................................................................ 15
   Comparative-Historical Analysis: The Crucial Case Method ..................................................... 16
Overview of Chapters ................................................................................................................... 19

CHAPTER II GLOBALIZATION AND THE STATE ............................................................................ 23
Introduction .................................................................................................................................... 23
Globalization ................................................................................................................................. 24
Commodity Chain Analyses ......................................................................................................... 27
   Commodity Chains .................................................................................................................... 28
   Global Commodity Chains ....................................................................................................... 30
   Global Value Chains ................................................................................................................ 37
State Theory .................................................................................................................................. 42
The Entrepreneurial State ............................................................................................................. 48
Conclusion ...................................................................................................................................... 51

CHAPTER III ORGANIZED LABOR AND THE STATE: GERMANY AND THE US IN
COMPARATIVE PERSPECTIVE ....................................................................................................... 53
Introduction .................................................................................................................................... 53
A Brief History of the US Labor Movement .................................................................................. 59
A Brief History of the German Labor Movement ......................................................................... 72
Conclusion ...................................................................................................................................... 84

CHAPTER IV CORPORATE LOCATION DECISIONS AND BUSINESS INCENTIVES IN
THE AUTOMOTIVE INDUSTRY ..................................................................................................... 86
Introduction .................................................................................................................................... 86
Corporate Location Decisions ....................................................................................................... 89
   Volkswagen in Pennsylvania .................................................................................................... 100
   Nissan in Tennessee .................................................................................................................. 103
Business Incentives ...................................................................................................................... 104
Conclusion ...................................................................................................................................... 108

RULING CLASS .............................................................................................................................. 112
CHAPTER I INTRODUCTION

In February 2014 the United Autoworkers (UAW) lost a highly publicized vote to achieve union representation at the Volkswagen auto manufacturing plant in Chattanooga, Tennessee. It was a narrow loss for the UAW, with some commentators expressing frustration over the strong opposition that the union faced from the Governor, US Senator, and outside pressure groups such as the Center for Worker Freedom which campaigned aggressively against the UAW in the months leading up to the election (Schelzig and Krisher 2013; Williams 2014; Woodall 2014). Trade unionists in the US were extremely disappointed with the outcome for three key reasons: (1) Volkswagen is a company with a unique model of labor relations that openly embraces the principles of codetermination, the presence of works councils, and a strong trade union influence in nearly all of its global manufacturing facilities; (2) the Volkswagen plant in Chattanooga is the only Volkswagen plant in the world that does not have some form of institutionalized labor representation either in the form of a German-style works council or the presence of certified trade union; and, (3) if the UAW would have been able to unionize the Chattanooga plant, it would have marked only the third time in US history that a foreign owned automaker in the US signed a union contract. In July 2014, the UAW attempted to circumvent the controversial loss and created a local union, Local 42, to represent the autoworkers at the Chattanooga plant. The move, while not unprecedented, represents a unique way for the UAW to try and bargain collectively in a region and industry that remains hostile to organized labor.

The situation in Chattanooga is exceptional in the sense that it appears as if it is the state, not the corporation, that is pushing regressive labor policies onto its workforce and is even threatening the withdrawal of state tax incentives unless the situation with the UAW is, as Governor Haslam stated, “resolved to our satisfaction” (Williams 2014). The literature that I
review has indicated that, given the shifting terrain of global production, the increased power of multinational corporations, and the complexity of global commodity chains, the ability of labor to organize and bargain effectively with firms has been greatly reduced (Anner 2011; Bair 2009; Bluestone and Harrison 1982). Most of the literature has shown that, as a result of these global complexities, multinational corporations have been able to exert their leverage over labor and to campaign aggressively against the presence of unions (Bluestone and Harrison 1982; Dicken 2015; Geoghegan 2014). Further, in situations where labor unions in the Global North have been able to remain relevant, the literature indicates that it is due in large part to a state’s ability to facilitate the conditions for labor to operate effectively. In the Chattanooga VW case, we see just the opposite occurring. Here, we have a multinational corporation that has worked with the labor union for representation, and the state that has campaigned aggressively against its presence (Greenhouse 2014).

However, although Volkswagen was initially supportive of the UAW’s efforts at the Chattanooga plant, and while they are not, in principle, opposed to the formation of a union, their actions toward the UAW have taken an increasingly hostile turn (Doll and Vetter 2016). In 2014, Volkswagen pledged to recognize Local 42 as the official bargaining agent of Chattanooga workers, a pledge which Volkswagen has so far failed to keep. In addition, Volkswagen has refused to meet with skilled-trade employees who voted overwhelmingly to designate UAW Local 42 as their official bargaining agent. The failure to meet with the skilled trade employees led Local 42 to file charges with the National Labor Relations Board (NLRB) who subsequently ruled that Volkswagen had to meet the skilled trade employees at the collective bargaining table. Volkswagen is currently in violation of US labor law for defying the ruling.
The situation in Chattanooga is also unique because, for the first time in US labor history, it has produced a partnership between a US and German labor union. The UAW and IG Metall, Germany’s largest labor union which represents German metalworkers, announced the launch of the Transnational Partnership Initiative (TPI) in November 2015. TPI is a joint project between the two labor unions to explore new models of employee representation in the United States such as German-style works councils and principles of codetermination at German-owned industries in the US south. IG Metall estimates that German-owned automakers and parts suppliers employ roughly 100,000 employees in the US. The unions believe some German manufacturers, such as BMW in South Carolina and Daimler-Benz in Alabama, are taking advantage of low-wage environments in the U.S. South where there is more hostility towards organized labor than in other regions of the country.

This research sets out from the premise that the case of the Volkswagen plant in Chattanooga is critical and seeks to interrogate the conjunctural factors which produced the unlikely labor outcome using a combination of ethnographic, comparative-historical, and archival methods. The goal is to understand how a foreign transnational corporation with a celebrated history of labor relations can impact the labor movement in the US.

**Labor and Globalization**

Globalization has become an increasingly popular catchword over the course of just a few decades (Dicken 2015, Robinson 2011). Unfortunately, the term has gained such a broad usage and academic specialization that efforts to discuss its impact have become increasingly complex. Throughout this dissertation, I argue that globalization is an outgrowth of historical capitalism that began in the long sixteenth century, but that this process has been greatly
accelerated because of a particular brand of economic globalization that began to take root in the 1970’s: neoliberalism. Neoliberal globalization refers to a set of political and economic policies that seek to reduce the state’s influence over economic markets through and emphasis on private property rights, free trade, and limited taxation (Harvey 2007). Because neoliberal policies ascribe a primacy to the market, these policies also discourage the state from using social provisions such as welfare to combat the effects of economic inequality. This includes the use of privatization, deregulation, and the creation of markets into areas that were formerly controlled by the state such as public utilities, education, and healthcare (Harvey 2007). Labor unions have come under increasing assault because of neoliberal globalization. There are several related reasons why this is the case. First, although transnational firms have been very successful in globalizing their companies, labor unions have had significantly more difficulty doing so (Clegg and Carter 2007). Efforts on the part of unions to internationalize have often been inadequate to meet the challenges of global capitalism. Although there have been many occasions where states have suppressed efforts for unions to unite across borders (Portes and Walton 1981; Dixon 2010), there have also been instances of American labor unions actively working to undermine more militant unions in the Global South (Sims 1999). Second, there has been a fall in relative availability of union jobs (Schmitt and Mitukiewicz 2012). The process of deindustrialization has led to massive decline in manufacturing jobs that were once the hallmark of labor union density. Relatedly, firms have become increasingly hostile towards labor unions. During the post WWII boom years, management could afford to make concession to organized labor in the form of the social contract that specified regulations regarding recognition, pay, working conditions, and retirement benefits. During the 1970s, when profit margins became leaner, management argued that they could no longer afford to honor the social contract (Bluestone and Harrison and 1982).
Regardless of whether or not this was actually the case, the threat of exit that firms began to use reduced the leverage that labor unions could use in the bargaining process. Although the threat of exit has always been used by firms to discourage unionization, the increased mobility of capital in the era of globalization meant that management could now make good on that threat (Harrison and Bluestone 1990). Finally, political and legislative actions have further diminished the power of organized labor in the form of right-to-work laws and other prohibitions on union membership (de Leon 2015; Geoghegan 2014; Fantasia and Voss 2004). The implementation of right-to-work laws, for example, has drastically undermined the organizational and recruitment capabilities of labor unions and has significantly contributed to the decline in rates of unionization (Dixon 2008). Since the implementation of the Taft Hartley Act in 1947, 23 states in the Southern and Midwestern United States have enacted right-to-work legislation. Right-to-work laws have a detrimental effect on union membership because unions in right to work states cannot compel workers to join the union. As a result, at least in the US, rates of unionization have plummeted to a level not seen since before the Great Depression.

The factors outlined above are, to a greater or lesser extent, faced by labor unions in every country in the Global North. If the decline of unionization in the US is due to the impact of globalization, it is safe to assume that similarly situated countries in the Global North would see declines in rates of unionization as well. However, as was the case with globalization’s impact on workers, unions in other developed countries have had vastly divergent experiences.

---

1 This list is not intended to be exhaustive. There are numerous factors associated with labor’s decline. I simply view the few that I have listed here as being some of the most crucial with regards to globalization.
Many countries have seen declines in union membership. Figure 1 illustrates that countries in the Global North that are identified as having liberal market economies (i.e. Australia, Canada, Ireland, Japan, New Zealand, the US, and the UK) have witnessed steep declines in union membership (Lee 2005; Schmitt and Mitukiewicz 2012). Between 1980-2008 union membership fell by 30.3% in Australia, 4.6% in Canada, 28.6% in Ireland, 12.8% in Japan, 47.7% in New Zealand, 10.7% in the US, and 23.3% in the UK. Countries that are considered to have coordinated or continental market economies (i.e. Austria, Belgium, Germany, France, Italy, the Netherlands and Switzerland), have also witnessed declining union membership. Although the rates of decline in coordinated market economics has not been as drastic as in liberal market economies, these countries have also seen their union membership erode. Between 1980-2008 union membership fell by 26.8% in Austria, 2.2% in Belgium, 15% in Germany, 10.7% in France, 16.1% in Italy, 15.8% in the Netherlands, and 9.5% in
Switzerland. Figure 2 shows the corresponding decline in trade union density among OECD countries with coordinated market economies. Finally, countries with social democratic economies (i.e. Denmark, Finland, Sweden, and Norway) actually witnessed some gains in union membership. Finland’s union membership increased by .9% over the period 1980-2009, while union membership fell by 9.5% in Denmark, 5% in Norway, and 6.9% in Sweden (Schmitt and Mitukiewicz 2012). It should be noted although union membership fell for nearly all countries over the period, rates of union coverage (i.e. the number of employees who are represented by a union but are not members) differed between countries as well. Among the countries with liberal market economies, the drop in union coverage was nearly identical to the drop in union membership. Among the continental market and social democratic countries, however, the drop in coverage exceed 5% in only one case (Germany) and five countries (Finland, Sweden, Norway, France, and Austria) actually saw their union coverage increase.

Figure 2 Trade Union Density Coordinated Market Economies (OECD 2016)

---

2 It should be noted that the social democratic countries are the few remaining in the world that utilize the Ghent system which permits unions and not the state to administer unemployment insurance. This practice gives citizens a very strong incentive to join a labor union.
The data compiled above indicates that globalization’s impact on levels of unionization in the Global North varies among the different countries. Although in most instances union membership was declining, the fall was not nearly as pronounced for coordinated and social democratic countries as it was for liberal market countries. What this trend indicates is that there are other factors that must be taken into account when examining globalization’s impact on organized labor. Given that all of these countries have experienced roughly the same level of market impact (Moran 2006; Korzeniewicz and Moran 2007), it seems apparent that other forces are mitigating the impact of globalization on unions. One possibility is that a country’s labor history could have an influence on how the state and business respond to organized labor. Another, and related, possibility is the enormous role that the state plays in shaping labor policy, which can either facilitate or impede the ability of labor unions to exert more control over the productive process. The results of Moran’s (2006) and Korzeniewicz and Moran’s (2007) studies, for example, illustrate that the differential impact that globalization has had in core countries is best analyzed through a state perspective which makes explicit the role of the state in facilitating political, economic, and social arrangements which are favorable for workers vis a vis capital. These arrangements and the role of the state in facilitating them remain crucial, but many contemporary studies of corporate location decisions and labor unions have failed to acknowledge the role of the state.

This issue is particularly salient for the UAW Volkswagen case. Union membership in the US has plummeted to a level not seen since before the great depression. At its peak in 1954, 34.8 percent of all US workers were a member of labor. Today that number stands at just 10.7 percent (Bureau of Labor Statistics 2016). In the private sector, only a scant 6.4 percent of workers belong to a labor union, compared to 34.4 percent of public sector employees (Bureau of
Labor Statistics 2016). The UAW’s membership has declined nearly in lockstep. From its peak in 1979 at roughly 1.5 million members, membership in the UAW now stands at only 400,000 (Semuels 2015). Figure 3 shows the decline in trade union density in the US automotive industry. Beginning in roughly 1985, union density in the automotive industry began to decline at a rapid pace. In 1985, nearly sixty percent of all automotive workers were members of a labor union. By 2015, the number of automotive workers who were members of a labor declined stood at only 17.3% (Hirsch and Macpherson 2018). As noted above, the increased mobility of capital has also contributed to this decline, as automakers have moved from the heavily unionized states in the northeast and midwest to the south, where union membership remains abysmally low. This factor, although not often recognized in the literature on corporate location decisions, has pushed most foreign automotive firms to locate in the south as well. For example, all of the German owned automotive plants, including Volkswagen, BMW, and Daimler-Benz, are located in Tennessee, South Carolina, and Alabama, respectively.

Figure 3 Trade Union Density in the US Automotive Industry (Hirsch and Macpherson 2018)
Union Responses to Global Challenges

Given the decline in union membership and the challenges that globalization poses to organized labor, the question becomes, what are unions doing in order to respond? Discouragingly, a great deal of the research literature on the subject indicates that Global North labor unions are doing very little in response to membership declines and the mounting challenges posed by globalization (Edsall 1984; Fantasia and Voss 2004; Goddard 2009; Lansbury and Wailes 2010). Instead, unions have taken a defensive approach and contented themselves with trying to maintain wage levels, union contracts, and retirement plans. In light of the deficiencies associated with union density across the globe, several authors have argued that unions need to focus more of their resources on mobilization and recruitment (Brecher Costello and Smith 2006; Brofenbrenner and Warren 2007; Cornfield 2009). This issue of recruitment has been a major challenge to unions across the Global North. Globalization has ushered in a demographic shift among the workforces in developed countries. Especially within the service sector, the majority of employees are women and a growing number are members of ethnic minorities (Clegg and Carter 2007). Leadership among unions, however, is still dominated by white males (Clegg and Carter 2007).

This lack of recruitment was one of the chief reasons why in the US the Change to Win coalition (comprised of seven labor unions) broke away from AFL-CIO in 2005 (Lerner 2007). Many of the architects of this organization envisioned the coalition as being more capable of recruiting women, people of color, and low-wage, low-skilled workers than the old guard in the AFL-CIO. Since the creation of the organization, however, union membership has continued to decline and several of the group’s participating union organizations have since returned to the AFL-CIO (Greenhouse 2008). It should be noted that, although the issue of minority recruitment
is more prevalent in the US than in some other Global North countries, states such as Australia, France, Germany, and Canada are receiving high rates of immigrant populations as well. Lee (2005) has argued that international migration has had a negative impact on union density due to increased competition and heterogeneity among the work force. It is clear that this issue will only become more prominent and it is absolutely essential that labor unions work to incorporate migrant populations into their ranks.

Authors such as Warren (2011) have called for unions to advocate for a political approach focused on legislative and policy based efforts. She claims that, contrary to some of the literature, organized labor has become acutely aware of the necessity for political and legal reform as a survival measure. One of the challenges that organized labor faces is the legal requirements placed on unions with regard to bargaining procedures and contractual obligations not to go on strike. The crisis of labor unions, for Warren, lies not in their inability to organize around political goals but in their inability to overcome political intrigue such as filibusters, partisan divides and legislative timing. Warren notes that organized labor in the US remains the most powerful constituency for the Democratic Party and argues that more efforts should be made at coalition building between the two groups. For Warren, labor must make must organizing strides as it waits for a friendlier legal and political climate.

Unions in Europe have been much more successful at engaging with and influencing political parties than have their counterparts in the US. This is, of course, due to the fact that nearly all European labor unions benefit from the presence of a labor party, which US unions lack. Scholars of American Exceptionalism have long held that the United States differs from its European and Canadian counterparts in a bevy of societal and political ways that have prevented the formation of both a labor party and a more militant labor movement (Davis 1986; Hodgson
2009; Lipset 1996). The absence of feudalism in the United States, the relative affluence of the American populace, the lack of stable communities, and the extreme heterogeneity of the population have presented the American labor movement with unique challenges. Most notably, the American political system has precluded the formation of more radical labor movements and has prevented the emergence of a political party centered on the interests of the working class. As Seymour Martin Lipset notes, within a two-coalition system, “it is almost mandated by the constitution that efforts at slowly building up third parties must fail” (1996:86). Instead of providing opportunities for the gradual development of a labor or socialist party, the two-party system nearly ensures that pro-labor policies will either be co-opted and diluted by one of the majority party’s or that these policies will be ignored entirely.

The labor management accord that prevails across most of the EU has provided unions with a much greater say in both the political and economic arenas. One of the key reasons why IG Metall (Germany’s dominant union which represents metal and automotive workers) has been so successful is because of their emphasis on engaging with state politics and the larger role they play in German’s economy. IG Metall has been very influential within the legislature and its efforts have a beneficial spillover effect on other German unions as well (Stevis 2002). It is often the case that a union’s ability to influence the political process is contingent on what sector of the economy they are associated with. IG Metall is influential in German politics because they control and regulate the production Germany’s two largest export, automobiles and automobile components (Stevis 2002).

The process of globalization is so complex and differentiated that efforts to determine whether or not a specific strategy by labor unions will be effective are murky at best. That said, as the previous section indicated, efforts by organized labor in the Global North to address the
challenges posed by globalization and corporate power have not yet met with much success. In addition, the literature on labor’s response to globalization is relatively thin and largely concentrated on organizations that are working in the Global South. It appears as though, as Anner (2011) and O’Brien (2000) point out, many scholars have written off labor as an “old movement” that has failed to adapt to the changing contours of the global economy.

There are, however, numerous trends that have emerged that have the potential to either increase or decrease labor’s power vis-à-vis corporations. The environment in which labor operates as a result of globalization is extremely hostile and there is no reason to think that this will change in the near future. Unions will continue to face pressure as a result of advanced production technology, complex commodity chains, and labor competition. In the absence of global and innovative organizing strategies, this process will likely continue to exert pressure on unions to be more flexible and accommodating to the interests of big business just as it has been over the last several decades. One possible future is that labor unions will indeed become more acquiescent to corporate power. Another possibility is that labor will become more militant and will work to wrest control of the production process away from multinational corporations. It was only in the most dire of conditions that workers in the 1930’s were able to organize in order to win concessions from employers (Piven and Cloward 1977).

Finally, and one trend that emerges in my analysis of the UAW-IG Metall partnership, is the degree to which labor unions may coalesce at the international level, to form a truly global labor union. Many commentators have alluded to a situation in which employees of multiple nationalities working for the same transnational firm could be represented by the same labor union (Harrod and O’Brien 2002; Stevis 2002). There is little doubt that this situation would be ideal for labor unions. The problem with this scenario is that despite the fact that more and more
workers and involved in global production, only a small percentage of that labor force has a clear link to the global production process (Dicken 2015; Harrod and O’Brien 2002). Maquiladoras working in free trade zones in Mexico may be acutely aware of their exploitive working conditions, but they likely have little idea about the origin or destination of the components they assemble, much less the myriad of corporations that are actually responsible for the manufacture and sale of the products they assemble. This makes the process of attempting to unionize all of the nodes in a given commodity chain difficult at best. Again, although transnational firms exert a great deal of influence over global production, taken together they employ less than three percent of the world population (Dicken 2015). A truly global labor union would need to coalesce around something that could transcend both firms and nation states. This is not to say that the formation of a global union is impossible. As more and more individuals are drawn into the global production network, the linkages to the global political economy will become more manifest. The clearer the linkages are between workers and the global economy, the easier it will be to organize a global labor union.

Research Questions

This dissertation explores the following research questions. What impact has globalization had on trade union density in developed countries? What role has the state played in either helping or impeding the labor movement in the US? What impact has the presence of foreign owned automotive companies had on the US labor movement? What prospects are there for core-to-core labor organizing to occur in the US?
Methods

As I noted above, I use a combination of ethnographic, comparative-historical, and archival methods in order to address the research questions posed in this study. In what follows I will give a more detailed account of each method, and a brief overview of the data I collected.

Ethnographic Analysis: Structural Fieldwork

Ethnographies consist of using the researcher as human instrument, equipped with a research problem and relevant theories, in order to go into the field and collect and analyze data (Fetterman 2010). In order to answer the research questions posed in opening of this section and to complement and bolster the chain analysis and comparative-historical components of this project, it was essential to engage in field research of the Volkswagen plant in Chattanooga, Tennessee. Following Gellert and Shefner (2009), I argue that fieldwork is the most effective method of understanding how global processes shape daily lives. Further, what is missing from the research on commodity chains and state theory is an empirical focus on the relationship between labor and the political process. Although, world-systems theory often privileges macro studies that occur over the span of centuries, I believe, again borrowing from Gellert and Shefner (2009), that micro-studies can be informed by world-systems perspectives in order to illustrate dimensions of power, questions of structure and agency, nuances of work and power in global production processes, and the complexities of social life. With direct observation and structured and semi-structured interviews with UAW organizers and elected officials, I sought to do just that.

I was embedded with UAW Local 42 throughout the course of writing this dissertation. Beginning in December 2015, I had the opportunity to conduct qualitative interviews with key leaders in both the Chattanooga local and the regional branch of the UAW. These interviews
include the president of the Chattanooga local, the servicing representative at the Chattanooga local, the lead organizer for the initial unionization drive at the Chattanooga Volkswagen plant, the director of the UAW region where the plant is located, and the president of the Tennessee AFL-CIO. Many of these officials and organizers not only agreed to be interviewed, but also allowed me to shadow them in the daily execution of their job duties. All interviews and participant observation, where possible, were digitally recorded, transcribed, and coded for data analysis.

In addition to conducting structural fieldwork with the UAW Local 42, I have also had the opportunity to work with members of IG Metall in the establishment of the Transatlantic Partnership Initiative in Spring Hill, TN. This included participant observation and qualitative interviews with the director of the program. I also participated in and helped the director organize two conferences which brought together members of IG Metall and the UAW to discuss the prospects and pitfalls of union organizing in the Southern US.

Comparative-Historical Analysis: The Crucial Case Method

For this study, I primarily focus on the interplay between labor, politics, and industry at the Volkswagen manufacturing facility in Chattanooga, Tennessee. The Chattanooga facility serves as the “crucial case” (Eckstein 1975; Gerring 2007; Lange 2013) because of its uniqueness and because of the Transnational Partnership Initiative between the UAW and IG Metall. As a result, it is especially important for theory testing and building. Eckstein (1975) argued that a crucial case was one that either closely confirmed to existing theories or strongly deviated from them. Stated another way, Eckstein argued that a crucial case was one “that most closely fit a theory if one is to have confidence in the theory’s validity, or, conversely, must not fit equally well any rule contrary to that proposed” (1975:118). Chattanooga is crucial because it
does not fit the theories of globalization and Global North labor relations described in the research literature. Sowers, Ciccantell, and Smith (2014), for example, demonstrate that labor is least likely to organize in peripheral regions of the world system or economies that are based on extraction. Core countries, in contrast, are likely to have strong and militant labor organizations that are able to win concessions from private industry. As a result, the authors seek to identify nodes that are vulnerable to disruption in peripheral regions of the world-system because they assume that workers in core countries will be able to make industry acquiesce to their demands through more institutionalized channels. The Chattanooga case does not confirm to this theoretical expectation.

Although Eckstein (1975) advanced his crucial case method as an effective way to test and build theory based on a single case, he acknowledged that some comparison is necessary in order to justify the claim that the case under observation is indeed “crucial”, and to provide the researcher with a necessary reference frame when analyzing the crucial case. In adherence to Eckstein’s criteria, this research examines Volkswagen’s first foray into the American market provides an analysis of labor relations at Volkswagen’s first US assembly facility in Westmoreland, Pennsylvania. Given that this plant was Volkswagen’s first in the US and had a union contract with UAW, I believe that it represents what Eckstein referred to as a “most likely case” (Eckstein 1975: 120), one that most closely adheres to pre-existing theories of the relationship between states, corporations, and Global North Labor unions.

The comparative historical component of this research also consists of a broad comparison between the US and Germany as well as between their most closely related labor unions, the UAW and IG Metall, respectively. This component of the research consists of a multi-factor conjunctural analysis similar to the work of Arrighi (2010), Bunker (1985), and
Ragin (1994). What I conceive of as conjunctural is closest to what Paige (1999) articulated in his call for historically conditional theory. Paige states that conjunctural explanation “emphasizes that a particular combination of structural causes and events, in a particular time and place, may create unique outcomes that will not necessarily be repeated in other contexts” (1999:782). In terms of the Volkswagen case, at least in the US, we see a transnational corporation and domestic labor activists exerting pressure on domestic labor using tactics that are progressive, but only somewhat effective. What I argue in the dissertation is that, at particular historical moments, we see room for odd alliances between groups that, at least on paper, have very different interests. It is a particular combination of causes and events that led to this unlikely outcome in Tennessee. Again, this is compared with the “most typical” case by examining what we may consider the likely outcome between corporations and labor in Volkswagen’s first assembly plant in the US in Westmoreland, Pennsylvania. The question becomes what do corporate-labor relations and struggles look like and what forms do they take in different locations at different times? I ask how a foreign corporation can achieve adequate power in their host environment in order to allow their workers to organize against inside political predation and compare it to how a domestic corporation bargains with labor in its home country.

I collected data from numerous databases on global production of passenger and commercial vehicles, the leading exporters and importers of automobiles, automobile supply chains, transnational profiles of Volkswagen group, and employment characteristics of automobile manufacturing plants. These databases include the International Organization of Motor Vehicle Manufacturers, World Motor Vehicle Data, and the World Trade Organization. I also filed a number of Freedom of Information Act (FOIA) and open records request with the US Department of Treasury, the Tennessee Office of Economic and Community Development, and
the Industrial Development Board of the City of Chattanooga. Most fruitfully, I have also conducted comparative historical and archival analysis of the US and German labor movements and the history of Volkswagen in the US. This research was supported by a W.K. McClure Scholarship for the Study of World Affairs which additionally afforded me the opportunity to spend four weeks at the Volkswagen Corporate Archives in Wolfsburg, Germany and to conduct qualitative interviews with German academics who study the automotive industry.

Overview of Chapters

In Chapter II, I argue that the changing contours of the world economy have become so complex that efforts to describe the process of globalization must necessarily take but one of a myriad of forms. Increasingly, scholars from a variety of disciplines have turned to the analysis of commodity chains in order to make sense of the process of globalization and global production (Bair 2005, 2009). I argue that commodity chain analyses are useful because of their ability to move simultaneously between the study of local events and the study of global structures. (Braudel 1958; Lee and Wallerstein 2012; Paige 1999). I briefly review the origin of the concept of globalization and its relationship to historical capitalism before turning to the literature on commodity chains. Following Bair (2005, 2009), I describe, in turn, what I view as the three key trends that have emerged in this research: commodity chains, global commodity chains, and global value chains. Throughout this review, I argue that commodity chain scholarship has increasingly moved in a more economistic direction and has lost much of its value as it was originally conceived of by world-system analysts. In the second half of Chapter II, I argue that theories of the state, and especially the entrepreneurial state, are more applicable for analyzing corporate firms that do not rely on extensive commodity chains. I briefly describe
some theories of the state in works of Poulantzas, Milliband, and O’Connor before turning to a
discussion of the entrepreneurial state in the works of Block and Mazzucato.

In Chapter III, I argue that, although the actions of militant trade unions and heroic
individuals are often prioritized in accounts of the labor movement, scholars have often ignored
the crucial role that the state plays in undergirding the formation and effectiveness of labor
unions. Chapter III begins to apply the theories of globalization and the state outlined in Chapters
I and II to the labor movement in the US and Germany. I discuss two pivotal events in the history
of the two countries: the Flint sit-down strike in the US and the formation of the labor movement
following the conclusion of WWII in Germany. Additionally, I provide a brief overview of the
history of the labor movements in the two countries and, where possible, emphasize the role that
the UAW and IG Metall played in their respective countries. Throughout, I discuss the often-
neglected role that the state plays in facilitating or impeding the labor movement, and I conclude
with a short discussion of the crucial role the state plays in managing the labor-capital accord.

In Chapter IV, I provide a primer on the factors which initially motivated Volkswagen to
locate manufacturing operations in the US, first in Westmoreland, Pennsylvania in 1978 and
again in Chattanooga, Tennessee in 2008. Volkswagen’s decision to locate manufacturing
operations in Chattanooga and the decision by Tennessee state officials to offer enormous
subsidies to the company raises a number of questions that I attempt to address in this chapter.
What factors motivate site selection for multinational corporations? What role do federal, state,
and local incentives play in luring multinational corporations to select a specific site? How has
the value of incentive packages changed over time vis-a-vis employment projections? Are
incentives worth it? In order to address these questions, I survey the literature on the relationship
between corporate location decisions and business incentives before turning to consider the
evolution of business incentives in the automotive industry. I then provide some case specific examples of Volkswagen AG in Westmoreland, Pennsylvania and Nissan Manufacturing in Smyrna, Tennessee. I conclude with a discussion of the business incentives more broadly and offer some policy prescriptions for curbing the rising tide of business incentives in the US.

In Chapter V, I present the results of my structural fieldwork with the UAW and provide an analysis of the union drive that took place at the Volkswagen plant in Chattanooga. I give a timeline of the key events that took place leading up to and following the unsuccessful union representation election. I argue that the unprecedented political interference, aided by an aggressive anti-union campaign from outside pressure groups, was the key factor which led to the narrow loss. I show how the behavior of Volkswagen over this time period changed drastically in response to the political pressure. Whereas Volkswagen was initially supportive of the union drive, threats to withdrawal economic incentives on the part of the Tennessee Governor, US Senators, and other members of the Tennessee legislature led to a wholesale reversal in Volkswagen’s stance toward the UAW. Even following a successful vote to form a micro-union among the skilled trade employees at the plant, Volkswagen refused to recognize the union and instead engaged the UAW in a prolonged legal battle to contest the results of the election. Chapter V speaks directly to state’s role in undermining organized labor. I contrast my findings with Block’s (1977) work and argue that Block’s theory of the state cannot account for the situation in Tennessee where we have a perfect example of the ruling class actually ruling. This chapter also speaks to the limits of core-to-core labor relations. While this dissertation set out from the premise that a company like Volkswagen might be able to penetrate the anti-union sentiment that pervades the US South, this chapter shows that even a well-intentioned company cannot overcome the ruling class’ control over the labor force.
I conclude the dissertation with a brief description of subsequent union organizing drives and illustrate how the anti-union campaign that played out in Chattanooga is being replicated across the US. I argue that the state’s role in undermining the labor movement is contributing not only to the rise of low paying jobs, but also to the erosion of democratic institutions. I describe how the state continues to hobble labor unions not only through the use of baseless threats on the part of the new managerial class, but also through the use of newly weaponized Supreme Court that is poised to roll back the few protections that remain for organized labor in the US. Absent some intervention on the part of the state to support the US trade unions, the labor movement, at least in its current form, lacks the impetus to advocate for the American working class.
CHAPTER II GLOBALIZATION AND THE STATE

Introduction

The changing contours of the world economy have become so complex that efforts to describe, explain, and predict the process of globalization must necessarily take but one of a myriad of forms. Increasingly, scholars from a variety of disciplines have turned to the analysis of commodity chains in order to make sense of the process of globalization and global production. Commodity chain analyses are useful because of their ability to move simultaneously between the study of local events and the study of global structures. (Braudel 1958; Lee and Wallerstein 2012; Paige 1999). Although the literature on commodity chains is not without its deficiencies, it is my contention that commodity chain analyses represent one of the best avenues for interrogating the impact that globalization has on global production, local processes, and individual lives. In the first half of this chapter, I will briefly describe some of the broad characteristics and tendencies of the process of globalization to highlight crucial shifts that have taken place across the globe. Although a comprehensive discussion of globalization is beyond the scope of this chapter, a brief review of the concept’s origin and its relationship to historical capitalism will serve as an essential entry point into a more nuanced discussion of corporate structures, global production, and commodity chains. Next, I turn to the literature on commodity chains and, following Bair (2005, 2009), I describe, in turn, what I view as the three key trends that have emerged in the research: commodity chains, global commodity chains, and global value chains. Throughout this review, I will argue that commodity chain scholarship has increasingly moved in a more economistic direction and has lost much of its value as it was originally conceived of by world-system analysts. In the second half of this chapter I argue that
theories of the state, and especially the entrepreneurial state, are more applicable for analyzing corporate firms that do not rely on extensive commodity chains. I briefly describe some theories of the state in works of Poulantzas, Milliband, and O’Connor before turning to a discussion of the entrepreneurial state in the works of Block and Mazzucato.

Globalization

Throughout this chapter, I associate globalization closely with the conception of historical capitalism which gave rise to a wave of nation states during the long sixteenth century in Europe and parts of the Americas (Arrighi, Hopkins and Wallerstein 1989; Wallerstein 1983). It is precisely this system of historical capitalism which both allowed for the emergence of globalization as a process and stymied the range of opportunities and outcomes available to states, groups, and individuals operating within the system. I argue that globalization is an outgrowth of historical capitalism that began in the long sixteenth century, but that this process has been greatly accelerated because of a particular brand of economic globalization: neoliberalism. Without the benefit of hindsight, it is difficult to determine whether or not the new phase of neoliberal globalization is indicative of a qualitative change or is instead an “age of transition” (Wallerstein 2000). That said, we do know that massive shifts in corporate structure, production processes and capital mobility began to rapidly accelerate in the 1970s because of economic turmoil and the rise of neoliberal economic policies (Antonio 2007; Centeno and Cohen 2012; Dicken 2007). It is not coincidental that the first studies on commodity chains emerged in the late 1970s as well (Bair 2005).

---

3 It is extremely important to recognize that “globalization” is not an actor. Although I will uses phrases such as “As a result of globalization…” countless times throughout this chapter, my basic argument, following Dicken (2004), is that globalization is a process which results in an indeterminate number of uneven social, cultural, political, and economic outcomes across the globe.
The impact that neoliberal globalization has had on how corporations operate cannot be understated. The increased influence corporations wield led Prechel to note that, by the turn of the 21st century, “[w]ith the possible exception of the state, few organizations exercise more power or have more effect on individuals than the corporation” (2000:1). This was certainly not always the case. The first charted corporations in the United States, for example, were created to provide rather benevolent services in the form of public utilities, public infrastructure, and educational institutions (Seavoy 1978). Corporations would be chartered for a limited amount of time, paid a precise dollar value for the services they rendered, and, in the event that the services were not performed adequately or safely, could be held liable for damages (Prechel 2000; Seavoy 1978). Over the course of the 19th and 20th century, the corporation expanded its operations and diversified its forms, from holding companies in the 19th and early 20th century to the multilayered form in the mid-20th century to the multilayered subsidiary forms of today (Prechel 2000). These changes occurred in response to public awareness of corporate activities, economic growth, and economic instability (Prechel 2000). Needless to say, the modern corporate form has become significantly larger and more powerful and exercises much greater influence over the global production process (Anner 2011), the movement of investment capital within and between countries (Thomas 1997), and the political process in both their home and host locations (Robinson 2008). The corporate form is an especially important topic of investigation because of the impact that it has on modern production processes.

One example of how corporations have altered the production process is through the use of increasingly diversified and segmented production nodes. Anner (2011) contrasts the traditional production regimes (where producers could negotiate the cost of materials, assemble the product in house, and negotiate the final sale price) with what he refers to as “internationally
segmented production regimes” (2011:25). Anner states that there are two key differences between traditional production and internationally segmented production. In the first instance, producers in internationally segmented regimes do not have the ability to negotiate the price of inputs or the option of changing suppliers when material costs become too high. As a result, labor costs are by far and away the highest percentage of the total production cost. This places labor in a very detrimental bargaining situation. As Anner illustrates “workers demanding a wage increase where labor costs are 80 percent of production costs will face much stiffer employer resistance than workers demanding a wage increase where labor costs are only 10 percent of production costs” (2011:24). In the second instance, producers in internationally segmented production regimes also do not have the ability to determine the price of the products they make and thus are prevented from shifting costs to the consumer when production costs increase. When the cost of the final product increases, it is the multinational corporation that absorbs the excess profit. These two shifts in production style combine to exert a tremendous amount of pressure on internationally segmented production regimes to keep labor costs as low as possible (Anner 2011).

The modern corporate form, specifically of multinational and transnational corporations, has had an enormous impact on global shifts in production. This is not to say, as some anti- or alter-globalization advocates have proclaimed, that they are the driving force behind globalization and changes in the production process (Dicken 2007). Reports of the withering away of the state and the colossal power of global corporations have, in my estimation, been exaggerated. All MNCs face pressure from what Dicken (2007) refers to as multi-scalar regulatory systems. Institutions such as the World Trade Organization (WTO) remain significant in setting regulatory, technical, managerial, and environmental standards of operation. Likewise
the state plays an enormous role both in sanctioning the multi-scalar regulatory systems and in allowing MNCs to access their geographical territories. The state remains one of, if not the, most important actor regarding global shifts in production. One of the benefits of a commodity chain analysis is that it exposes these underlying fallacies and sifts through the enormous complexities of MNC production networks. I now turn to the literature on commodity chains in order to illustrate this point.

*Commodity Chain Analyses*

Commodity chain research allows us to understand the world system as a spatio-temporal whole which both reflects and constrains social action. There are, however, numerous variants of commodity chain theory, notably “commodity chains” as they were conceived by world systems theorists, “global commodity chains” as they were conceived of primarily by Gary Gereffi and his collaborators, and “global value chains” as they are referred to in the more economistic oriented literature (Bair 2005). A brief review of all three variants is necessary in order to highlight the approach that will pursued in this research and to illustrate some of the deficiencies of commodity chain scholarship as it applies to the Volkswagen-Chattanooga plant. I argue that, although chain analyses provide a useful starting point for the examination of global production, they cannot sufficiently explain the behavior of firms that do not rely on extensive commodity chains to produce and assemble goods. In the case of the Volkswagen-Chattanooga plant, for example, 85 percent of the materials and components used to assemble vehicles are manufactured in the plant itself (Schmitt 2011). This is an unusually high number for an automotive plant and runs counter to most of the literature on global production. In cases such as this, the role that the state plays in enforcing labor standards and facilitating the conditions for
unionization is greatly magnified. As a result, in the second half of this chapter I pivot from commodity chain studies to state theory and argue that the entrepreneurial state literature is a more accurate predictor of Volkswagen’s behavior in the US.

_Commodity Chains_

In the first variant, simply known as the commodity chain approach, Hopkins and Wallerstein (1977) conceived of commodity chains as a new way to analyze states, markets, and foreign trade. The authors rejected the commonly used sequential approach of analyzing international trade by first examining national markets and then considering the impact of foreign trade on international markets. Instead, the authors take an ultimate consumable item and trace back the set of inputs that culminated in this item—the prior transformation, the raw materials, the transportation mechanisms, the labor input into each of the material processes, the food inputs in the labor. This linked set of processes we call a commodity chain. If the ultimate consumable were, say, clothing, the chain would include the manufacture of the cloth, the yarn, etc., the cultivation of the cotton, as well as the reproduction of the labor forces involved in those productive activities (Hopkins and Wallerstein 1977:128).

For Hopkins and Wallerstein (1977) traditional measures of international trade were flawed and misleading because they failed to capture the differences and the relationship between local markets and international markets both within and between nation states. By tracing back each input within a singular commodity chain the world-systems variant seeks to explain the totality of the relationship between core, semi-peripheral, and peripheral regions of the world system as well as how that value is accrued in different regions.
One of the problematic aspects of Hopkins and Wallerstein’s (1977) programmatic article was that, although it provide the first articulation of a commodity chain analysis, it appears as though this was not the authors chief intention (and certainly not their sole intention). Instead, what Hopkins and Wallerstein set out to do in the article was to provide world-systems scholars with a research paradigm that could orient the field and distance itself from modernization and development perspectives. Thus, while the article provides an excellent overview of the global division of labor, core-semiperipheral-peripheral relationships, capital accumulation and imperial domination (among other topics) the article is not especially instructive when it comes to articulating a clear path for commodity chain research. Indeed, with regards to what measures to use in order to study commodity chains, the authors admittedly “leave this measurement problem…to the side” (1977:128).

Perhaps in response to both the confusion and excitement that Patterns of Development of the Modern World System generated, Hopkins and Wallerstein wrote a succinct article on commodity chains that more clearly stated their research design. In Commodity Chains in the World Economy Prior to 1800 Hopkins and Wallerstein (1986) documented and traced the commodity chains surrounding two leading products of the era: ships and wheat. Although the primary purpose of the article was to illustrate that the international organization of capital did indeed extend back to the long sixteenth century, the authors also provided clearer research strategy for commodity chains than they did in their earlier work.

Hopkins and Wallerstein (1986) argued that studies of commodity chains must be constructed by following two sequential steps. First, it was necessary to begin with data on where the finished products were sent for consumption and then to work backwards, sequentially, in order to determine where value was added at each “node” in the chain (e.g. final
assembly, sub-component assembly, raw material processing, raw material extraction). Second, the authors argued that it was necessary to record four properties at each node in order to gain a more holistic understanding of the chain in question and to accurately depict the division of labor throughout the chain. The four properties included 1) the usual way in which materials moved along the chain, 2) the relations and types of production, 3) the organization of production, and 4) the geographic location (Hopkins and Wallerstein 1986:160-162). A commodity chain so constructed would allow the researcher to analyze the full division of labor along the chain, the degree to which production was cohesive or fragmented, the degree of labor inequality between and within nodes, and the geographic dispersion of the chain itself (Hopkins and Wallerstein 1986; Bair 2005).

Although the commodity chain approach represents in my view the most fruitful approach to analyzing issues of the division of labor and the shifting production processes within chains, subsequent scholars have not picked up the torch. There are a few exceptions to this rule but they are generally few and far between (c.f. Arrighi and Drangel 1986; Clelland 2014; Dunaway 2014; Wallerstein 2000). One of the reasons for this break is that chain scholars often lump the commodity chain approach and the global commodity chain approach (discussed below) together under the same mantle.⁴ Below I will try to demonstrate why it is a mistake to do so because of the inherent differences between the approaches.

Global Commodity Chains

The global commodity chain approach (GCC), first articulated by Gereffi and Korzeniewicz (1994) is similar to but differs from the world-system approach is fundamental

---

⁴ There are many chain scholars who site Hopkins and Wallerstein’s 1977 article side by side with Gereffi and Korzeniewicz’s 1994 manuscript, when they are describing the global commodity chain approach.
ways. Broadly, GCC scholars are not so much interested in explaining the hierarchical division of the world system as they are with illustrating the interconnectedness of manufacturers, suppliers, and consumers in a globalized economy. As Bair states, global commodity chain scholars “are principally concerned with the question of how participation in commodity chains can facilitate industrial upgrading for developing country exporters” (2005: 156). Global commodity chain research is oriented towards the processes of national development, industrialization, competition, and innovation and is generally explored at the micro level through analysis of individual firms (Bair 2009; Gereffi and Korzeniewicz 1994.) In addition, GCC scholars place less emphasis on issues of labor, labor organization, and the global division of labor than their world-systems counterpart. This is not to say that GCC work is not informative. Many of the insights that GCC researchers have drawn from analysis of commodity chains is extremely influential and their data collection, methods, and theories and more clearly pronounced than those of commodity chain scholars. A few examples will help to illustrate this point.

In what was arguably the most influential chapter in Commodity Chains and Global Capitalism Gereffi (1994) begins with a framework designed to inform GCC research. Gereffi argued that that are three aspects of global commodity chains around which scholars should focus their attention. First, Gereffi identified a type of input-output structure that allowed analysts to show how raw materials were transformed into finished products as they moved along the different nodes of the chain. Second, Gereffi pointed to the geographical dispersion of the different nodes and encouraged researchers to map the spatial-temporal dispersion of chains in order to document the transnational nature of the production process. Third, Gereffi identified the governance structure of chains and pointed to the ways in which the largest and most
influential corporations (what he dubbed “chain drivers” or lead firms) exerted an enormous amount of influence at every level of production and influenced their competitor’s chain governance as well. In a later article, Gereffi (1995) included a fourth dimension of analysis, the institutional context of chain management, which examined how corporate performance and corporate culture influenced the organizational and operational aspects of global commodity chains.

One of the key contributions that GCC researchers have made to the study of global production is providing analysts with important conceptual categories for analysis. Perhaps the most well-known categorization that GCC scholars used in order to differentiate among commodity chains was the distinction between buyer-driven and producer driven chains (Gereffi 1994; Gereffi, Humphrey, and Sturgeon 2005; Gereffi and Korzeniewicz 1994). Buyer driven commodity chains consist predominantly of large retailers that order, but do not make, the products they offer. The most widely covered case has been that of the apparel industry which generally employs a large number of low-skilled workers from peripheral countries in order to manufacture labor intensive clothes and footwear (Bonacich and Appelbaum 2000; Bair and Gereffi 2001; Gereffi and Christian 2009). Buyer driven chains derive profits mainly from marketing and advertising often referred to as forward linkages or upstream activities given their proximity to consumption and from gaining access to niche markets across the globe (Gereffi 1999). The largest cost to buyer driven chains is almost always labor, and, as a result, such firms seek producers predominantly in peripheral regions of the world-system (Anner 2011). Producer driven commodity chains, by way of contrast, are comprised of large manufacturing companies that usually procure their own raw materials, and produce their own products through a complex system of suppliers and subcontractors (Gereffi 1999; Bair 2005, 2009). The automotive industry
serves as the key example and generally employs a smaller number of skilled workers in jobs that use a high degree of automation (Anner 2007, 2011; Dicken 2007, 2015; Thomas 1997). Producer driven chains derive most of their profits from research and development and the production of the commodities themselves.

Another important conceptual category that the GCC scholars have provided is related to value and how value is added to commodities as they move along the chain of production. Although the concept of value is too complex and multifaceted to be examined in any amount of detail in this chapter, it is worth mentioning that GCC scholars draw their conceptual definitions from both classic political economy and Marxian economics when discussing how the value of commodities is manipulated along the chain of production. In brief, chain analyses see commodity values as being derived more from pathological aspects of market interactions such as momentary technological proficiencies and monopolistic market conditions than from labor costs and material inputs that result in accurate prices (Guthman 2009). As a result, GCC scholars seek to illuminate where value is added and profits are accrued along the chain. In buyer driven commodity chains such as the footwear industry, for example, Gereffi and Korzeniewicz (1990) have illustrated how the marketing of athletic shoes is significantly more profitable than the actual production. Due to the ownership of the brand name as well as the culturally constructed fetishism of certain commodities, companies such as Nike and Reebok are able to capture the vast majority of the value that is created in athletic shoes through branding and marketing. The same process is true of agricultural production as well. Friedland, Barton and

---

5 Although the general view is that producer driven chains require more skilled employees, this view has been challenged by Anner (2011) among others. In his study of the Brazilian automotive industry, Anner was surprised to find that most of the workers along the auto assembly line were mirror images of their counterparts in the apparel industry.
Thomas (1981) documented how tomato growers lost out on much of the value of the product to companies that processed, canned, and labeled tomatoes.

Relatedly, GCC scholars are interested in where, or at what nodes, value is added and captured along the chain of production. Broadly construed, most of the value in a given commodity is captured as the product in question moves forward, or upstream, along the chain. In a producer driven chain such as the automotive industry, for example, the production and supply of parts is extremely crucial and volatile given that each automobile is comprised of over 15,000 different components (Lee and Cason 1994). Although certain key parts such as engines are made directly by manufacturers, the overwhelming majority of automotive parts are made by suppliers that differ in tier, size, and linkages to the key firms/chain drivers (e.g. Ford, Honda, and Volkswagen). The largest suppliers in the automotive industry, also known as preferred suppliers or tier 1 suppliers, produce highly sophisticated key components for the chain drivers and remain highly profitable given their close relationship with lead firms (Lee and Cason 1994). Smaller firms (tier 2 or tier 3 suppliers) generally produce less consequential parts and/or components of more sophisticated auto parts that are used in final assembly. Much of the GCC literature has discussed ways in which smaller firms are able to upgrade by, for example utilizing more sophisticated production technology and assisting with research and development. Through this type of upgrading, smaller firms are able to move upstream and develop the forward linkages necessary to capture a higher share of the commodity value.

In addition to outlining a broad research agenda and providing classificatory distinctions for commodity chains, GCC scholars have also advanced the study of chains in several key ways. Bair (2005) argues that GCC research represents a methodological advance in the sense that it offers a clearly articulated research paradigm and a path to mapping the enormous
complexities of the global economy. Whereas the world-systems variant of commodity chain research offers few specific strategies for conducting chain analyses, the GCC camp is clear on what researchers should examine in order to parcel the production process together into a coherent whole. GCC research also represents for Bair (2005) a theoretical advance in terms of the framework outlined by Gereffi and his colleagues and collaborators. Although the framework has been disputed and refined (which I discuss below), Gereffi is successful in proving Weberian ideal types for the exploration of the different types of commodity chains. These ideal types provide an ontological starting point that can be modified and adapted through extended case studies and field research. Finally, the GCC approach represents a political advance as well. By untangling the web of suppliers, subcontractors, producers, and retailers, the GCC framework has been informative to NGO’s and anti-sweatshop groups. The GCC approach makes it easier to track down and exert pressure on industries that utilize supply chains to keep wages low and abuses hidden. Of course, as I discuss in the next section, the study of commodity chains has also been used for nefarious purposes and the increasing focus the literature places on industrial upgrading, export oriented economic growth and supply chain management has been utilized by both activists and businesses schools alike (Bair 2005, 2009).

In response to the explosion of GCC scholarship that emerged in the 1990s, several scholars began to revisit the literature in an effort to critique and amend the research paradigm, especially with regards to the conceptualization of buyer driven versus producer driven commodity chains. Although the buyer-driven/producer-driven dichotomy is a useful framework for analyzing the different types of chain management, several scholars have criticized the method for being overly deterministic. Gellert (2003), for example, has argued that more attention should be paid to how, why, and under what circumstances chain governance is
implemented. The buyer-driven/producer-driven characterization does not take into account issues such as political struggle and capitalist crises that can leverage a firm into modifying its governance strategy. Additionally, GCC scholars have been criticized for overemphasizing the role of MNC’s within the process. True, “chain drivers” play a large role in the organization and management of chains, but the state still has the final say in territorial location and the regulation of production activities (Dicken 2007; Gellert 2003).

A second, and in my estimation more damaging, critique was offered in response to the break that GCC scholarship made with the world-systems approach. Hopkins and Wallerstein (1977, 1986) originally conceived of the idea in order to illustrate that global production had, as a result of the outgrowth of historical capitalism, taken place across national boundaries and along complex commodity chains since at least the long sixteenth century. This approach was put forth in order to paint a holistic picture of production networks that took into account historical conditions, global economic trends, and political developments instead of relying only on analysis of state centered economic development. The world-systems perspective was hoping to encourage a break from the nation-state centered unit of analysis; the GCC approach has perpetuated it (Gellert 2003; Wallerstein 2009). This is not to say that the state is not important. Quite the contrary. Increasingly, however, GCC approaches have narrowed the focus of their studies to looking at a single chain (or in many cases a single component of a chain) at a single temporal moment (Bair 2009).

In response to the some of the critiques aimed at GCC studies (most notably that of the binary distinction between buyer driven and producer driven chains) and in an effort to unify the diversity of chain approaches, scholars have attempted to put forth a new brand of chain studies. This third variety, global value chains (GVC), will be discussed in the following section.
Global Value Chains

The most recent variant of the commodity chain paradigm is the global value chain approach (GVC). Although there are numerous similarities between the approaches, Bair notes that “[t]here is no clear consensus regarding the relationship between the GCC framework and the GVC analysis” (2009: 12). The GVC strain is generally recognized to have emerged out of a research network, funded by the Rockefeller Foundation, that met for first time in 2000 (Sturgeon 2009). The research network came together in order to try and formulate a common language for the diverse area of chain studies (e.g. international production networks, global production networks, and global production systems, among others). The approach was further articulated by Gereffi, Humphrey, and Sturgeon (2005) who addressed the critique of the producer driven/buyer driven chains by positing a more nuanced analysis of chain governance structures and chain upgrading.

Although I will argue, following Bair (2005, 2009) that the GVC approach differs from the GCC approach, there are some scholars who consider the difference to be purely semantic. Daviron and Ponte (2005) and Gibbon and Ponte (2005), for example, have stated that the two approaches are largely interchangeable and that GVC is simply a new term that is used to describe GCC. Bair (2009) has also pointed out that the shift may be due to the confusion regarding what the term “commodity” connotes (notably either agricultural products or low cost apparel) and that the shift in name was designed to show that scholars were referring to all types of manufactured goods. Whatever the case may be, it is certainly true that there are stark similarities between the two approaches.

It is my view, however, that the global value chain approach takes a much more economistic turn and analyzes how labor is organized, how transaction costs are accrued, and
how value is added at different stages in the production process in order to maximize profit for individual firms (see also Bair 2005, 2009). As opposed to analyzing commodity chains for the purpose of understanding the hierarchy of the world system or promoting development, the global value chain approach can be seen as a road map for firms seeking to maximize profit by upgrading commodity chains in order to improve their competitive position in the global market. Thus, the politics of the GVC approach are quite different from the other varieties.

The most clearly stated discussion of global value chains appeared in a special issue of *IDS Bulletin* entitled *The Value of Value Chains*. In this volume, edited by Gereffi and Kaplinsky (2001), the contributors set out to survey the literature on global commodity chains and to provide recommendations as to where value chain research should proceed. Most of the entries in the issue confirm the closely related link between GCC and GVC research programs. Gereffi et al. (2001) discuss the similarities in their introductory review and reaffirm the linkages between globalization and the emergence of extensive and complex commodity chains adopted across nearly all industries.

There is a noticeable shift, however, in the ways that authors of the special issue attempt to measure “value” in value chains and their specific recommendations read less like a sociological critique and more like a business textbook. For example, Gereffi et al. (2001) focus most of their attention on the process of industrial upgrading. They recommend that firms should analyze how their value chains operate and consider whether or not to bundle or unbundle different operations along the chain. Gereffi et al. (2001) go on to state that the process of upgrading can allow firms to maximize their competitive advantage in the world economy through the use of more sophisticated product lines, using advanced technology and productive systems, moving from production into research design and marketing, and partnering with lead
firms (i.e. chain drivers). In a similar article, Fleury and Fleury (2001) examine the plastics industry in Brazil and make a series of recommendations as to how firms can restructure their enterprises in order to engage with global commodity chains and gain opportunities for upgrading. Wood (2001) offers an economist’s perspective in his contribution and, among other recommendations, argues in favor or reducing barriers to trade among peripheral countries and inducing widespread upgrading of value chains in order to participate in the global market. Wood admits that this type of transformation would likely increase wage inequality within the country, but argues that “in the long term…the developmental benefits of greater demand for more skilled workers…might outweigh the short-term disadvantages of increased wage inequality (2001:44).

Gereffi, Humphrey, and Sturgeon’s (2005) work also seems to indicate a shift towards a more economistic and firm-centered GGV research agenda. As noted above, the authors of this article respond to the critique of the producer driven/buyer driven dichotomy by positing five types of potential governance structures within commodity chains. The authors draw their inspiration for the typology from literature on transaction cost economics, production networks, and firm level learning and argue that the specific way in which a commodity chain is governed is due in large part to transaction complexity (i.e. the extent to which transaction involve investment and asset specificity), the degree to which transaction can be codified (i.e. standardized and automated), and the capabilities of the firm (i.e. the degree to which it can manage a value chain). Based on these three criteria, the authors argue that value chains can take one of five possible forms. First, value chains can be markets. In this instance, the buyers and sellers within the chain can persist over time but have no obligation to remain in the chain if, for example, the buyer or seller finds a better price somewhere else. Second, value chains can be
based on modular production. This most typical case of this is in the automotive industry (Anner 2011) and occurs when suppliers make products to fit their customer’s specifications. Third, value chains can be relational, that is, based on a mutual dependency or ethnic/familial relationships. Fourth, there can be captive value chains, which emerge when (typically) smaller suppliers are dependent on (typically) large buyers. Finally, value chains can be hierarchical. This is the most commonly observed in corporate chains where orders flow from one subsidiary to another. Although the point of the article is to explain the variation and diversity of value chains, the author’s reliance on the economic and business literature to construct their typologies leads to inconsistencies with the GCC approach.

This brief overview of some of the trends in GVC research is not intended to imply that the scholars working within this tradition are intending to illustrate how commodity chains can be used to discipline and exploit labor, although the implications certainly seem apparent. As I noted earlier, at least some of the GVC scholars don’t even believe that GVC and GCC frameworks can be differentiated. In addition, most of the authors described in the IDS Bulletin special issue appear to be instructing peripheral firms in supply chain management and logistics in an effort to help them compete with foreign firms from developed countries and the influx of foreign capital (c.f. Dolan and Tewari 2001; Fleury and Fleury 2001). One concern regarding the GVC literature is that, as Bair notes, “the audience for this scholarship is understood to include policy-makers and private sector actors seeking to maximize the potential benefits derived from participation in international trade and production networks” (2005:164). Likewise, business schools around the country have instituted courses and entire programs in supply chain

---

6 Although the typology proposed by Gereffi, Humphrey, and Sturgeon (2005) is more inclusive than the traditional buyer driven/producer driven dichotomy, this characterization has come under scrutiny as well (c.f. Gibbon and Ponte 2005; Bair 2005).
management in order to take advantage of the benefits that complex commodity chains offer firms in global industries. The business literature on good supply chain management often details how firms should “go lean” with regards to their employees and demand faster, more complex, and more specialized tasks from their employees. These developments raise important questions about the way that chain research should be undertaken and disseminated.

Another concern with the GVC literature is its increasing focus on firm level research and supply chain upgrading. One of the benefits of chain studies is their ability to constantly move back and forth between the local and the global, between macro-economic events and micro lived experiences. Focusing solely on the firm under question may prove beneficial for that firm, but what does the research tell us about broader global currents or local labor conditions? Relatedly, the focus on chain upgrading is problematic because it seems unclear who is benefiting from the process (Bair 2005; 2090). Most of the GVC literature indicates that supply chains are upgraded when the suppliers take on more difficult, more complex, or simply more responsibilities. This indeed may lead to added value for the firm or increased competitiveness, but it tells us very little about what will happen to the employees within the firm. As Anner (2007, 2011) has noted in his study of both the apparel and automotive industries, chain upgrading can often be associated with job loss, increased production quotas, and decreased wages. Chain scholars need to pay considerably more attention to the role of labor within the process.

Chain scholarship can benefit by returning to its world system roots and by explicitly focusing on the agency that labor holds in the production process. Many variants of chain scholarship fail to acknowledge its precursors in work of Braudel, Hopkins, and Wallerstein and even fewer extend the chain analyses beyond the firm level. I argue that it is important to view
the different variants of chain analyses as *approaches to* and not as *theories of* global production. As approaches, the different variants can, and should be, used in complementary ways. Each of the variants of chain analyses offers different vantage points and places more or less emphasis on specific aspects of commodity chains. One of the problems with looking exclusively at firm level data is that the commodity chain approach fails to take into consideration the role that non-firm actors, especially the state, play in facilitating or hampering the agency that workers have in the production process. This is especially true of the Volkswagen-Chattanooga case given that the plant manufacturers nearly all of the components for its vehicles within the boundaries one state. In order to highlight the important role that the state plays in this process, I will now turn to the literature on state theory and the entrepreneurial state. Although there are disciplinary boundaries that exist between the different approaches and theories, the differences are in no way irreconcilable.

*State Theory*

Nicos Poulantzas was one of the first scholars to offer a structural Marxist account of the state. In contrast to instrumental Marxists who viewed the state only as an instrument of the ruling class, Poulantzas (1974) argues that the state is a relatively autonomous institution that is shaped by the specific formations of class relations within a political region. For Poulantzas, there is no static state apparatus but, instead, a dynamic state which responds to and helps facilitate the specific mode of production within a given territory (Carnoy 1984). Thus, the different types of state formations, such as the feudal state or the capitalist state, directly impact the varying bargaining power that different groups may assert. As a result, Poulantzas concludes
that the state is not a tangible institution *per se* but is, instead, a relation between different classes vying for power (Das 1996).

However, because Poulantzas argues that the state is determined by the economic means of production, it is only the capitalist class that can use the state as a site of organization. The capitalist class can coalesce in the upper levels of government in order to effect policies which benefit the class as a whole. Labor, in contrast, can only impact the state with regard to its relationship to production (Carnoy 1984). Labor may interact with the state in order to bargain for better working conditions and pay, but not for substantive issues which would fundamentally alter the ownership of the means of production. Examining how the different varieties of capitalism have mitigated against the effects of globalization through the lens of Poulantzas, we can better understand how labor shapes the production process but only to the extent that it can within each of the varieties of capitalism. In Western European countries, for example, labor has a greater bargaining position within the state, but their influence is still limited to the productive sphere of society.

In *State, Power, Socialism*, Poulantzas argued that the state was an incarnation of the different classes in society vying for power. Poulantzas (1978) states that “each state branch or apparatus and each of their respective sections and levels frequently constitutes the power-base and favored representative of a particular fraction of the bloc, or of a conflictual alliance of several fractions opposed to certain others” (1978:133). For Poulantzas, the competing claims occurred both among and within the different classes of society. For example, conflicts could emerge between the bourgeoisie and the proletariat over the ownership of the means of production, but they could also emerge within the bourgeoisie among, for example, industrial
and financial factions of the capitalist class (Frankel 1979). The contradictions between the classes and the relative autonomy of the state forces the state to perform a mediating function which can filter the competing class desires and enact state policy which embraces the contradictory class aims (Quadagno 1987). Although Poulantzas notes that the state apparatus is largely controlled by members of the capitalist class, he argues that the state’s fundamental role in assuring 1) capital accumulation, and 2) social legitimation, would continue irrespective of who was in power. In short, as Manza and McCarthy explain, “the state is autonomous from individual capitalists but not from capitalism as a system” (2011:160).

One of the earliest critiques of Poulantzas’ work came from Ralph Miliband (1970). Although the debate between the two theorists is often characterized as a debate between structuralist and instrumentalist views, respectively, of the state, Carnoy (1984) more appropriately describes the exchange as a debate over the agency of individuals as a source of change within capitalist societies. Although Miliband does offer an explicit critique of structuralist views of the state, he argues that a proper examination of the state requires an analysis of the concrete. Miliband points to the fact that the ruling apparatus of the state is comprised, for the most part, of members of the capitalist class. Instead of positing the relative autonomy of the state, Miliband argues that the state serves as an essential tool for the continued exploitation of dominated classes in capitalist societies (Das 1996).

However, unlike Marx, Miliband did not believe that owning the means of production was a sufficient condition for controlling the state. Although he observed that this was common in capitalist societies, Miliband also observed that parliaments all across Europe have included representatives from the proletariat classes and that these representatives have been able to enact
legislation even in the face of bourgeois opposition. Unlike Poulantzas, Miliband leaves the door open for individual agency and argues that, although the state tends to act on behalf of the ruling class, it does not always do so and can be influenced to do the opposite (Carnoy 1984). This is especially true of organized labor. Miliband believed that, following Poulantzas, the site of working class struggle always originated in the productive spheres of society. Unlike Poulantzas, however, Miliband believed that once working struggles materialized in the workplace, this impetus could be carried over to struggles for the state. Unionized workers could eventually capture the state through electoral struggles and then modify the state apparatus to focus on issues of reallocation (Quadagno 1987). Western European states, for example, concede more to the working class than the US due to both the greater participation of the working class in the political electorate (e.g. labor parties) as well as from a historically conditioned willingness to advocate on behalf of labor’s interests.

This is not to say that Miliband viewed the state as a neutral vehicle. In contrast to Poulantzas, Miliband believed that the composition of the state, in terms of those elected to office and those who controlled the state bureaucracy, was extremely important to the overall behavior of the state. In *The State in Capitalist Society*, Miliband (1969) illustrated how the governments in Western democracies were almost exclusively comprised of members of the capitalist class. Although there existed some degree of plurality amongst the capitalist class regarding their groupings and interests, Miliband concludes that this pluralism “does not prevent the separate elites in capitalist society from constituting a dominant economic class, possessed of a high degree of cohesions and solidarity, with common interests and common purposes which far transcend their specific differences and disagreements” (1969:47-48). This view of the state is shared by Domhoff (1990) who argues that, at least in the United States, the state has never been
neutral or autonomous. Although there are many complex interactions that take place between the state and the different classes in society, the state is still dominated by a ruling class which acts in its own best interest. Welfare programs are not, for Miliband or Domhoff, the result of working class victories, but are, instead, measures implemented by the ruling class in order to ensure the long-term health of capitalism. For both authors, the state is a capitalist state.

A final state analysis worth mentioning here, and one catered specifically to the US, was offered by James O’Connor. Unlike Poulantzas and Miliband, O’Connor’s (1971) contribution focuses more on the economic role of the state in creating the conditions that facilitate the continued expansion of capital. Whereas Poulantzas and Miliband concentrate on the state’s role in the social reproduction of the capitalist system, O’Connor’s analysis is primarily concerned with illustrating the contradictions inherent in government spending and tax appropriation. Because the US state is involved much less in production than European states, the US must rely on a system of taxation in order to finance the conditions necessary for the expansion of capital (Carnoy 1984). One of the key examples that O’Connor (1974) uses to illustrate his point is the state’s role in the creation and maintenance of public infrastructure. Roads, bridges and airports further the interests of the capitalist class as a whole, yet must be financed through taxation which, as O’Connor shows, disproportionately burdens the working-class population.

In addition to financing the economic infrastructure, the state also pays the costs for the social reproduction of capital in the form of schools, social welfare programs, and research and development for new products (Carnoy 1984). This legitimation process can take several forms, such as the rise of the welfare state across developed countries following WWII. By providing capital with a skilled and healthy workforce, the state essentially incurs the costs of production
that were formerly borne by the private sector (O’Connor 1974; Quadagno 1987). Further, the
maintenance of the welfare state serves to pacify working class struggles. By providing the most
vulnerable citizens with guarantees, however minimal, of health insurance, retirement plants, and
minimum wages, the state, in effect, provides capital with a docile workforce. This view has
been echoed by subsequent theorists including Piven and Cloward’s (1971) seminal work on the
topic, *Regulating the Poor*. Piven and Cloward argue that welfare in the US has always been
used to maintain a cheap labor pool in times of economic crises.

What’s more, the state also takes over sectors of the economy that are non-profitable such
as mail delivery and public transport. All of these different mechanisms lead to the continued
expansion of private capital according to the logic of capitalism but, for O’Connor, are
contradictory and unsustainable. The state, for O’Connor, is used to displace the site of class
struggle between workers and capital and to provide services that private industry will not, or has
not yet moved into. Although O’Connor’s analysis offers new insights into the way that the US
state is managed, little is put forth regarding the role of labor or social movements in advocating
for more favorable state policies or, more generally, on the agency of individuals and groups in
the capitalist state.

One of the chief shortcomings with the structural and instrumental accounts of the state in
the works of Poulantzas, Miliband, and O’Connor is that they fail to answer the key question
regarding the relative autonomy of the state. If the state is indeed autonomous, then why does the
state continue to reproduce the conditions that make the expansion and maintenance of the
capitalist system possible? Absent a clear answer to these questions, the work of these three
authors can be viewed as theoretically opaque and offering only a functionalist explanation of the
role of the state in capitalist democracies (van den Berg 1988). Further, with the exception of perhaps Miliband, the work of the authors lacks empirically objective findings and, even in the case of Poulantzas, makes it nearly impossible to envision how the state would ever act against the wishes of the capitalist class.

The Entrepreneurial State

One of the first authors to break from the structural and instrumental debates that animated much of the discussion surrounding the state in the 1960s and 1970s was Fred Block (1977, 1980, 1987). In a series of influential essays published in the late 1970s, Block argued that the autonomy of the state centered around competition between three key classes in society: capitalists, workers, and state managers. Whereas the capitalist class focuses on the continued accumulation of capital, they are oblivious to the social construction of capitalism necessary for the reproduction of the system. State managers, in contrast, focus their energy on balancing the needs of the capitalist and working class, but are often beholden to the capitalist class for two key reasons. First, in order to maintain their position, state managers must deliver a high level of business investment and output. This is crucial both to ensure that there is an adequate amount of tax revenue to fund social expenditures and, relatedly, to maintain the public’s confidence in the state. Second, state managers are judged based on their ability to deliver a good business climate to individual capitalists. Because business confidence rises during times of political stability and falls during times of political turmoil, state managers must acquiesce to the capitalist class in order to continue to the cycle of investment (Manza and McCarthy 2011; Quadagno 1987).

This is not to say, as Poulantzas, Miliband, and O’Connor do, that antibusiness reforms in favor of the working class are an impossibility. For Block (1980, 1987), pro working-class
reforms could come about as a result of political instability, either in the form of economic crises or war, or as a result of grass-roots working class mobilization. During times of political turmoil, according to Block (1980, 1987), the pressure to maintain a good business climate becomes less important, and state managers are less inclined to act on behalf of the capitalist class. This is true of the enactment of the welfare and the Environmental Protection Agency during the 1960’s and 1970’s as well as of numerous Civil Rights victories over the same time period.

Another arena in which Block takes a divergent stance on the state is in regard to the state’s role in promoting the development of innovative new technologies for the public good. In Where Do Innovations Come From Bock and Keller (2011) illustrate how it is the state, not the corporation, that is largely responsible for funding and creating innovative new technologies in nearly every field. Public agencies such as the Small Business Innovation Research are increasingly responsible for the creation of new technologies, whereas Fortune 500 companies have seen their share of innovation rewards diminish drastically over the last forty years. As the authors note “by the current decade, solo winners from the Fortune 500 could be counted on the fingers of one hand. Even with collaborators, they averaged only ten awards per year” (Block and Keller 2011:11). These authors raise important questions about the role of the state in contributing to the public good.

It is also important to note the temporal and political context in which Block was writing. The economic turmoil of the 1970s gave rise to neoliberal policies championed by conservative economists who argued that the size of the government and generous welfare provisions were the key factors hampering economic growth. According to the neoliberals, the free market could solve the economic and social malaise if only the government would stop interfering in the affairs of private business. Championed by politicians such as Ronald Reagan and Margaret
Thatcher, neoliberal economic policies slashed the size of federal government, gutted the social safety net for working class people, abolished consumer protection and environmental regulations, and rolled back the hard-fought gains that labor made during the New Deal era. Although these policies were sold to the public as a way to improve the economy, what resulted was a drastic increase in economic inequality without any corresponding innovations on the part of large corporations.

Marina Mazzucato (2013), writing in the tradition of Block, takes explicit aim at the neoliberal belief that the entrepreneurial spirit of the private sector is being hampered by government bureaucrats. Contrary to the conventional wisdom, Mazzucato (2013) illustrates how the state is directly responsible for nurturing almost all of the great technological innovations of the last century. The success of the Apple brand of products is a case in point. Mazzucato clearly shows how the twelve different technologies most responsible for the Apple’s success were developed by public employees working at state funded research and development institutions. Although Mazzucato gives credit to Steve Job’s and other Apple executives for the packaging and marketing of the technologies, she clearly shows how it was the state, not the private sector, that was responsible for taking the risks necessary to create the new technologies.

What Mazzucato and Block demonstrate in their work is that, although the government is responsible for the creation of innovative products, the private sector is reaping the lion’s share of the rewards. Even more insidious is that the arc of neoliberalism has made it significantly more difficult to fund public expenditures that contributed to the new technologies in the first place. As the budgets for public universities and research and development institutions shrink, the corporate tax rate continues to decline. Although Block and Mazzucato turn their focus on technological innovation, the same case can be made in the pharmaceutical, manufacturing, and
green industries as well. The neoliberal myth is that the private sector is filled with risk takers and innovators who could solve all of society’s problems if only big government would step out of the way. The reality is that it is up to government to reduce the risks to a level that the private sector is willing to accept. The cost of building a good business climate is socialized; the rewards are privatized.

Conclusion

Commodity chain analyses are useful in their ability to make sense of the process of globalization and the increasingly complex global production networks that have arisen as a result. The literature on commodity chains is not without its deficiencies, however, and it is my contention that commodity chain scholarship has increasingly moved in a more economistic direction and has lost much of its value as it was originally conceived of by world-system analysts. In this chapter I have argued that, although chain analyses provide a useful starting point for the examination of global production, they cannot sufficiently explain the behavior of firms that do not rely on extensive commodity chains to produce and assemble goods. In the case of the Volkswagen-Chattanooga plant, for example, 85 percent of the materials and components used to assemble vehicles are manufactured in the plant itself (Schmitt 2011). This is an unusually high number for an automotive plant and runs counter to most of the literature on global production. In cases such as this, the role that the state plays in enforcing labor standards and facilitating the conditions for unionization is greatly magnified. Instead, I have argued that theories of the state, and especially the entrepreneurial state, are more applicable for analyzing corporate firms that do not rely on extensive commodity chains.

State theory, at least in this case, is more applicable because it makes explicit what commodity chain scholars leave implicit, notably the enormous role that the state plays in
conditioning both the international division of labor and the global production process. By prioritizing the firm, commodity chain scholars fail to consider the role of the state in enforcing labor standards, undergirding the conditions for labor unionization, and examining the local and historical context of specific production regimes. These considerations, especially in instances in which firms do not rely heavily on supply chains, are of paramount importance. If we are to understand how a firm may behave outside of its host country, then it is necessary to look at the historical and political context which governs a firm’s behavior. This is especially true of Volkswagen, a quasi state-controlled firm due to the fact that the local government of Lower Saxony owns a controlling share in the company.

In the following chapter, I begin to tease out the historical and political context that animates labor relations in the US and Germany. In doing so, I extend the state analysis offered in this chapter and begin to incorporate two key components which commodity chain scholars have left out: class relations and labor struggles. In chapters IV and V, I will return to Block’s theory of the state and test its validity against empirical findings from the automotive industries in the US and Germany. This holistic approach will allow for a greater understanding of how core-to-core labor relations are managed in a globalized world.
CHAPTER III ORGANIZED LABOR AND THE STATE: GERMANY AND THE US IN COMPARATIVE PERSPECTIVE

Introduction

In the winter of 1936-1937 something incredible happened in Flint, Michigan that, for the next two decades, would significantly alter the prospects and potential of the US Labor Movement. The events that gave rise to the Great Flint Sit-Down strike were innocuous enough. On November 12, 1936, three nonunion welders, Joe Urban and the Perkins brothers, reported to work to find that the fourth member of their welding team had been fired. In response, Urban and the Perkins’ simply stopped working (Fine 1956). This action had a crippling effect on the whole of the assembly line which necessitated that workers operate at a rapid pace in order to keep the line moving. Eventually Urban and the brothers were persuaded back to work, but, upon arriving for their shift the following day, the Perkins brothers found that their time cards had been removed and replaced with notices of termination. The brothers peacefully accepted their back pay and exited the premises, but not before showing their red cards to the few members of the newly formed United Automobile Workers who worked at the plant (Fine 1965).

In response, one of the UAW organizers, Bud Simons, immediately took action and began running up and down the assembly line rallying his fellow employees to stop working. When a foreman attempted to get the assembly line working again, at least a dozen men blocked his way and prevented him from ending the spontaneous work stoppage. Shortly thereafter, the assistant plant manager called a meeting and agreed to allow the Perkins brothers to return if work could continue for the day. Undaunted, the workers voted to continue the sit-down strike until the Perkins’ were reinstated (Fine 1956, 1965). Eventually management acquiesced and even called on the local police force to find the Perkins brothers and return them to the plant.
Although minor, this incident illustrated the positive impact that the union could have on the workplace and, as a result, membership in the UAW skyrocketed from less than 150 members in November to more than 1,500 in December (Nelson 1994). The incident further demonstrated the power of the sit-down strike as an effective method for settling workplace grievances (Faires 1989; Goldfield 1989).

Emboldened by their successful efforts to maintain the job security of their fellow employees and inspired by the similar sit down strikes that were occurring at GM plants in Atlanta and Kansas City, UAW president Homer Martin called on top GM executives to meet with the union in order to discuss workplace grievances (Fine 1965; Nelson 1982). The UAW sought to establish union recognition, seniority rights, wages, and to set limits on the pace of the assembly line. GM balked at the initial request and instructed Martin to settle the grievances at the local plant level in accordance with GM’s company policy on collective bargaining. Although Martin insisted that the grievances were wide enough in scope to necessitate a companywide meeting, GM remained steadfast in its decision. With the issue at an impasse, workers at the Cleveland body plant began a sit-down strike on December 28, 1936 (Fine 1956, 1965). Recognizing the critical importance of both the Cleveland body plant and the two Flint body plants (which produced roughly seventy five percent of car and truck frames on GM vehicles), the Flint workers voted to stage their own sit-down strike on December 30 (Fine 1965; White 2010).

The events at the Atlanta, Cleveland, and, especially, the Flint automotive plants had a ripple effect throughout the entirety of the General Motors corporation. While the sit-down strike would eventually affect some 140,000 employees at 50 GM plants across the country, the tension would center in the struck plants in Flint (Fine 1965; Goldfield 1989). Following the outbreak at
the Flint plants, General Motors Vice President William Knudsen declared that the workers were illegally trespassing and stated the company’s refusal to bargain with the UAW until the workers were removed from the plant. On January 2, GM received an official injunction from the Genesee County Circuit Court ordering the workers to evacuate the Flint plants and to immediately stop the pickets that formed around the facilities (Fine 1965). While the workers had intended to defy the court order regardless, the injunction was shortly discredited when it was discovered that the judge who made the ruling, Edward Black, owned over $200,000 in GM stock (Fine 1956; 1965). In response, GM transferred its injunction request to another Circuit Court Judge, Paul Gadola, and began a series of attempts to remove the workers themselves (Wolfinger 2002).

On January 11, the peaceful protest by the striking workers turned violent when GM shut off the heat to one of the occupied buildings and dispatched company police to prevent family and community members from delivering food into the building. In response, the workers began improvising makeshift weapons and were successful in fighting back the company police and keeping the plant gates open (Fine 1965; White 2010) Local police forces were called in shortly thereafter and began using tear gas and firing live rounds at the workers. At least 28 workers and police officers were injured in what came to be known as the “Battle of the Running Bulls,” but the local police were forced to flee the scene and the plants remained in occupation (Fine 1965). The next day, in response to the violence, Governor Frank Murphy called on the Michigan National Guard to secure the area, but, in what would become a major boon to the UAW, he did not instruct the guardsmen to evict the workers (Fine 1971; Wolfinger 2002).

Instead, Governor Murphy attempted to broker a truce between GM management and the workers. On January 15, Governor Murphy invited the workers and top GM executives to meet
in Lansing and discuss the terms of the UAW’s demands (Fine 1971; Wolfinger 2002). Against
the advice of some of the more militant organizers in the Congress of Industrial Organizations,
the UAW consented and agreed to evacuate all of the occupied GM plants. GM, for its part,
pledged that it would come to the bargaining table and promised not to resume operations at any
of the previously occupied plants for at least fifteen days (Fine 1965). Shortly before
negotiations were set to begin on January 18, however, the UAW discovered that GM would also
be meeting with a recently formed company union known as the Flint Alliance which was
supporting a back to work movement among Flint residents. Incensed that GM had violated the
terms of the agreement, the UAW strategically staged a decoy sit down strike on February 1 at
one of the remaining unoccupied Flint plants and then used the distraction to take over and
occupy another GM building that was responsible for the manufacture of Chevrolet engines
(Fine 1956, 1965). This building was seen as the most crucial node of production for GM and
further crippled the company’s production capacity.

On February 2 Governor Murphy again called on the National Guard to cordon off the
areas surrounding the occupied Flint plants. The following day Judge Gadola issued his
injunction against the Flint workers which ordered that the employees must evacuate the plant
and that picketers had to stop their protests outside of the GM facilities. Once again, the UAW
refused to abide by the injunction, but Governor Murphy did not order the National Guardsman
to enforce the order. Recognizing impasse (Fine 1971; Wolfinger 2002), GM officials finally
agreed to meet with John C. Lewis and UAW officials on February 3. After a long series of talks,
GM acquiesced to the union’s demands and agreed to recognize the UAW as the official
bargaining agent of GM employees on February 11 (Faires 1989; Fine 1956, 1965; Goldfield
1989; Wolfinger 2002).
The events that culminated on February 11 in Flint had seismic impacts on the UAW, industrial unions, and the labor movement as whole. The impact of the sit down has led historians such as Sidney Fine to appropriately describe the strike as “the most critical labor conflict of the nineteen thirties” (1965:691) and legal scholar Ahmed White has called it “the most important event in the history of American labor” (2010:2). From a fledgling outfit when it was founded in 1935, UAW membership skyrocketed following the sit-down strike to 195,400 members by the end of 1937 (Nelson 1982). Membership numbers do not even begin to tell the full story, however, as the tactics utilized by the Flint GM workers were replicated by employees at Chrysler in 1937 and Ford in 1941 forcing all of the Big Three automakers to bargain with the UAW (Reuters 2009). By 1943, the UAW had become the largest and most powerful labor union in the US.

Most accounts of the Flint sit-down focus on the heroic actions of the workers and the exceptional strategy utilized by the UAW. There is good reason for doing so. At the time of the sit-down strike, GM was one the largest and richest corporation in the world with a long history of union busting and hostility towards its workers (Fine 1956, 1965). Likewise, at the time the sit-down strike was launched the UAW local in Flint had only 150 members and could only claim a national membership of a few thousand (Nelson 1982). The fact that workers, their wives, and the members of the community who supported the UAW could overcome such enormous odds absolutely justifies the David versus Goliath narratives that flow through much of the scholarship surrounding the event.

What is often ignored in accounts of the Flint sit-down strike, however, is the enormous, and, as I will argue, consequential role that the state played in in creating the conditions which would allow the UAW to emerge victorious. In the first instance, what the workers were really
doing during the Flint sit-down strike was taking advantage of new legislation that was enacted during the early years of the New Deal. As Goldfield notes, “prior to the 1930s unions, whatever their legal status, were de facto illegal” (1989: 1258). The Norris-LaGuardia Act of 1932 curtailed corporations from using federal court injunctions to break strikes and pickets (White 2010). Similarly, the National Industrial Recovery Act (NIRA) represented the first attempt by Congress to codify basic labor rights including, importantly, Section 7(a) of the act which would encourage union membership and ensure the right of trade unions to bargain collectively for all of its members (Fine 1965; White 2010). The National Labor Relations Act of 1935 created the National Labor Relations Board and which was empowered to certify unions and penalize employers who attempted to infringe on the rights of employees to form unions. Although the NIRA would later be found unconstitutional in a series of Supreme Court decisions, it was these pieces of legislation that provided the legal and political basis for the sit-down strikes throughout the 1930s (Goldfield 1989; White 2010).

Second, scholarly accounts of the Flint sit-down strike often neglect the pivotal role that Michigan governor Frank Murphy played throughout the incident. Elected just before the outbreak of the GM strike in 1936, Murphy was a staunch New Deal Democrat who fully supported FDR’s initiatives (Fine 1971; Wolfinger 2002). Although Murphy was under constant pressure from both GM and upper-class elites to put down the strike, he remained firm in his commitment to see that a peaceful agreement be reached between GM and the workers (Wolfinger 2002). Twice during the strike Murphy called on the National Guard, but, in the first instance, used them to remove company police and, in the second, refused to send in the guardsmen even after Judge Gadola issued his injunction ordering the eviction of the workers from the plants. Governor Murphy’s sympathy with the strikers likely cost him his reelection bid
Following his actions during the strike, Governor Murphy was targeted by Michigan Republicans and the House Un-American Activities Committee and he was branded a Communist sympathizer (Fine 1971; Wolfinger 2002). As a result, Murphy faded into relative obscurity following his first term as governor, but his actions proved to be decisive in securing the UAW’s bargaining rights with GM.

Finally, the role that President Franklin Delano Roosevelt played in the Flint sit-down strike is similarly overlooked. During the strikes it was not only Murphy who attempted to intervene on behalf of the workers but the executive office as well. At the behest of FDR, Secretary of Labor Frances Perkins attempted to arrange a meeting between the President of GM, Alfred P. Sloan, and John C. Lewis to discuss the UAW’s demands (Fine 1965). Although the hope of the meeting was dashed when Flint workers discovered that GM was meeting with the Flint Alliance, there was an obvious impetus on the part of the executive office to reach a compromise (Goldfield 1989). Further, Murphy would surely not have been able to forestall the National Guard without the tacit approval of the President. Following the aftermath of the strike, Roosevelt sent Governor Murphy a note offering his "hearty congratulations upon your splendid work in ... the automobile strike.... Yours has been a high public service nobly performed" (Wolfinger 2002:383). Without undermining the courage and genius of the striking workers, it is clear that it was the state apparatus that was most important for undergirding the success of the strike.

A Brief History of the US Labor Movement

Labor activity in the United States can essentially be characterized in three distinct phases. From their earliest foundations in the 1790’s, labor unions were given few protections
under either federal law or the legal system. Labor unions generally suffered from both their lack of protection as well as the advantages that were incurred upon big business. In the instances in which labor unions were able to prosper during this period, it was because they purged their ranks of semi-skilled and un-skilled laborers and focused exclusively on highly skilled craft industries. Because of this, blacks, immigrants and women were consistently barred from joining unions and were discriminated against in the few instances in which they formed their own (Fantasia and Voss 2004; Fink 1977; Voss 1994). The second phase of union activity in the United States occurred between 1932 and 1947 and can be characterized by the implementation of New Deal legislation that explicitly acknowledged the right of unions to organize and bargain collectively. Unions during this period experienced significantly more protection from employer discrimination and were afforded considerable safeguards under the judicial system. As a result, we see a massive spike in union membership that has been unparalleled in U.S. history (Arnberg 1994; Boyle 1998; Davis 1986). The third phase of union activity in the United States describes the period since 1947 in which labor unions have experienced a massive retrenchment of their former gains. As I will argue, the state is largely responsible both for the growth of the labor movement during the preceding period as well as for the precarious position that the US labor movement currently finds itself. Key pieces of legislation, namely the Taft-Hartley Act, have undermined the rights of unions, and their ability to bargain collectively and advocate for social reforms has essentially disappeared. As a result, rates of union membership in the US have dropped to their lowest level since the Great Depression (OECD 2018). Although it is impossible to fully describe the history of the US labor movement in any amount of detail, I will attempt to provide a brief overview of the rise and decline of the movement from its high watermark in the 1930s-1940s to the present as a way to highlight the activities of the state.
With the election of Franklin Delano Roosevelt in 1933 and the formation of a New Deal coalition of Democrats, labor unions witnessed a spike in membership unprecedented in US history. The National Industry Recovery Act of 1933 was instrumental in promoting a return to unionism and increasing the role of laborers in workplace negotiations. Rehmus and McLaughlin (1967) describe the act as having explicitly acknowledged the right of employees to organize and bargain collectively. Further, the act also created national labor boards to ensure that the legislation would be carried out accordingly. Although the National Industry Recovery Act was declared unconstitutional by the Supreme Court, almost all of the basic tenants of the act were recovered in the National Labor Relations Act (also known as the Wagner Act) of 1935. As a result, union membership and activity surged in the years following its passage. Unions began incorporating the “open shop” industries into their ranks and membership in the AFL grew by over 40 percent from 1933-1935 (Fink 1977). This push for organization was conducted in tandem with strikes, walkouts, petitioning and sit-ins that both reverberated with the public and generated a large degree of adverse criticism. Strikes began to decline following the massive sit-down strikes of 1936-1937 as labor organizations began to take advantage of the legal rights afforded to them under the National Labor Relations Act (Peterson 1963).

In light of the gains made after the passage of the National Labor Relations Act, the labor movement as a whole was once again concerned with the age-old question of whether labor organizations should be organized along occupational craft lines, or whether they should be organized by industry (Peterson 1963). In response to this question, several members of the AFL broke away from the traditional method of craft line organization and created the Committee for Industrial Organization in order to promote membership among unskilled and industrial workers. The AFL, however, viewed the formation of the Congress of Industrial Organizations (CIO) as a
threat to its organization and prestige and quickly and expelled the unions that had participated (Peterson 1963). Shortly thereafter, the committee reconvened and established itself as the Congress of Industrial Organizations (CIO).

The establishment of the CIO resulted in a dramatic spike in union membership, especially among the unskilled and semiskilled workers, in the years leading up to World War II (Fink 1977). The CIO succeeded in establishing itself in all of the major industrial industries and, after the attack on Pearl Harbor, both the AFL and CIO unions were able to establish themselves in the wartime industries (Peterson 1963). Throughout the war, relations between unions and the military remained stable and the provisions of the National Labor Relations Act were upheld. Additionally, the National War Labor Board was established to arbitrate labor disputes and encourage cooperation between managers, workers and the state (Fink 1977; Peterson 1963).

Although numerous labor scholars have touted the period 1933-1955 as the most prosperous in American labor history, Davis (1986) argues that this period was simply another phase in the dialectic history of American labor unions. The forged alliance between labor and business that occurred during WWII served as a prequel to the besiegement of labor that would follow for the next half century. Although the Roosevelt government mandated that war industries be unionized, unions were all forced into a “no-strike pledge” that drastically undermined the more radical militancy that had been occurring from 1933-1947 (Davis 1986:54). In addition, the war time relations between the state, employers and labor unions lead to a wholesale bureaucratization of the labor movement. Former radical labor union leaders were transformed into “the postwar era’s ‘new men of power’” whose new strategies were more likely to be formulated in corporate board rooms than factory floors (Davis 1986:53). For Davis
(1986) the alliance that was forged between business and labor during WWII was not the result of labor’s success but was a calculated maneuver on the part of employers and the state to pacify the more radical wings of the American labor movement.

In the wake of World War II, the cooperation between unions and capital that had held during the war years began to disappear (Peterson 1963). Workers continued to advocate for increased wages after overtime hours and war bonus payments stopped, but employers argued that increased wages were impossible in lieu of the decline in worker productivity (Peterson 1963). After numerous unsuccessful strikes were launched in 1945-1946, labor unions languished after suffering electoral defeat in the form of an increasingly conservative Republican Congress in 1946. The immediate effect of this was the passage of the Taft-Hartley Act in 1947 (which passed over the veto of President Harry Truman). The Taft-Hartley Act essentially removed many of the protections granted to organized labor by the National Labor Relations Act and restricted union activity.

Further exacerbating union problems during this period was the relationship between the CIO and the American Communist Party. While the American Communist Party was unsuccessful in forming mergers with other labor organizations it found a partner in the newly established and more militant CIO (Peterson 1963). Although conflicts existed between the communist and non-communist blocs of the organization, the CIO generally accepted the communist elements so long as they acted in a manner that was consistent with CIO policies. However, the two factions within the organization reached deadlock with regard to whether or not the CIO should participate in the World Federation of Trade Unions (WFTU). The WFTU was established in 1945 to unite trade unions across the globe. Although the WFTU achieved success in other countries (including, as I discuss later, in Germany), most American trade
unions rejected the organization because of the sympathetic stance the WFTU held towards communism. The AFL, for instance, never participated in the WFTU and continually sought to undermine its organization, but the Congress of Industrial Workers became an “enthusiastic member” in 1945 (Peterson 1963:37). The CIO membership in the WFTU was short lived, however, and it formally broke from the international organization in 1949 after it became obvious that “the new world organization was being dominated by its Soviet members” (Peterson 1963:37). As a result, the CIO amended its constitution to allow for the expulsion of communist members and immediately invalidated the charters of eleven of its organizations (Fink 1977).

The passage of the Taft-Hartley Act and the crackdown on the more radical wings of the CIO signaled an end of the prosperous years of the American labor movement. Once again, the states aggressiveness toward the labor movement in the United States is evident. Davis illustrates how “the postwar organizing strategy of the CIO…collapsed in midst of new employer-state offensive…coupled with the Cold War bloodletting within the CIO itself—the purge of left-led unions, mass blacklisting, and wholesale intra-CIO raiding. The result was a new stagnation of CIO growth and further gains by the AFL” (1986:54). Davis (1986) argues that the fall of labor’s more militant wings was predetermined by the exceptional character of American history. Whenever and wherever radical labor strategy appeared, both employers and the state coalesced to crush the movements. Both the Knights of Labor and the International Workers of the World, two of the most radical labor unions in US history, suffered from extreme repression when they began to make gains by appealing to low-skilled workers and communist elements of the working class. Here we again see the powerful role that the state plays in curbing union power.

Complicating matters further for unions during this period were US government’s charges of corruption and racketeering that were being leveled against the International
Brotherhood of Teamsters and numerous other unions involved with the AFL in 1949-1957 (Fink 1977; Rehmus and McLaughlin 1967). Essentially, the corruption and racketeering charges amounted to counts of extortion, embezzlement and misuse of union funds in addition to the indictment of corrupt labor leaders who signed contracts in exchange for bribes (Peterson 1963:38). The desire on the part of US officials to undermine the labor movement was so great that a special Senate committee was created to investigate the issues, and several public hearings were held from 1955-1957. In response to the government’s crackdown on the labor movement, the AFL drafted a code of ethics and established an ethical practice committee to conduct in-house investigations whenever the need should arise (Fink 1977; Peterson 1963). Essentially, the Senate committee hearings and the ethical practices committee uncovered evidence damaging enough to expel the Teamsters Union, one of the largest unions in the US at the time, and to place several smaller unions on probation (Peterson 1963).

Perhaps the only positive impact on labor unions that occurred during this period was the merger of the AFL and the CIO in 1955. In light of the significant Republican gains in the Congresses of 1946 and 1952 and after the deaths of the two organizations presidents, personal rivals William Green of the AFL and Phillip Murray of the CIO, labor as a whole recognized the need to act on a united front. The organizations two new presidents, Walter Reuther of the CIO and, more prominently, George Meany of the AFL, were instrumental in drafting and ratifying the merger agreement in 1955 (Fink 1977; Wright 2003). Unfortunately, the merger occurred amid Senate corruption hearings, and the newly merged organization was absorbed in its own internal investigation and the purging of unethical union organizers in the early years of its formation. However, by 1958 the AFL-CIO served as labor’s unified voice against the Labor Management Reporting and Disclosure Act (also known as the Landrum-Griffin Act) which was
drawn up in response to the Senate committee’s corruption hearings. The Landrum-Griffin Act further restricted union activity and stepped up many of the provisions contained in the Taft-Hartley Act. The act “laid down rules as to how union officers are to be elected and removed, how funds are to be handled, the circumstances under which a union may revoke a local’s charter, and procedures for the protection of members who criticize their union officers” (Peterson 1963:39-40). Although many of the provisions of the act were outgrowths of the Senate committee hearings and were actually endorsed by the AFL-CIO, the bill itself was blatantly anti-union and had an extremely negative impact on recruiting and growth of the AFL-CIO in the subsequent decades (Fink 1977).

Although Peterson (1963) is somewhat sanguine about the AFL-CIO merger in 1955, other scholars have taken a more negative stance. Edsall, for example, argues that immediately after the two organizations merged, “the proportion of the workforce represented by labor unions has steadily declined” (1984:141). Declining union density, for Edsall, forced labor into a “deceptively cooperative alliance with big business” (1984:141). During the postwar period, this alliance, though still problematic, generally worked to ensure that workers received at least paltry increases in wages and benefits. The alliance also served, however, to severely curtail the ability of union members to go on strikes, engage in effective collective bargaining and continue to enforce provisions of the National Labor Relations Act. Organized labor’s weakened impetus for increasing union membership and advocating for reforms that extended beyond wages and benefits would set the stage for union decline for the next several decades (Edsall 1984).

The AFL-CIO was also mired in accusations of racism that were leveled against it by the Negro American Labor Council in 1960 and throughout the Civil Rights Movement. Founded by A. Phillip Randolph, the Negro American Labor Council was formed specifically to fight
racism within the US labor movement (Fink 1977:249). Randolph and the Negro American Labor Council criticized Meany and other AFL-CIO leaders for failing to enforce the anti-discrimination clauses contained in their constitutions and for failing to penalize unions that were openly discriminatory (Fink 1977). Even when the AFL-CIO did act on issues of discrimination, it was only after considerable amounts of criticism from reformers, and penalties were usually quite weak. Meany and Randolph were able to form a shaky alliance in 1961, however, and both sides began to make conciliatory concessions to one another. The AFL-CIO started to take more forceful action against discriminatory unions, for example, and the Negro American Labor Council defended several AFL-CIO affiliated unions against charges of discrimination from the National Association for the Advancement of Colored People (NAACP). Still, the failure of the AFL-CIO to fully commit to issues of racial justice during the social movements of the 1960s-1970s would only weaken the US labor movement’s opportunity for revitalization in the subsequent decades (Fink 1977 Lowell 1999).

In response to the AFL-CIO’s inability both to engage with the social movements of the 1960s-1970s or enlist either office workers or workers in traditionally non-union industries, the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), the largest union operating within the AFL-CIO, broke from its ranks in 1968 and joined the International Brotherhood of Teamsters. Although the alliance between the UAW and the Teamsters was short lived, the defection of the UAW was indicative of the AFL-CIO’s inability to deal with contemporary labor issues in the United States.

Increased conflict between militant rank-and-file union members and union leaders further exacerbated problems in the AFL-CIO and the labor movement in general. Union leaders in the US were opposed to forms of collective action such as strikes and picketing and, even
when union leaders were in favor of collective action, their hands were usually tied by provisions of the Taft-Hartley and Landrum-Griffin Acts. Even though union sanctioned strikes briefly increased during the social movement era, the effectiveness of these strikes was limited because of legislative sanctions against organized labor (Fantasia and Voss 2004). Because union leaders in the US relied on contract systems of bargaining, strikes were essentially outlawed for however long the contract stipulated. In essence, the Landrum-Griffin Act effectively prevented the occurrence of wild cat strikes, which were favored by militants and used to ameliorate day-to-day workplace conditions, in lieu of official strikes which required union approval and focused almost solely on wages and benefits (Fantasia and Voss 2004). This created a serious dilemma because union leaders were legally required to oppose to wild cat strikes (Fantasia and Voss 2004). Disagreements over collective action serve to highlight just one of the many types of erosion in collective bargaining that unions experienced in the contemporary labor struggle. The decline in strike activity also illuminates the concessions that unions made to big business in the post-war economic boom of the 1950s and 1960s. When unions simply commit themselves to bargaining for wages and benefits within the capitalist framework, they not only concede to businesses and corporations, but they also severely undermine their ability to advocate for larger social and economic reforms.

In the 1970s and 1980s unions found that their narrow bargaining agendas during the post-war period had an extremely negative impact on their future success. The vulnerability of Western capitalism to foreign markets in addition to the economic crises and high unemployment of the 1970s left organized labor in a very precarious position. By the opening of the 1980s collective bargaining had been transformed in a way that gave employers considerable advantages. Essentially, employers now viewed the collective bargaining process “as a means of
winning back from labor the security and the benefits that had been achieved by earlier
generations of workers” (Fantasia and Voss 2004:65). Big business in the 1980s found it
increasingly easier to exploit workers under the guise of foreign competition or simply by
threatening to close the company. As discussed in Chapters 1 and 2, the threat of exit that large
firms used, whether real or imagined, forced US unions into a defensive posture. Faced with the
threat of job loss, unions were forced to make concession after concession in the form of
contracts, wages and benefits. Millions of jobs were lost across industries as a result of both
deindustrialization and the manipulation of established procedures for hiring new workers
(Fantasia and Voss 2004). During this period, there was an almost complete absence of union
response and the majority of union leaders simply believed that the negative impact was a
normal response to economic crisis. It was as if labor leaders simply would not allow
themselves “to admit or even perceive that employers were tearing up the social contract and
were actually engaged in a fight for the ultimate concession-the complete destruction of union
representation” (Fantasia and Voss 2004:66).

This adversarial stance displayed by organized capital further decreased the ability of
labor to increase membership and drastically undermined the ability of unions to win
representation elections. Edsall (1984) documents how the union victory rate in representation
elections declined precipitously throughout this period. In the 1960’s, victory rates for labor
unions attempting to gain representation stood at roughly 58 percent. Beginning in the 1970’s,
however, the rate began to decline sharply, from 52 percent from 1970-1974 to 48 percent from
1974-1979 (Edsall 1984). Coupled with the increased hostility displayed by big business, Edsall
favored the union got fired” (Edsall 1984:152).
Edsall illustrates how both the declining number of workers represented by unions and the increasing aggression displayed towards organized labor undercut the political effectiveness of both unions and the Democratic party. Edsall illustrates how, in the period from 1970-1983, there was a direct correlation between declining union membership and declining Democratic representation in the US congress. Further, as public opinion began to wane for labor unions in the wake of the congressional corruption hearings of 1955-1957, Democratic congressmen began to distance themselves from organized labor. In a move that would have unanticipated consequences for organized labor and the Democratic party, both groups thought it advantageous to sever their ties to one another (Edsall 1984).

What is important to Edsall (1984) regarding the break between labor and the Democratic Party is how divergent the move was compared to other advanced capitalist countries. Using a formula first devised by Cameron (1982), Edsall illustrates the importance of labor’s influence on the political process in terms of economic policy. Edsall compares the six advanced countries with strong union movements (i.e. Sweden, Norway, Austria, Denmark, Belgium and Finland) with the six countries with weak union movements (i.e. Italy, Canada, United States, Japan, France and Spain) and argues:

By every measure—unemployment rates, taxation, social spending, and income distribution—those countries with strong labor union movements have in place policies of taxation, employment, and social spending advantageous to the working class. Further evidence of the use of government policies aimed at helping the majority of the population dependent upon wage and salary income in countries with strong unions is shown in the use of taxes on wealth. Five of the six strong union countries have an annually collected tax on wealth…and only one of the six weak union countries, use such taxes (1984:147).

Edsall (1984) goes on to illustrate how the welfare state in America is among the weakest in the developed world. The few programs in the United States designed to assist members of the working poor were all developed by the New Deal Democratic coalition. Not coincidentally,
these welfare programs were all implemented at a time when union membership was growing at its fastest rate in US history. By 1980, organized labor’s ability to provide support for the progressive legislative programs was all but destroyed.

Nowhere was the state’s disdain for organized labor more pronounced than in Reagan’s unconditional firing of the members of the air traffic controllers union, the Professional Air Traffic Controllers Organization, on August 5, 1981. Just months after assuming office, Reagan responded to the nationwide strike of federally employed air traffic controllers by firing all 11,345 participants and quickly filling their positions with strikebreakers. Reagan next moved to have the Professional Air Traffic Controllers Organization decertified as a union and to bar any of the strikers from working in air traffic control towers ever again (Fantasia and Voss 2004; Early 2009; Wright 2003). Making matters worse, the AFL-CIO remained almost completely silent on the issue as did various other union leaders who represented employees in the airline industry. Essentially, Reagan’s actions amounted to a “conspicuous public humiliation for the trade union movement, one that displayed the degree of economic violence that could be unleashed by a state willing, once again, as it had in the pre-1930s America” (Fantasia and Voss 2004:68). This move also signaled an attack on public unions, an especially protected enclave among US trade unions.

One of the most insidious effects of Reagan’s actions towards the Professional Air Traffic Controllers Organization was that employers now viewed union-sanctioned strikes as a means to separate themselves from unionism in general. Furthermore, Reagan’s measures drastically increased the push for right-to-work laws, which made unions even more difficult to maintain, in states throughout the country. Union membership plummeted in response, and between 1978 and 1995 unions lost nearly four million members. Unions are still reeling from
the losses incurred, and at the beginning of the 21st century union membership in the private sector stood at less than nine percent (Fantasia and Voss 2004).

What this brief review of the US labor movement indicates is the enormous role that the state played, first in helping consolidate the movement, and then in undercutting the basis for union support. Although US labor unions flourished during the New Deal era when they were afforded basic rights to union representation, these gains were quickly nullified by the passage of the Taft-Hartley and Landrum Griffin acts. The attack on organized labor in the US was further exacerbated during the Cold War when the AFL-CIO was forced to purge its ranks of any union members who were accused of being sympathetic towards Communism. Although US labor failed to capitalize on the social movements of the 1960s-1970s to revitalize the movement, the overwhelming factor that led to the decline of the labor movement in the US was the animosity it experienced from the state. Ronald Reagan’s unilateral firing of the striking members of the Professional Air Traffic Controllers Organization only further cements the state’s role in repressing the US labor movement.

A Brief History of the German Labor Movement

In the period leading up to and immediately following WWI, the German labor movement was considered the strongest in the world (Arrighi and Silver 1989). Although strike activity and labor militancy ebbed at the onset of the War, it remerged stronger than ever in 1917. During this time, a wave of labor unrest resulted in significant strikes in the metalworking industries which were, of course, strategically important for the war effort. Following the Russian Revolution large swaths of German Navy began to engage in outright mutiny, and, in 1918, a million workers went on strike to protest the war and call for peace (Casparis and Arrighi
A general strike in 1920 garnered some 12 million participants and is rightly credited with defeating the Kapp Putsch attempted coup to overthrow the Weimar Republic (Casparis and Arrighi 1995). The general strike received most of its support from members of Germany’s working class and one of the lasting impacts of the strike was coalescence of support for the Social Democratic Party of Germany (SPD) which was in power in Germany’s coalition government from 1918-1921, 1923, and 1928-1930. Although this period in Germany’s history was extremely turbulent, the SPD was able to secure significant legislative victories that culminated in an extensive welfare state and legally codified mechanisms for collective bargaining (Arrighi and Silver 1989).

The revolutionary labor situation in Germany began to wane in 1924. This time period was categorized by hyperinflation leading up to the world-wide depression in 1929 (Casparis and Arrighi 1995). As economic crises began to mount, trade unions and members of the working class began to fragment and were divided in their support for the SPD and the Communist Party of Germany (KPD). Unemployment continued to rise, from 9.3 percent in 1929 to 15.6 percent in 1930 to 30.1 percent in 1932 (Arrighi and Silver 1989). Strike activity in Germany fell to its lowest level since the onset of WWI. The SPD proved unable to cope with the crises, and support mounted for KPD which further deepened divisions among members of organized labor. The division also created a political vacuum that bolstered the Nazi’s appeal. When Hitler came to power in 1933, one of his first acts, met with very little resistance, was to abolish all workers organizations. As Galenson laments, “what many had believed to be the most solidly built labor movement in the world simply ceased to exist” (1976: 152-153 quoted in Arrighi and Silver 1995).
The rebuilding of the German labor movement following the Allied victory in WWII was, in significant ways, directly linked to the Allied military occupation and the US trade union movement. Just three months after the conclusion of the war, the US issued instructions to local military governments to allow for the election and formation of trade unions (Eisenberg 1983; Fischer 1951; Kelly 1949). Immediately, grass roots efforts emerged to restore the works councils and trade organizations that Hitler had abolished after taking power in 1933. The return of former trade union leaders who had either fled Germany when the Nazis came to power or had been imprisoned in concentration camps provided much needed leadership to the reborn organizations (Fischer 1951). Recognizing that the split in the labor party was one of the factors which led to the rise of fascism, the newly remade movement was also cognizant of the need for a unified front.

Significant steps were taken to avoid the sectarian rivalries that dominated union politics during the Weimar Republic, and German trade unions were reformed free of political and religious affiliations (Kelly 1949). In 1946, members of the new labor movement organized the Free German Trade Union Federation (FDGB), an explicitly political organization of Germany’s 16 trade unions. One of the principal aims of the FDGB was to rectify the economic situation that, in the opinion of the trade unionists, had given rise to fascism. Providing a generous social welfare state, guaranteeing that workers earned a share of capitalism’s profits, and ensuring that large capitalist firms would not once again financially support a Nazi party were some of the organization’s chief goals (Eisenberg 1983; Kern and Sabel 1991). Leadership in the FDGB was made up almost exclusively of the newly formed Socialist United Party (SED), an amalgamation of the Berlin SPD and KPD. The formation of the FDGB frightened many in the US State Department and gave rise to two competing visions for Germany’s future. On the hand, the key
aim of the US and other Allied powers in the region was to restore the conditions for the continued expansion of capitalism both in Germany and Europe as a whole (Eisenberg 1983). On the other, the German labor movement remained committed to the principals of social democracy and ensuring the political and economic enfranchisement of the working class. It was these two competing visions that would animate the German labor movement while under Allied occupation.

Although the US did not initially intervene in the German labor movement during the Allied occupation, the US began to interfere more and more with what it viewed as a radical formation of German trade unionists who held communist sympathies and a revolutionary political agenda (Angster 2001; Eisenberg 1983). The intervention into the German labor movement in many ways mirrored what was taking place in the US. Just as communist and more militant members of the US labor movement were being expelled from unions, so too was the US taking a greater role in ensuring that the German labor movement would remain devoid of any revolutionary elements. Indeed, members of the rival AFL and CIO unions in the US who were dispatched to Germany to help rebuild the labor movement often found themselves at odds, both at home and abroad, regarding the specific character of the labor movement.

Organized under the Office of Military Government, US Zone (OMGUS), the competing factions of Labor Relations Branch had very different visions for Germany’s trade unions (Eisenberg 1981). CIO representatives preferred a bottom up strategy that would allow Germans to democratically elect their shop stewards and union leaders, whereas the AFL faction favored a top down organization whereby trade union leaders would be appointed by the OMGUS based on their political affiliation. Although the CIO’s strategy held sway during the first year of the Allied occupation, the bottom up approach angered more traditionalist AFL trade unionists who
sought to remake the German labor movement in the image of the US. By the onset of the Cold War in 1947, most of the CIO coalition had been dismissed back to the US and the vision of the AFL, fearful that the German labor movement was becoming too radical and would be vulnerable to Soviet influence, was embraced by OMGUS (Eisenberg 1981). One of the immediate impacts of change in strategy was the subjugation of the Works Councils, a hallmark of the German labor movement. Under the new strategy, Works Councils were prohibited from bargaining collectively beyond the plant level and were barred from having any say in managerial decisions within firms (Eisenberg 1981). OMGUS, under its new directive, also explicitly opposed the FDGB and its political aims and sought, unsuccessfully, to undermine the organization by running and supporting more conservative trade unionists for election.

The OMGUS was quickly discovering that, although it was somewhat successful in preventing the formation of a radical trade union movement within its sphere of influence, it could not overcome the push for a more thorough and comprehensive labor movement in the regions controlled by the British, French, and Soviet governments (Eisenberg 1981). German trade unionists began to push for reunification of the occupied territories in the summer of 1946, and, for the first time since the Nazi party came to power in 1933, leaders of the trade union movement in the four occupied zones met to discuss the future of the German labor movement (Fischer 1941; Kelly 1949). What angered US officials most about the meeting was the presence of the World Federation of Trade Unions (WFTU), which was now acting as the de facto counselor for German reunification. Given the strong influence of both Soviet and Communist elements within the organization, the US immediately objected to the meeting and, again, sought to undermine the collaboration by insisting that AFL members be present at the conference and by exercising veto power over the proposed constitution to join the WFTU (Eisenberg 1981). By
the spring of 1947, however, it was clear that the US could not suppress the efforts of German unionists to join the international association. In the summer of 1947, the WFTU approved Germany’s membership in the organization and invited delegates from all four occupied zones to participate in its annual meetings.

Shortly after the acceptance to participate in the WFTU, the labor situation in Germany began to take on a more volatile nature. A series of work stoppages and wildcat strikes broke out in the Ruhr Valley, and trade unions began pushing the provincial zonal governments to pass legislation which would formally codify the works councils and principals of codetermination that had animated the labor movement during the Weimar Republic (Casparis and Arrighi 1995). The wildcat strikes, especially those that occurred in the coal mines and industrial hubs within the American zone, threatened to undermine Germany’s industrial recovery. OMGUS and officials back in the US were beginning to come to the realization that their efforts to tame the German labor movement were a failure. Moreover, the declining influence of the Americans to form a unified labor movement in Germany was further undercut by the strength of the Soviets in Berlin and East Germany. The US, in response, abandoned their former strategy for a unified labor movement and started to promote a split. The Soviet zone would now be excluded from the national organization and German reunification would be permitted only in the zones controlled by the US, British, and French (Eisenberg 1981).

While the US was engineering a new trizonal arrangement, German labor leaders were continuing to push for reunification and, to the disdain of American officials, a unified labor front in the FDGB that was drafting a constitution that was explicitly political and bent on economic socialization. As Eisenberg notes “here, then, was a realization of the various horrors that U.S. policymakers had anticipated from the very beginning—a unified, centralized,
politicized labor movement committed to a far-reaching program of social change” (1983:300).

Although the US continued to try and undermine the developments within the FDGB by running moderate candidates and exercising veto power over the provisional constitution, it found itself incapable of influencing the labor movement to the extent that it believed necessary.

The US, with tacit approval from the British and French, began taking a much more heavy-handed approach to the labor situation in Germany. In an effort to try and institute a split within the working class, the US introduced a new type of currency in Western Berlin (Eisenberg 1981). The currency reform wiped out the savings of many working-class Germans, drained union coffers, and infuriated the Soviets who immediately set up a blockade to prevent a variety of goods from entering the city. The Berlin Blockade was successful in splitting the loyalties of East and West Germans and led to the total collapse of the interzonal agreement between the four occupying powers (Fischer 1941; Kelly 1949). The US was now free to move forward with its trizonal plan for German unification.

One of the first steps that the US took following the collapse of the interzonal agreement was to purge the communist elements from the German labor movement in the west. The US also forced the consent of the British and French, who began a similar anti-communist push against trade unions in their respective sectors. Further, the US vetoed all legislation that established codetermination and the factory level and socialization of the means of production at the industry level (Eisenberg 1983). Buoyed by the onset of the cold war, the US hegemony over the German labor movement would not be challenged until the Allied powers began to relinquish control back over the German people. According to Eisenberg, American intervention into the German labor movement had a deleterious impact on the future on the German labor movement:
“They acted preemptively to limit the choices available to the Germans and to ensure that the dreams of radical unified labor movement would remain unrealized” (1983:306).

Following the Allies gradual departure from West Germany in 1949-1951, the remnants of the recalcitrant labor movement, finally free of US influence, was able to immediately institute a series of constitutional and legislative victories that would cement the future success of the German labor movement (Turner 2009). Although their actions were certainly constrained as a result of American meddling, the newly formed parliamentary democracy immediately set out to create a system of constitutional and legislative arrangements that would protect the status of the workers. In the first instance, the German Constitution (referred to as the Basic Law) explicitly guarantees the right of citizen association within trade unions. Unlike the US Constitution, which offers no specific protection or guarantee of labor rights, the Basic Law serves as one cornerstone of union power. Also formally codified in the Basic Law is the principal of wage setting. Unlike other Western countries, the federal government is barred from interfering in wage negotiations, and wage levels are set through negotiations that take place between trade unions, works councils, and employer associations (Spitz-Oener 2017). Further, wage levels are not bargained at the company level, as in the US, but at the industry and regional level. If a company recognizes the union, then all of the employees, not just those who are members of the union, are covered by the union contract (Spitz-Oener 2017).

In addition to the constitutional guarantees of worker protection, the German principle of codetermination (Mitbestimmung) further empowers workers and provides an avenue for worker participation in management decisions (Fischer 1951). As noted early, the principles of codetermination have their origin in the Weimar Republic and were devised as a way to mollify the revolutionary tendencies of the working class in 1918-1919. The principles of
codetermination were formally incorporated into German law shortly after the reformation of the German government in 1952. These acts were passed in response to the threat of massive strike by miners and metalworkers and gave legal weight to the principles that were already tacitly embraced by most German employers (Fischer 1951). Although the 1951 legislation covered only the steel and coal industries, subsequent legislation passed in 1972 and 1976 extended codetermination to all major German industries (Turner 2009).

Codetermination represents a radical way for workers to influence the actions of both individual firm managers and the industry as a whole. At the plant level, codetermination requires that management disclose to the works councils the economic and financial outlook of the plant, information regarding the plant’s productivity, and the future employment outlook and upcoming hiring patterns. At larger firms, the works councils have the right to inspect the company’s financial statements and receive information regarding the sale or purchase of company assets (Fischer 1951). Works councils also have a say in hiring and firing decisions, and, if the works council believes that an employee has been fired without cause, has veto power of termination decisions. Perhaps most radically, the codetermination acts grant workers voting rights in the supervisory boards of large firms. In firms that have more than 1,000 employees, for example, the supervisory boards are made up of equal numbers of managers and workers with one neutral member (Horst and Sabel 1991). Shareholders elect half of the boards seats, and the works councils elect the remaining members. This situation grants unprecedented power and access to rank and file employees and provides workers with a direct say in the company’s most vital decisions (Fischer 1951).

Further guaranteeing worker input and a strong trade union presence in firms are the works councils themselves. As noted above, the works councils are the primary mechanism
through which workers and management coordinate to determine work arrangements and settle employee grievances. In addition, works councils are granted regulatory and control power over the workplace (Fischer 1951). Under German law, works council ensure that collective bargaining agreements are being followed, that labor laws are enforced, and that arbitration awards are respected. Importantly, any changes that management wants to make regarding work rules, the pace of work, or shop agreements have be approved by the works councils before they can be implemented. Ironically, the works councils were actually encouraged by employers in order to restrict the influence of trade unions. The 1952 codetermination laws drew strict distinctions between trade unions and work councils and, by mandating that most decisions run through the works councils, employers had hoped to circumvent trade union influence by creating, in effect, company unions. Undeterred, trade unions engaged in grassroots organizing and successfully campaigned to run slates of trade union members for election on the works councils. They were so successful that, by 1960, “in a process that would only deepen, unions had largely taken over the works councils, in effect turning these legally protected bodies to their own purposes” (Turner 2009:296).

Finally, one further aspect of the German labor movement that illustrates the state role in supporting trade unions is the coordination and organization of the distinct labor unions. During the early years of the post-WWII German government, sixteen autonomous unions were organized under the German Trade Union Federation (DGB). These non-competing unions were then granted the right to divide up both the German private and public-sector firms for representation (Turner 2009). Unlike in the United States, where unions often compete with one another for new members, the German trade unions are granted autonomy over specific regions and industries. A case in point is the German Metal Workers Union, IG Metall, which, with 2.2
million members, is one of the worlds largest trade unions. Give its size and dominance over both the automobile and steel industries, IG Metall is able to set bench mark standards for collective bargaining not just in German, but in the whole of the European Union (Tuner 2009). As a result of labor laws, the principles of codetermination, works councils, and the autonomy of the trade unions, the German labor movement has been able to provide collective bargaining coverage to 63 percent of the German workforce (OECD 2018).

The German labor movement was also able to benefit from social movement unionism in ways that American labor unions were not. The German labor movement was at the forefront of the social movements that swept many Western democracies, transforming shop floor discontent into wholesale collaboration with the student, environmental, and anti-war movements (Turner 2009). In Germany it was members of the works councils and trade unions who emerged as leaders in these movements and engaged in a series of wild cat strikes in 1969, 1970, and 1971 in support of the broader social movements. This resulted in a two-fold victory for labor in Germany: On the hand, they were able to push through legislative reforms such as the 1972 codetermination act. On the other hand, the fact that trade unions were at the forefront of the movements inspired a wave of younger activists to find union jobs. In the US, in contrast, the cold war mentality and anti-communist sentiment in the labor movement led many labor leaders to caution their members and organizations from getting more involved. Thus, whereas in the US the trade union movement would undergo its worst decline in the 1970’s, in the Germany trade unions were experiencing a revitalization (Turner 2009).

This is not to say that the German labor movement is immune to challenges. As Chapter I illustrated, union membership declined by 10.8 percent in Germany from 1990-2008. In 2003, IG Metall unsuccessfully went on strike for a shorter work week, it’s first loss in the last fifty years.
In 2003, German Chancellor Gerhard Schröder implemented the Hartz Reforms, an extremely controversial piece of legislation that reduced and capped unemployment benefits (Spitz-Oener 2017). Additional cuts to the welfare state and health care options followed the Hartz Reforms and, although, German trade unions actively opposed the cuts, their protests were largely ineffective (Turner 2009). Germany’s second largest trade union, ver.di, was also forced to make time and wage concessions after a failed public sector strike in 2006 (Turner 2009). Trade union density continues to decline in Germany, with roughly 17 percent of the population currently members of a labor union.

Yet, unlike the US labor movement, there are several reasons for optimism among German trade unions. After their failed strike in 2003, IG Metall engaged a massive member mobilization campaign that has led to increased membership and greater democratic participation in the union (Turner 2009). In January, 2018, IG Metall staged a series of warning strikes across Germany and was able to win a 4.3 percent pay raise for its members, and, more importantly, a 28 hour work week. Although the union was stymied in 2003 after making similar demands, the revitalized strength of IG Metall proved victorious fifteen years later (Oltermann 2018). Likewise, ver.di, after it’s failed public sector strike in 2006, was able to mobilize a grassroots campaign to gain union representation at a chain of retail stores in 2008, adding some 40,000 new members (Turner 2009). It is also important to note that the trade union density in Germany is somewhat misleading. Even though only 17 percent of the population of is a member of a labor union, 65 percent are covered by the collective bargaining agreements that unions negotiate (OECD 2018). The institutional strength of the German labor movement is an incredibly important reasons for this success.
Conclusion

What role does the state play in facilitating or impeding trade unions? As this chapter has demonstrated, the state, by far and away, plays a consequential role in the formation of a national labor movement. The highwater mark of union strength in the US came during the New Deal era, when state officials, arguably for the first time in the country’s history, began to side with labor over business. Key pieces of legislation such as the National Industrial Recovery Act, the National Labor Relations Act, and the Wagner Act helped provide the necessary state support for the formation of a true labor movement in the US. Union expansion occurred rapidly during this period, and labor militancy was bolstered by the use of the sit-down strike tactics. With the passage of the Taft-Hartley Act in 1947, however, the hard-fought gains that labor had won during the new deal began to be steadily eroded. The pacification and near ossification of the US labor movement is attributable to a variety of factors, and many of the wounds that labor incurred following the New Deal era were self-inflicted. However, more so than any other factor, the decline of the labor movement in the US was due not just to the lack of state support, but the outright aggression on the part of the state apparatus towards organized labor. Union membership in the United States continues to remain significantly lower other industrialized countries at only 10.7 percent of the population.

The German labor movement, despite being hampered by the US occupation following WWII, has benefitted from unprecedented levels of state support. The new German constitution adopted in 1949 guaranteed the right of trade union association, and subsequent legislative victories ensured that the principles of codetermination, works councils, and autonomous labor representation would remain sacrosanct. Subsequent developments in the German labor movement allowed it capitalize on the social movements of the 1960s-1970s and, as in the past,
the German labor movement is poised for another period of revitalization. As the next two chapters will discuss, Germany finds itself in a position where, contra to the aftermath of WWII, it can potentially begin to remake the US Labor movement in its own image.
Introduction

In July 2008, Volkswagen Group of America (VGA) announced that Chattanooga, Tennessee had been selected as the site for its new $991.4 million manufacturing facility in the US. The news was heralded by then Governor Phil Bredesen and US Senators Bob Corker and Lamar Alexander. Senator Corker, former Mayor of Chattanooga from 2001-2005, was especially pleased with Volkswagen’s decision to locate in Chattanooga. During his term as Mayor, Corker was heavily involved in the development of the Enterprise South Industrial Park, the future home of Volkswagen, as well as in the downtown revitalization project which Corker touted as one of the deciding factors which led Volkswagen to select the Chattanooga site (Fleischauer 2008).

State officials were not the only ones to celebrate the decision. Chattanooga residents had longed for high paying manufacturing jobs to return to the area. The city had just missed out on a $1.3 billion Toyota and $1.2 billion Kia facilities that instead chose to locate in Mississippi and Alabama, respectively. Once a hub for industrial development and manufacturing, Chattanooga was hard hit by the process of deindustrialization which began in the late 1960s and earlier 1970s (Bluestone and Harrison 1982). Formerly home to dozens of apparel, textile, and metal plants, Chattanooga has shifted to a service sector economy built around tourism and low-wage work (Greenhouse 2014). 27 percent of Chattanooga residents live below the poverty line, and Tennessee as a whole has the nation’s 11th highest poverty rate (Greenhouse 2014; Sturgis 2015). In addition to the loss of its manufacturing base, Chattanooga continues to recover from
environmental crises. In 1969 Chattanooga was labeled the dirtiest city in America by the Environmental Protection Agency (Fleischauer 2008), and the American Lung Association gave the city a failing grade for its air quality standards as recently as 2015 (Johnson 2015).

State officials and residents were right to celebrate the announcement, as the company could seemingly help the city with both the loss of its manufacturing base and its environmental problems. Volkswagen pledged to create 4,000 jobs at its Chattanooga facility, and economists estimated that the plant would spur an additional 4,000-8,0000 jobs by attracting automotive suppliers to the region as well. Although workers at the Volkswagen facility have the lowest hourly automotive cost in the country at $32 an hour, this rate is still significantly higher than Chattanooga’s mean hourly wage of $20.16 (Bureau of Labor Statistics 2016). Environmentally, the Volkswagen plant was built using state of the art ecofriendly production techniques that included passive heating and cooling, energy efficient lighting, and a rain harvesting system. The plant itself is primarily powered using an immense solar farm adjacent to the plant (Volkswagen 2009). The environmental efforts on the part of Volkswagen led the plant to be the awarded the LEED Platinum Certification, the first and only automotive plant in the world to receive the designation.

One issue that was lost in the celebration surrounding Volkswagen’s decision to locate in Chattanooga, however, was the enormous value of the subsidies and tax abatements heaped on the company to lure them to Tennessee. Since 2008, Volkswagen has received $968 million dollars in local, state, and federal subsidies. Put another way, this means that Tennessee taxpayers are subsidizing the 4,000 jobs that Volkswagen promised to create to the tune of $242,000 per job. The mega deal is the largest incentive package in Tennessee history and the most money ever awarded to a foreign owned automotive company. The incentive package was
awarded with almost no public debate on the topic and with much of the negotiations conducted in secret meetings well outside of public purview. For example, when Tennessee was in the process of competing with Alabama and Michigan to lure Volkswagen, state and local officials unanimously approved a $1.25 million project to improve the Enterprise South Industrial Park with no debate on the merits of the award whatsoever (Poovey 2008). Similarly, at the time the deal was negotiated Tennessee officials refused to release details of what was included in the incentive package, only noting that the incentives were tied to job creation and economic development (Poovey 2008). It was only after the deal was finalized that Tennesseans learned of the initial $577.4 million in initial subsidies, $192.4 million more than the next closest offer (Associated Press 2008).

The massive subsidies awarded to Volkswagen in 2008 must be viewed in the context of the global financial crisis of 2008 that wreaked havoc on state budgets across the US. State officials announced that in fiscal year 2008-2009 Tennessee was facing a budget shortfall of $543 million dollars, ironically close to the $577.4 million they offered Volkswagen in initial subsidies that same year (State of Tennessee 2008). The unemployment rate during this time period increased to 11.1 percent, with nearly 338,000 workers on unemployment (Bureau of Labor Statistics 2008-2009). In order to make up for the deficit and the depletion of unemployment funds, Tennessee slashed its budget by $129.2 million. The largest casualty in the budget process was higher education, which saw its budget reduced by $58 million. The cuts to the higher education budget in Tennessee in 2008-2009 kick started a trend that has remained unbated. Tennessee now spends 13.9 percent less on education in 2017 than it did before the economic crisis in 2007 (Mitchell, Leachman, and Masterson 2017). The practice of cutting the budget to higher education while simultaneously offering lucrative tax abatements is not unique
to Tennessee, and is especially troubling consider that, at least in firm surveys, a well-educated workforce is often at the top of companies wish lists.

Volkswagen’s decision to locate manufacturing operations in Chattanooga and the decision by Tennessee state officials to offer enormous subsidies to the company raises a number of questions that I attempt to address in this chapter. What factors motivate site selection for multinational corporations? What role do federal, state, and local incentives play in luring multinational corporations to select a specific site? How has the value of incentive packages changed over time vis-a-vis employment projections? Are incentives worth it? In order to address these questions I survey the literature on the relationship between corporate location decisions and business incentives before turning to consider the evolution of business incentives in the automotive industry. I then provide some case specific examples of Volkswagen AG in Westmoreland, Pennsylvania and Nissan Manufacturing in Smyrna, Tennessee. I conclude with a discussion of the business incentives more broadly and offer some policy prescriptions for curbing the rising tide of business incentives in the US.

Corporate Location Decisions

The economic literature on the location decisions of multinational corporations (MNCs) within the United States is rife with contradictions. Although numerous studies have examined the process that MNCs engage in when making a decision to locate in a specific locale, there is very little consensus regarding what the deciding factors are and how these factors may have changed over time. Although this review cannot make complete sense of the myriad findings regarding corporate location decisions, it can identity key trends in the literature and explore how these trends have changed over time in response to both global and local processes. One such
trend is the exponential increase in lucrative incentive packages that states are willing to offer firms in order to attract or retain their business.

One of the deficiencies of the literature on corporate location decisions is that these studies are often conducted in a vacuum with little attention to given to cross sectional data or larger global processes. Sociological descriptions of multinational corporations, by way of contrast, must embed location decisions within a broader web of bureaucratically structured institutions (e.g. states, corporations, labor unions) and illustrate the interconnectedness and interdependence of political, economic, and social actors (King and Pearce 2010). In the current era of neoliberal globalization, the location decisions of firms are often viewed through the lens of a global “race to the bottom” in which multinational corporations chose locations based largely on how regressive a host country responds to issues such as labor relations and corporate tax rates (Charny 1991; Christensen and Murphy 2004). In the wake of the North American Free Trade Agreement (NAFTA), for example, trade union leaders, politicians, and academics predicted that trade liberalization would inevitably push US MNCs abroad in search of lower wages, tax rates, and levels of unionization (Bognanno, Keane, and Yang 2005). The decision of foreign auto manufacturers to locate plants in the US and, more recently, the decision of some US MNCs to return their manufacturing plants to the US, however, raises additional questions about corporate location decisions. This review will address some of these questions by examining the findings on foreign corporate location decisions in the US.

Markusen and Maskus (2001; 2002) argue that efforts to explain MNC location decisions must be differentiated depending on whether the MNC under consideration is vertically or horizontally integrated. Vertically oriented MNCs, also referred to as buyer-driven firms, tend to divide and parcel the production process and locate each component of the overall operation in a
site specific location depending on the needs of the particular component. Components of the production process that require low-skilled, labor-intensive operations, for example, tend to be located in a country with favorable wage differentials. Buyer driven firms consist predominantly of large retailers that order, but do not make, the products they offer. The most widely covered case has been that of the apparel industry which generally employs a large number of low-skilled workers from peripheral countries in order to manufacture clothes and footwear (Bonacich and Appelbaum 2000; Bair and Gereffi 2001; Gereffi and Christian 2009). Buyer driven firms derive profits mainly from marketing and advertising (often referred to as forward linkages) and from gaining access to niche markets across the globe (Gereffi 1999). The largest cost to buyer driven chains is almost always labor, and, as a result, such firms seek producers predominantly in peripheral regions of the world-system (Anner 2011).

Horizontally integrated MNCs, also referred to as producer-driven firms, seek to replicate the entire production process in different countries. The main motivation for horizontally integrated MNC’s to establish themselves in foreign countries is to reduce the impact of tariffs and transportation costs. Producer driven firms, by way of contrast, are comprised of large manufacturing companies that usually procure their own raw materials (backward linkages), and produce their own products through a complex system of suppliers and subcontractors (Gereffi 1999; Bair 2005, 2009). The automotive industry serves as the key example and generally employs a smaller number of skilled workers in jobs that use a high degree of automation (Anner 2007, 2011; Dicken 2007, 2015; Thomas 1997). Producer driven chains derive most of their profits from research and development and the production itself. Markusen and Maskus (2001; 2002) conclude that, depending on the country that is being targeted for a MNC plant location,
either the vertical (buyer-driven) or horizontal (producer-driven) model will serve as a better predictor of the level and flow of foreign direct investment.

Friedman, Gerlowski and Silberman (1992) largely follow the models which prescribe that MNC’s locate in foreign countries to order to maximize the profits for specific product lines. Depending on the type of MNC (i.e. vertically or horizontally organized), factors such as wage differentials, transportation costs, corporate tax rates, and tax incentives will have a more or less favorable impact on the MNC’s decision. Friedman et al. (1992) further specify their theoretical model to look specifically at the US and to analyze why firms locate in certain regions of the country. The authors take explicit aim at the “dartboard theory of industrial location” which argues that, once a MNC has decided to locate a plant in a foreign country, the particular location within the host country is largely irrelevant and based solely on the amount of potential sites that a state has to offer (see also Bartik 1985). Instead, Friedman et al. argue that the location of a foreign MNC plant in the US can be predicted based upon a state’s resource endowment and locational advantages relative to competing states. In short, “[f]oreign corporations decide whether a plant is needed in the United States and then where it should be located” (Friedman et al. 1992: 406).

Bognanno et al. (2005) draw heavily on Markusen and Maskus (2001; 2002) to inform their own argument and to guide future empirical research. According to Bagnanno et al. (2005) the key decision for a vertically oriented MNC to locate a plant in a foreign country hinges on the wage differentials between the home country and the potential host country. Thus, tariffs and trade barriers discourage vertically oriented MNCs from locating a plant in a foreign country because these mechanisms offset the potential gains that could be through the payment of lower wages. For horizontally oriented MNC’s, on the other hand, Bagnanno et al. argue that the key
mechanism driving foreign investment is the potential host country’s market size. In the case of horizontally oriented MNC’s, tariffs and trade barriers increase the likelihood that a MNC will locate in a foreign country because of “their desire to jump the tariff wall” (2005:174). Although the vertical versus horizontal orientation is important for Bognanno et al. (2005), they argue that, regardless of whether the MNC under consideration is vertically or horizontally integrated, several factors still affect the location decisions. Broadly construed as the cost of foreign operation, these factors include the use of the English language, cultural openness, corporate tax rates, and labor relations.

Generally speaking, the literature indicates that MNC’s with plant locations in the US are horizontally organized and come from home countries with similar wage rates. Friedman et al. (1992), for example, show that between 1977 and 1988 Japan, Germany, the UK, Canada, Switzerland, France, and the Netherlands accounted for 84.21% of all foreign direct investment in new manufacturing branch plants in the US. The lion’s share of the total (51.73%) came from Japan and Germany alone. The key overarching factor in the decision to locate in the US thus appears to be the size of the US market (Bognanno et al. 2005; Markusen and Maskus 2001; 2002). Once a determination has been made to locate a plant in the US, the question then becomes where in the US the plant should be located and what factors go into a corporation’s location decision. Unfortunately, as the following review will illustrate, very little consensus exists in the literature on this topic.

A burgeoning literature on corporate location decisions began to manifest in the 1980s. The time period is not coincidental, as, following the economic malaise of the 1970’s we began to see a rash of plant closings, job loss, and corporate relocations. This wave of deindustrialization is characterized by the movement of capital from the high wage and heavily
unionized states in the North and Midwest to the low wage and right-to-work states in the Southeastern US (Bluestone and Harrison 1982). In response, scholars began to pay serious attention to the movement of capital and the key factors that were used to attract and retain corporate firms. Heckman (1982), for example, conducted a survey of business executives of 204 firms in the southeastern US. His findings indicated that the key factors which led to firms to locate in this region of the country were industrial relations, transportation, land availability, and the cost of plant construction. Market proximity, according to Heckman, was not a deciding factor in terms of plant location. Of secondary importance for the executives surveyed were quality of life factors such as education, cost of living, and housing availability. Although the cost of life variables were significant, business factors such as industrial climate were considerably more important.

Carlton (1983) used an econometric model to analyze the location decisions of firms throughout the Southern US and, particularly, what factors led to the “Southern drift” of US and foreign manufacturing plants. The two key findings to emerge from his study were 1) the availability of skilled labor was the major factor which determined plant location decisions, and 2) state taxes and incentive programs to attract industry did not have an impact on location decisions. Additionally, and in contrast to Heckman (1982), Carlton argued that the state of industrial relations within a specific region of the country was not a deciding factor in corporate location decisions.

Newman (1983) also engaged in a study to try and understand the factors underscoring the “sunbelt phenomenon” which was pulling manufacturing sites from their traditional locations in the northeast to the South and southwestern US. Newman found, in direct opposition to both Heckman (1982) and Carlton (1983), that state tax rates and incentive programs, low levels of
unionization, and right-to-work laws were the deciding factors which led plants to relocate to the South and southwest. Newman argued that quality of life variables and the availability of skilled labor were not significant factors in the location decisions of firms.

Goldstein (1984) surveyed 1,000 business executives in order to ascertain which factors cited by executives were the most significant for determining location decisions. The major finding from Goldstein’s study was that access to land, air, train, and sea transportation was the most significant factor in location decisions followed closely by worker productivity. Tax rates, incentive programs, and levels of unionization were also statistically significant predictors of corporate location. Further, Goldstein, like Heckman (1982), observed a growing significance regarding the importance of quality of life factors in corporate location decisions which led him to conclude that this factor was gaining in importance, especially as it applied to education.

In contrast to previous studies, Steinnes (1984) employed a model of economic development which utilized time series-cross sectional data to evaluate what, if any, impact that state tax rates and incentive packages had on location decisions. Steinnes concluded that there was very little evidence to support the notion that state tax differentials and tax incentive packages had any determination on corporate location decisions. To the contrary, what little evidence Steinnes did find indicated that higher tax rates led to economic growth and served as a pull to potential plant sites. Steinnes argued that higher state tax rates were related to higher levels of public education and greater worker productivity and that companies, especially those who relied on skilled labor, were more likely to locate in high tax states.

Bartik (1985) conducted a study of business location decisions in the US in order to estimate the effects of unionization and state taxes. Like previous studies, Bartik was primarily concerned with explaining the shift in corporate location decisions from the frost belt to the sun
belt. The primary finding of Bartik’s study was that levels of unionization were the primary factor which motivated a corporation to locate or relocate in the southern US. According to Bartik, a 10% increase in the percentage of a state’s labor force that was a member of a labor union was associated with, on average, a 30-45% reduction in the number of new branch plants in the state. Additionally, Bartik found that state taxes were a significant predictor of plant of locations, albeit only modestly.

Finally, Yoshida (1986) conducted interviews with the business executives of 15 Japanese companies who were in the process of selecting a US site for a startup manufacturing plant. Yoshida found that the most important factors for plant location decisions were the quality of labor, proximity to markets and the lack of labor unionization. In line with other studies, Yoshida also found that, although state tax incentives were rated as relatively important by the company executives, quality of life variables were found to be significantly more important than state tax rates or incentive packages.

A central question to be explored is how the factors that impact site selection and manufacturing locations may have changed over time. Since the signing and implementation of NAFTA in 1994, numerous industries, especially manufacturing, began to leave the US for low wage countries in Central and South America. In response to this threat of exit, states in the US began to go to greater lengths in order to attract and retain corporate firms, as well as to attract foreign direct investment in the US economy. Rondinelli and Burpitt (2000) illustrate how one outgrowth of state efforts to attract foreign firms was the exponential rise in incentive packages, especially in the Southern US, that states were willing to offer. This trend ramped up dramatically in the 1990s despite little evidence to show that incentives impacted location decisions. In order to ascertain what factors most influenced foreign direct investment in the US,
Rondinelli and Burpitt surveyed 118 executives of foreign owned firms in the state of North Carolina. In spite of the generous incentive programs that the state had enacted in the 1990’s (North Carolina committed over $1.72 billion in business tax relief from 1997-2006) the results of their survey show that, as was the case in the 1980’s, incentives and tax abatements were consistently ranked last by executives in eleven sets of location factors (Burpitt and Rondinielli 2000). Labor force, transportation, and quality of life factors proved to be the most important influences, with tax incentives, government financing, and state marketing efforts the least influential.

Devereux, Griffith, and Simpson (2007) analyzed the impact of discretionary government grants and subsidies on multinational firm locations. Additionally, the authors attempted to estimate how incentives interacted with other factors such as a regions existing industrial structures and the presence of established plants in their industry. Like previous authors, Devereux et al. (2007) find that regional grants have only a small impact on firm location decisions. According to the authors, the key factor which served to attract foreign investment was the presence of existing foreign owned plants in their industry. Firms tended to cluster in certain regions in order to enjoy the multiplier the effects that came with industry dense locations. Surprisingly, however, the authors recommend that larger incentives and grants are needed in order to attract foreign direct investment while at the same time noting the lack of research on the quantifiable benefits of attracting a new plant.

Tate et al. (2014) consider the location decision of large multinational corporations and examine the trend toward some US multinationals reshoring their operations back to the US. In response to rising labor costs in previously low-wage countries such as China and Mexico, many companies are choosing to return to countries with higher wages but significantly great wage
stability. Additionally, Tate et al. (2014) point out that large multinationals are becoming more responsive to customer demands for goods to be produced in their home countries. Other factors such as the search for skilled labor, low energy costs in the US, and currency exchange rates have also motivated many companies to consider reshoring their operations. The authors acknowledge that, on its face, the US is unattractive for firms due to its high tax rates while also pointing out that states vying to attract investment are more than willing to offer large concessions. Yet even though states in the US are offering large concessions to companies who will reshore their firms, the evidence suggests that this is not a deciding factor. Less than one quarter of the 319 practicing managers that the authors interviewed stated that they would give more weight to tax advantages when making location decisions.

As noted earlier, the empirical literature on corporate location decisions is filled with inconsistencies. In their summary of the economic literature on plant locations, Milward and Newman argued that “a review of the industrial location literature can be a journey into both the contradictory and the ambiguous” (1989:205). Similarly, Buss’ review of 300 articles on the relationship between state tax incentive packages and corporate location decisions concluded that “[f]irms may need tax incentives to increase their viability in some locations, but researches cannot definitively say which business or which locations. Tax literature, on the whole, creates much irony” (2001:101). One of the key deficits associated with the economic literature is that nearly every study utilizes statistical models which rely exclusively on quantifiable data. Data which cannot be quantified (e.g. qualitative and subjective factors) may be more important to the final location decisions (Milward and Newman 1989).

This research also presents the problem of judging just how accurate and valid the data used for these studies are. With few exceptions, the literature on corporate location decisions
relies on either interviews or surveys with firm CEO’s. While the degree of anonymity in surveys may allow for more candid responses, interviews with firm CEO’s may lead to questions of social desirability in their answers. Bill Fox, and economist with the Center for Business and Economic Research, indicated as much when I interviewed him:

Companies will never tell you exactly why they did what they did. It’s part of their market. And so, executives at these firms are never really forthcoming and the responses to questions about corporate location decisions can only be determined by inference from data. Not something they really will tell you. You can run surveys of businesses and they might, in an anonymous basis be a little honest with you, but even then, they’re talking in theory.

These contradictions notwithstanding, the literature on corporate location decisions does expose some key trends in the factors that influence the decisions and how these trends have changed over time. First, the decision making process that goes into location selection is sequential. Blair and Premus (1987), for example, argue that there are at least 11 steps which firms proceed through before making a final location decision. At each step in the process, firms may place more or less emphasis on its relevant location determinants. Thus, at one step in the process, the selection committee may place greater emphasis on macro-level considerations such as labor and tax values and, at another step, the committee may privilege micro-level considerations such as quality of life (Blair and Premus 1987). Second, the literature indicates that factors which tend to influence the location decisions of firms have changed over time. Although key criteria such as access to markets, labor, and transportation remain essential, numerous studies have indicated that, given the US’s shift to more advanced technologies, factors such as education and quality of life have grown in importance (Gunnigle and McGuire 2001; Milward and Newman 1989). Third, the literature shows that, despite the fact that state
taxes and incentive packages have grown exponentially, there is very little evidence to support the notion that taxes and incentives attract foreign direct investment.

The importance of understanding the general trends in firm location decisions cannot be understated; however, in order to accurately understand the precise factors which mediate a firm’s decision to locate in a plant in a particular site, it is necessary to examine the specific cases in which foreign firms decided to locate in certain regions of the US. In order to gain this type of understanding, the next section of this chapter examines the factors which attracted Volkswagen AG to Westmoreland, Pennsylvania and Nissan Motor Manufacturing Company to Smyrna, Tennessee.

*Volkswagen in Pennsylvania*

Volkswagen made its first foray into the US market beginning in April 1978. In so doing, Volkswagen became the first foreign owned automotive producer to locate manufacturing and assembly facilities in the US since WWII. The decision by Volkswagen AG to locate a manufacturing plant in the US was driven by several factors. The popularity of the Volkswagen Beatle, driven by VW’s export marketing campaign in the 1950s, soared during the 1960s and 1970s. Volkswagen enjoyed record export volume during this period, shipping between 550,000 to 600,000 vehicles to the US yearly between 1968-1971 (Unternehmensarchiv Volkswagen Aktiengesellschaft (UVW), Zugang (Z) 31g, Nr. 24730). During this period Volkswagen enjoyed an increasingly larger share of the US automotive market and hoped to maintain its position as the leading foreign automaker by locating to the US.

Another factor which motivated Volkswagen to locate in the US was the rising cost of production in Germany and the sinking exchange value of the US dollar (UVW, Z 31g, Nr. 24730). The economic crises that the US experienced in the 1970s coupled with the rise of
international competitors from countries such as Germany and Japan meant that it was no longer cheaper for companies to build at home and export to the US. By 1973-1974, labor costs in Germany actually outpaced those in the United States (UVW, Z 174, Nr.1645/2), and the rise of the D-Mark relative to the dollar sent the price of Volkswagen vehicles skyrocketing. In 1975, Volkswagen’s export volume to the US had dropped to less than half of its 1968 levels. In response, Volkswagen began to consider whether cars intended for export to the US could actually be produced more cheaply there in the first place. Volkswagen conducted a series of feasibility studies regarding opening a production facility in the US in 1975, which Volkswagen’s Board of directors universally endorsed in 1976 (UVW, Z 174, Nr.1645/2).

Volkswagen was not the only German (or, as the next section will illustrate, Japanese) company to invest heavily in the US during this time period. Documents from the Volkswagen Corporate Archives indicate that by 1976 German companies had invested over $6 Billon D-Marks in the US, making the country Germany’s largest foreign investment. In addition to Volkswagen, large German companies such as Siemens, a corporate conglomerate that specializes in manufacturing equipment, Daimler-Benz, at the time Germany’s most profitable automaker, and a series of German chemical companies such as Bayer, BASF and Hoechst, collectively invested over $1.5 Billon D-Marks between 1976-1981. In addition to the rising value of the D-Mark relative to the dollar, it is clear that many German companies chose to locate facilities in the US due to the rising cost of tariffs, the difficulty of transporting bulk items such as chemicals and autos, and the preference on the part of American clients for merchandise made in the US (UVW, Z 31g, Nr. 24730). Finally, one possible reason for the massive influx of foreign direct investment during this period is the relative ease of firing workers compared to Germany and significantly lower corporate tax rates. As one Volkswagen company document
states: “Management also has a freer hand in the hiring and firing of staff. Also companies are not burdened by the high social security payments that are the price for Germany’s impressive ‘social safety net’” (UVW, Z 174, Nr.1645/2).

Once Volkswagen announced plans to build an assembly plant in the US, there was no shortage of suitors for the company’s business. Corporate documents state that “once VW’s plan to build cars in the U.S. became an accepted fact, every state in the nation except Hawaii and Alaska urged that it become home for the new assembly plant” (UVW, Z174, Nr. 764/1). Chernow (1978) documents how some states even resorted to taking out full page ads in nationally syndicated newspapers. Some of the ads are emblematic of the increased need on the part of states, cities, and municipalities to attract and retain business. Atlanta’s advertisement read, in part, “Come to Atlanta And We’ll Give You Hard Labor For Life.” Michigan’s advertisement likewise illustrates the length that states are willing to go in order to reduce the tax burden on businesses: “Two things in life are certain: death and taxes. At least in Michigan the taxes won’t kill you” (Chernow 1978:21).

Ohio and Pennsylvania were named finalists for the US Volkswagen manufacturing facility (UVA, Z31g, Nr. 24730). Pennsylvania was selected for the site in May, 1976. According to company documents, the deciding factor which influenced the decision appears to have been the large incentive package, at the time the largest in Pennsylvania’s history, which the state offered to Volkswagen: “In this decision, financial support for the project offered by the State of Pennsylvania (in the form of more convenient funding, making available the required infrastructure) was a major factor” (UVA, Z31g, Nr. 24730). The incentive package which Volkswagen received totaled nearly $70 million and included the purchase and refurbishment of an unfinished Chrysler plant, the construction of rail and highway, and the easement of property
and sales taxes (Chernow 1978; Portes and Walton 1981). The plant was originally intended to employ 5,000 workers and produce 200,000 vehicles annually, yet full employment was never reached and the plant only rarely achieved full production capacity.

**Nissan in Tennessee**

Beginning in the 1980’s, numerous Japanese auto manufacturing firms began to seriously consider building production sites in the US. Consistent with the economic literature on the topic, the overriding concern for Japanese manufacturers was access to the US market. As Milward and Newman state “for firms operating in mature industries dominated by a few conglomerates and largely dependent upon economies of scale rather than product differentiation, the size of the market is critical. The United States offers that market” (1986:211). A more pressing concern for Japanese automakers than market access, however, was the protectionist sentiment and mounting trade deficits that the US has started to incur in the early 1970s. In response, Congress began to threaten foreign firms with strict quotas and high tariffs on imported goods (Milward and Newman 1989). Nissan was thus limited to an annual shipment of 480,000 automobiles to the US. Vehicles that were made and assembled in the US, however, were exempt from the annual shipment restrictions (Yoshida 1986).

In order to maintain their competitive advantage over US auto manufacturers, Nissan Motor Manufacturing Company announced its decisions to build a production facility in Smyrna, Tennessee in October, 1980. Smyrna is located just outside of the Nashville metropolitan area and close to several key US highways. According to Milward and Newman (1989) and Yoshida (1986) Nissan’s investment in the Tennessee plant was reported to be between $745-848 million. Investment on the part of Tennessee included $22 million for road access to the site and $11 million in working training programs. Although the plant was originally proposed to build
120,000 light trucks, in May 1984 Nissan decided to expand its production capacity at the Smyrna plant to 240,000 light trucks and sedans. The factory initially employed 1,900 employees with an additional 1,100 added after the 1984 expansion (Milward and Newman 1989; Yoshida 1986).

Two states, Tennessee and Georgia, were seriously considered for the plant location and both states placed aggressive bids to attract the Nissan plant. According to Milward and Newman (1989) Tennessee’s offer of larger and more extensive transportation improvements and working training programs, tax inducements, and a more favorable business climate were the deciding factors which influenced Nissan’s decision. Although Milward and Newman (1989) argue that the presence of right to work legislation is not a deciding factor for MNCs looking to build a new production facility, it should be noted that both Tennessee and Georgia were, at the time, two of the 22 states who had enacted right to work laws. Additionally, another factor which Milward and Newman and Yoshida fail to consider is the extent to which a state governor’s involvement in the bid to attract foreign MNCs helps to sway the final decision. Milton Schapp of Pennsylvania was reportedly heavily involved in courting Volkswagen to Westmoreland (Chernow 1978; UVA, Z31g, Nr. 24730). In sum, the qualitative aspects of both a state’s industrial climate and a state’s role in the location decision of foreign MNCs needs further interrogation in order to illuminate the nuances of the relationship between states, corporations, and business incentives.

*Business Incentives*

This discussion of Volkswagen’s and Nissan’s location begins to illustrate the role of incentives in attracting automotive firms. Although the states of Pennsylvania and Tennessee
committed huge sums to attract Volkswagen and Nissan, respectively, Milward and Newman (1989) show that the subsequent size of state inducements packages to attract foreign MNCs has grown by nearly 400%. Table 1 displays the amount of the incentive package that foreign owned automotive companies have received since 1978. The exponential increase in the amount of money that states are willing to provide foreign MNCs has grown despite the fact that company investment and employment projections have remained relatively stable (Milward and Newman 1989). For example, in 1980, the state of Tennessee committed $33 million to attract Nissan to Smyrna. In exchange, Nissan promised to create 1,900 jobs. By 2006, when Tennessee was again in negotiations with Nissan regarding a plant expansion, the state committed $198 million and Nissan pledged to create an additional 1,100 jobs. By 2008, when Volkswagen was considering locating a manufacturing plant in Chattanooga, the state of Tennessee committed $967 million, while Volkswagen only pledged to create 4,000 jobs.

Table 1 Incentive Packages for Foreign Owned Automotive Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
<th>State</th>
<th>State Investment (In Millions)</th>
<th>Employees</th>
<th>Incentive Cost per Job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
<td>1978</td>
<td>PA</td>
<td>80</td>
<td>2,500</td>
<td>$32,000</td>
</tr>
<tr>
<td>Nissan</td>
<td>1980</td>
<td>TN</td>
<td>66</td>
<td>3,000</td>
<td>$22,000</td>
</tr>
<tr>
<td>Mazda</td>
<td>1984</td>
<td>MI</td>
<td>52</td>
<td>3,500</td>
<td>$15,000</td>
</tr>
<tr>
<td>Diamond Star</td>
<td>1985</td>
<td>IL</td>
<td>118.3</td>
<td>2,900</td>
<td>$41,000</td>
</tr>
<tr>
<td>Toyota</td>
<td>1985</td>
<td>KY</td>
<td>325</td>
<td>3,000</td>
<td>$108,333</td>
</tr>
<tr>
<td>Fuji-Isuzu</td>
<td>1986</td>
<td>IN</td>
<td>86</td>
<td>1,700</td>
<td>$51,000</td>
</tr>
<tr>
<td>BMW</td>
<td>1992</td>
<td>SC</td>
<td>150</td>
<td>2,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>Mercedes-Benz</td>
<td>1993</td>
<td>AL</td>
<td>253</td>
<td>1,500</td>
<td>$168,667</td>
</tr>
<tr>
<td>Nissan</td>
<td>2000</td>
<td>MS</td>
<td>1,250</td>
<td>6,500</td>
<td>$192,308</td>
</tr>
<tr>
<td>Hyundai</td>
<td>2002</td>
<td>AL</td>
<td>118.5</td>
<td>2,000</td>
<td>$59,250</td>
</tr>
<tr>
<td>Kia</td>
<td>2006</td>
<td>GA</td>
<td>410</td>
<td>3,000</td>
<td>$136,667</td>
</tr>
<tr>
<td>Toyota</td>
<td>2007</td>
<td>MS</td>
<td>354</td>
<td>1,500</td>
<td>$236,000</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>2011</td>
<td>TN</td>
<td>967</td>
<td>4,000</td>
<td>$241,750</td>
</tr>
</tbody>
</table>

Sources: Milward and Newman 1989; Fox and Hamblen 2013; Fox and Kessler 2015; Good Jobs First 2018; New York Times 2018
In order to try and understand why Tennessee continued to offer exponentially higher incentive packages for lower total employment created by these automotive companies, I interviewed Dr. William Fox and Dr. Matthew Murray, two individuals responsible for drafting the initial economic impact report for the Volkswagen plant in Chattanooga. When asked whether the large incentive packages were worth it for the state, Dr. Fox stated that:

“They’re competing to attract and retain and the competition between states and is really intense there, it’s really intense for manufacturing factories. Now is it money well spent? You’re back to the question of are the private sector gains to the state worth the public-sector costs of doing this and, from the national perspective the answer is probably no. Especially to the extent that it’s a foreign firm, say VW or Nissan, then were just making those companies more profitable. They’re probably heavily owned outside the US, so we’ve reduced the taxes on non-US companies to get them to Tennessee rather than Oklahoma. Is that money well spent? As I said, it’s an auction, the incentives get too large. The politicians, including as far back as Lamar Alexander⁷, they want to be known for the person who recruited VW or Nissan to Tennessee. They get a lot of the benefits, they don’t pay much of the costs. It’s easy for the politicians to overpay for it.

Dr. Murray was more adamant:

“There is a shadow price in what you’re observing in these agreements. It would be the marquee effect: what is the value of having Volkswagen’s name associated with your community? There’s political capital for those who attracted a firm to their district or state, and when I add up these other things that might go into the shadow price, I’m still dumbfounded at the value. Is it worth it? No, no, absolutely not.”

One thing that makes estimating the effectiveness of incentives in attracting corporate firms is the lack of data that exists on the topic. The New York Times conducted a multiple year investigation into the topic and found that “a full accounting…is not possible because the incentives are granted by thousands of government agencies and officials, and many do not know the value of all their awards” (Story 2012). Further complicating the matter is that many agencies do not keep track of, or hold companies accountable, if they fail to deliver on the number of the

⁷ Lamar Alexander was the governor of Tennessee from 1979-1987. He presided over the state when Nissan selected Smyrna, Tennessee for the site of a new automotive plant.
jobs they promised to create when the tax incentives were negotiated (Story 2012). As the literature on the topic indicated, most companies do not factor tax incentives high on their list when deciding on a firm location, and it’s quite possible that companies would still choose to locate in an area even in the absence of lucrative incentive packages. While the literature suggests that states would be better served by investing in their people and communities, the bidding war to attract investment continues unabated. The *Times* investigation found that companies were awarded more than $80 billion a year in state and local incentives between 2010-2012. This number is likely drastically understated, as many high-profile incentive deals during this time period, such as Volkswagen’s $968 million grant from Tennessee, is not included in their database.

It is clear from the literature and interviews that politicians are consistently overpaying corporations to locate in their state not because of the benefits that a state can gain from employment and tax revenues, but because of the political capital that comes along with attracting a large firm to their districts. Based on the evidence surrounding the Volkswagen location decision in Tennessee, it seems likely that this is the case. Relatedly, and perhaps more insidious, is the changing role of the state in the current era of neoliberal globalization. Although incentives of some form have always been used to assist firms in the US, the practice did not become widespread until the 1970s when firms could make good on the threat of exit in order to leverage state and local governments for more lucrative forms of assistance. Prior to the 1980s, the use of incentives to attract corporate firms was relatively rare in the US. In 1984, only 25 states had used tax incentives in order to create job growth. Today, every state in the US offers some form of incentives to lure firms within their borders (Davies 2002). Despite what the
literature says, there are no know examples of companies moving to locales without the use of such incentives.

The use of incentives raises important questions about whether the private or public sector is responsible for job creation. Increasingly, it appears as though the lucrative incentive packages are used to privatize the profits of corporate firms while socializing the cost. This is especially true when state grants and tax abatements are used to subsidize a foreign owned corporation. The case of Volkswagen in Pennsylvania speaks directly to this challenge, as Volkswagen shuttered its Westmoreland plant in 1988 and laid off the 2,500 remaining employees shortly after it’s business subsidies expired. Although the fate of the Volkswagen plant in Chattanooga is still to be decided, there are other examples of how the use of subsidies failed to provide the anticipated outcomes. In 2008, Hemlock Semiconductors received over $340 million in subsidies from Tennessee to locate a manufacturing facility in Clarksville. By 2014 the plans for the plant were scrapped and none of the 500 promised jobs ever materialized (Brooks 2016). The use of incentives has become standard practice to create jobs in the US, but this is a practice that is used indiscriminately and without public oversight. Despite evidence that suggests that the use of incentives has little to no effect on job creation, the meteoric rise in the price states are willing to pay to attract firms continues unabated.

Conclusion

In 2013, Washington signed the largest ever incentive in US history in the hope of convincing Boeing, the aerospace manufacturer, to remain in the state. Over the twenty-seven year period the deal encompasses, Boeing will receive $8.7 billion dollars from Washington taxpayers in exchange for an estimated 56,000 jobs, or $155,357 per job (Wilson 2013). In 2014,
Nevada provided the largest incentive package in the state’s history to the electric car company Tesla Motors. In exchange for creating 6,500 jobs, Tesla was awarded business incentives that will total $1.3 billion over the life the deal, or $200,000 per job (Hirsch 2015a). Recently the online retailer Amazon has announced plans to build a second headquarters in the US, setting off a bidding war among the states with offer approaching upwards of $7 billion in incentives and tax credits (Wingfield and Cohen 2017). Regardless of the merit of these corporate incentive deals, they show no abating.

Given that there is little evidence that illustrates the merit of the use of incentives, what are some possible avenues that state and local governments can pursue in order to avoid the winners curse of attracting firm where the costs outweigh the benefits? One path forward could be to provide more transparency, oversight, and public debate over the issue of business incentives. As Greg LeRoy from Good Jobs First notes “when taxpayers have more time—or even a say at the ballot box—good things can happen” (LeRoy 2017). If taxpayers are provided with advanced notice and if governments are required to show disclosure agreements, then the public can have an opportunity to modify, delay, or kill a proposed incentive deal. This method was effective in New York, where New York Industrial Development Board meetings garnered wide public participation and citizens were able to defeat lucrative business incentives that would have raised tax rates (LeRoy 2017).

Another avenue for curbing the rise in business incentives is to call on Congress to implement legislation that would prevent states and local municipalities from competing against one another to attract firms. This zero-sum game has been evident in Kansas and Missouri and the two states compete to attract firms across their borders. In well publicized cases, the two states have been competing for firms such as AMC Theatres, Applebee’s, and JP Morgan.
Retirement to relocate, sometimes just miles away, through the use of larger and larger incentive deals (King 2016). In the wake of the proliferation of business incentives, several authors have suggested that Congress could use the commerce clause to prevent interstate competition for firms (Alden 2012; Enrich 1996; Rolnick and Burstein 1995). It is ironic that, in the 1990’s, the US made participation in the World Trade Organization contingent on member countries restricting the use of subsidies on the grounds that it would create trade distortions and provide companies with unfair advantages in the international market. Although this practice was agreed upon on the global stage, the problem still persists within the US (Alden 2012). Certainly the current political climate does not allow for the passage of this type of legislation on the national level, but it may be possible to curb the rising tide of business incentives in certain cities or regions of the country.

One final avenue for ameliorating the damaging effects of business subsidies is to include claw-back provisions in inducement deals so that states are not left holding the bag if a company fails to provide the number of agreed upon jobs. European regional policy makers have utilized this carrot-and-stick approach to recover lost tax revenues (Ledebur and Woodward 1990) and the US would do well to follow suit. Similarly, states could regulate the value of the subsidies on a per-job basis or require that subsidies be granted as a ratio tied to a firm’s investment in the state (LeRoy 2017).

Unfortunately, as I noted above, under the current construction of the neoliberal state these policy fixes have little to no chance of being enacted on a national level. The deep penetration of neoliberalism has caused a shift in how state resources are allocated. As the case of Tennessee showed, state budgetary priorities are increasingly being shifted away from public expenditures such as education and welfare and into incentives and tax abatements for business
development. This is consistent with neoliberal policies that stress the primacy of the market, but it also has to do with the changing composition of state managers. As I discuss in the next chapter, state managers are increasingly being drawn directly from the ruling class into the state apparatus. As Block (1977) has noted, state managers are generally forced to behave differently than the capitalist class in order to create the conditions which allow for the reproduction of the capitalist system. This practice can blunt the impact of economic depravity among the working class and provide support to state managers for their reelection. In the following chapter I argue that state managers are no longer beholden to this practice, and that what we are beginning to see is a situation in which class actually does rule.

Introduction

In February 2014 the United Autoworkers (UAW) lost a highly publicized vote to achieve union representation at the Volkswagen auto manufacturing plant in Chattanooga, Tennessee. It was a narrow loss for the UAW, with some commentators expressing frustration over the strong opposition that the union faced from the state’s Governor, US Senator, and other outside pressure groups such as the Center for Worker Freedom, which campaigned aggressively against the UAW in the months leading up to the election (Schelzig and Krisher 2013; Williams 2014; Woodall 2014). Trade unionists in the US were extremely disappointed with the outcome for three key reasons: (1) Volkswagen is a company with a unique model of labor relations that openly embraces the principles of codetermination, the presence of works councils, and a strong trade union influence in nearly all of its global manufacturing facilities; (2) the Volkswagen plant in Chattanooga is the only Volkswagen plant in the world that does not have some form of institutionalized labor representation either in the form of a German-style works council or the presence of certified trade union; and, (3) if the UAW would have been able to unionize the Chattanooga plant, it would have marked only the third time in US history that a foreign owned automaker in the US signed a union contract. In July 2014, the UAW attempted to circumvent the controversial loss and created a local union, Local 42, to represent the autoworkers at the Chattanooga plant. The move, while not unprecedented, represents a unique way for the UAW to try and bargain collectively in a region and industry that remains hostile to organized labor.
The situation in Chattanooga is exceptional in the sense that it is the state, not the corporation, that is pushing regressive labor policies onto its workforce and is even threatened the withdrawal of state tax incentives unless the situation with the UAW is, as Governor Haslam stated, “resolved to our satisfaction” (Williams 2014). The literature that I review has shown that, given the shifting terrain of global production, the increased power of multinational corporations, and the complexity of global commodity chains, the ability of labor to organize and bargain effectively with firms has been greatly reduced (Anner 2011; Bair 2009; Bluestone and Harrison 1982). The literature has further demonstrated that, as a result of these global complexities, multinational corporations have been able to exert their leverage over labor and to campaign aggressively against the presence of unions (Bluestone and Harrison 1982; Dicken 2015; Geoghegan 2014). Further, in situations where labor unions in the Global North have been able to remain relevant, the literature indicates that it is due in large part to a state’s ability to facilitate the conditions for labor to operate effectively. In the Chattanooga VW case, we see just the opposite occurring. Here, we have a multinational corporation initially worked collaboratively with the labor union, and the state that has campaigned aggressively against its presence (Greenhouse 2014).

However, although Volkswagen was initially supportive of the UAW’s efforts at the Chattanooga plant, and while they are not, in principle, opposed to the formation of a union, their actions toward the UAW have taken an increasingly hostile turn (Doll and Vetter 2016). In 2014, Volkswagen pledged to recognize Local 42 as the official bargaining agent of Chattanooga workers, a pledge which Volkswagen has so far failed to keep. In addition, Volkswagen has refused to meet with skilled-trade employees who voted overwhelmingly to designate UAW Local 42 as their official bargaining agent. The failure to meet with the skilled trade employees
led Local 42 to file charges with the National Labor Relations Board (NLRB), which subsequently ruled that Volkswagen had to meet the skilled trade employees at the collective bargaining table. Volkswagen is currently in violation of US labor law for defying the ruling.

The situation in Chattanooga is also unique because, for the first times in US labor history, it has produced a partnership between a US and German labor union. The UAW and IG Metall, Germany’s largest labor union which represents German metalworkers, announced the launch of the Transnational Partnership Initiative (TPI) in November 2015. TPI is a joint project between the two labor unions to explore new models of employee representation in the United States such as German-style works councils and principles of codetermination at German-owned industries in the US south. IG Metall estimates that German-owned automakers and parts suppliers employ roughly 100,000 employees in the US. The unions believe some German manufacturers, such as BMW in South Carolina and Daimler-Benz in Alabama, are taking advantage of low-wage environments in the U.S. South where there is more hostility towards organized labor then in other regions of the country. As this chapter will show, however, Volkswagen’s decision to prolong the union certification in US courts has been fortuitous for the company. With the election of President Donald Trump in 2016, the composition of the National Labor Relations Board has changed drastically, and the status of the skilled trades union at the Chattanooga Volkswagen plant is now in question.

This chapter sets out from the premise that the case of the Volkswagen plant in Chattanooga is critical and seeks to interrogate the conjunctural factors which produced the unlikely labor outcome using a combination of ethnographic and archival methods. The goal is to understand how a foreign transnational corporation with a celebrated history of labor relations
can impact the labor movement in the US. That, in turn, requires a clear recognition of the role of the state.

In Chapter II I posed contrasting viewpoints of the state in the works of, among others, Poluntazas, Milliband, O’Connor, Block, and Mazzucato. In that chapter I argued that one of the chief shortcomings with the structural and instrumental accounts of the state in their work is that they fail to answer the key question regarding the relative autonomy of the state. If the state is indeed autonomous, then why does the state continue to reproduce the conditions which make the expansion and maintenance of the capitalist system possible? Or, put another way, why is it that the expansion of capitalist conditions continues without the inclusion of such things as labor and welfare protections that would benefit the working class? Absent a clear answer to this question, the work of these authors can be viewed as theoretically opaque and offering only a functionalist explanation of the role of the state in capitalist democracies (van den Berg 1988). Further, the work of these authors lack empirically objective findings and fail to theorize on the changing nature of the state in a globalized and neoliberal economy. In this chapter, I attempt to deal with these shortcomings by, first, showing empirically how the state was able to derail a union campaign at the Volkswagen Chattanooga plant, and, second, by demonstrating how the composition of state managers has changed in the current era of neoliberal globalization. Contra to Block’s seminal essay, The Ruling Class Does Not Rule, I begin to make the theoretical argument that we can no longer differentiate between the capitalist class and state managers. Increasingly, state managers are drawn directly from the capitalist class, and, as I will show, the blurring of this division has serious consequences for members of the working class.
The Makings of an Anti-Union Campaign

As the previous chapter showed, Volkswagen announced its plan to build a manufacturing plant in Chattanooga, Tennessee in July 2008. Construction on the plant began on September 3, 2009, and the first customer car came off the assembly line on April 18, 2011 (Volkswagen Group of America 2018). Almost immediately thereafter, the UAW began discussion with Volkswagen to organize the plant and kicked off a nine-month organizing campaign beginning in March 2013. By January 2014, UAW officials reported to the German newspaper Allgemeine Zeitung that a clear majority of employees at the Volkswagen plant in Chattanooga wanted to be represented by the by the UAW and had signed a declaration of intent to that effect (Reuters Staff 2014). As Chapter Three indicated, Volkswagen’s successful global business model is modeled on employee representation in the form of works councils and codetermination and VW did not, at least initially, object to the UAW’s organizing campaign. Then UAW President Bob King stated as much in the interview he gave with Allgemeine Zeitung: “We are also working well with the company. VW has been very fair in its dealings with us and wants its employees to have a voice” (quoted in Reuters Staff 2014). In an action unprecedented for an auto manufacturer in the Southern US, Volkswagen laid the groundwork for an NLRB election to be held in February 2014 and even allowed UAW organizers into the Chattanooga facility to meet with workers (Boudette 2016).

Although Volkswagen remained neutral in the union organizing campaign, outside pressure groups most certainly did not. In the year leading up to the election, anti-union groups funded by, among others, anti-labor activist Grover Norquist, went on the attack. In coordination with US Senator Bob Corker and the administration of Governor Bill Haslam, groups such as Norquist’s Center for Worker Freedom and a newly formed anti-labor group, Southern
Momentum, began to undermine the UAW’s organizing efforts. Southern Momentum and the Center for Worker Freedom attacked the UAW publicly using radio ads and town hall forums, and more than a dozen anti-UAW billboards began to appear around Chattanooga. Norquist and his Center for Worker Freedom have a long history of engaging in anti-union campaigns (Logan 2014). At the Conservative Political Action Committee meeting in 2014 he decried the fact that unions were "not dead yet" (Logan 2014) and has been transparent regarding his disdain for trade unions. In a *Mother Jones* interview Norquist once stated that “rather than negotiate with the teachers’ unions and the trial lawyers and the various leftist interest groups, we intend to break them” (Scherer 2004). Norquist and the Center for Worker Freedom set out to do just that in Chattanooga, as they spent at least a year in the run up to the Volkswagen union election campaigning against the UAW (Logan 2014).

In addition to Norquist, Matt Patterson, a senior fellow at the Washington DC based nonprofit Competitive Enterprise Institute also entered the fray. Patterson, whose group advocates for limited government and competitive enterprise, also placed billboards around Chattanooga and hosted public forums where they blasted the UAW and engaged in a smear campaigns against the union (Morrison 2013). Most of the Patterson and Norquist attacks focused on attributing the false blame that labor unions were responsible for Detroit’s economic woes (one billboard read “Auto Unions ATE Detroit. Next Meal: Chattanooga?) and by claiming that the UAW was only a tool of the Obama administration (another billboard read United Obama Workers). The Center for Worker Freedom also ran radio ads in the lead up to the election which read as follows:

The UAW wants you to believe that VW employees are deciding whether or not to have a German-style works council. Wrong! The UAW is the only thing on the ballot. The same union that bankrupted GM and Detroit. The truth is, workers
don't need the UAW to form a works council, and VW doesn't need a works council to make cars. Chattanooga isn't Germany, or Detroit. At least, not yet (Center for Worker Freedom 2014).

In addition to the Center for Worker Freedom and the Competitive Enterprise Institute, another anti-union organization, Southern Momentum, also worked to undermine support for the UAW. Although Southern Momentum claimed to be a grassroots organization that represented rank and file Volkswagen employees who were opposed to the union, the group received funding from a number of antiunion businesses and hired union avoidance specialists in the lead up to the February 14 elections. Some of the individuals and groups they hired included *Union Proof*, a consulting firm which is “focused on building a corporate culture in which unions are simply unnecessary” (Union Proof 2018). Southern Momentum also used the funds to hire Maurice Nicely, a Chattanooga antiunion attorney who represented the group publicly (Logan 2014b), and Peter List, an antiunion consultant for the group Kulture Labor Relations (Logan 2014b). Southern Momentum claimed to have raised $100,000 to fund their campaign, but it is unclear where this funding came from. The group’s committee leader, Mike Burton, even admitted to reporters that “not one of us [workers] raised a penny (Elk 2014). The dark money that funded the group was used to purchase some of the billboard spots, anti-UAW t-shirts, a well-made website, and three professional videos made by *Union Proof* which featured worker testimonials and plant footage (Elk 20014).

I had the opportunity to speak with several of the UAW organizers who were working on the Chattanooga campaign about the pressure that was applied from anti-union groups in the run up to the election. As one organizer told me:
These outside groups, these outsiders were coming out of the woodwork. We really didn’t think that, uh, that this election was gonna draw that kind of attention from these groups. It’s funny too because, uh, because they were trying to paint us as the outsiders. They were saying things like ‘don’t let these carpetbaggers from Detroit tell you how to do your business’ when they were the ones who were the outsiders! It was all these groups from DC and other places that were coming here to tell workers what to do. It was a lot of Koch money that was funding these campaigns; we don’t know exactly where it all came from, but there was a lot of money spent here to try and derail the union.

Although neither the Center for Worker Freedom or the Competitive Enterprise Institute has been willing to disclose how much money was spent on the anti-union drive, it’s clear that both groups invested significant resources in the campaign. Gene Bruskin, the campaign director for the United Food and Commercial Workers (UFCW) stated in an interview with Dollars & Sense that “the Auto Workers were defeated in their 2014 organizing…not by the company, which was ostensibly neutral, but by what was likely the largest and most expensive anti-union campaign ever waged by third-party groups” (Dollars & Sense 2017). Steven Greenhouse, a labor reporter with the New York times, echoed Bruskin’s sentiment. In an interview with Democracy Now, Greenhouse stated that “you know I’ve been writing about labor for a long time, and I’ve never seen such aggressive outside intervention in any union campaign” (Democracy Now 2014).

Political Interference

Even more damaging to the union campaign than the outside intervention by antiunion groups were the actions of Tennessee elected officials. As the previous chapter documented, the Haslam administration quietly threatened to withhold industrial incentives from Volkswagen for a proposed expansion if the Chattanooga plant gained UAW representation (Williams 2014). The
Nashville station WTVF received leaked documents regarding a clandestine incentive proposal known as “Project Trinity” which included nearly $300 million in cash, cash equivalents, and tax credit for a proposed expansion of the VW Chattanooga facility and the creation of 1,350 additional jobs. The offer was made on August 23, 2013, and additional emails show that attorneys representing Volkswagen had drafted a memorandum of understanding and were prepared to accept the offer on January 27, 2014 (Williams 2015). However, on January 31, just two weeks ahead of the proposed union vote, the Haslam administration withdrew the offer (Williams 2015). In an email to Christof Spathelf, Senior Vice President of Production Strategy and Engineering at Volkswagen, the Commissioner for Economic and Community Development offered only a vague reason for the withdrawal, stating that “as I mentioned during our call during the week of January 10, five months have passed and a number of circumstances have changed or occurred since we delivered the August 23rd materials. The August 2013 incentive summary does not account for these changes and is no longer relevant” (Bill Hagerty 2013, quoted in Williams 2015).

Governor Bill Haslam and his administration consistently denied that the incentive offer was tied to the outcome of the union election. Once the leaked emails were released to the public, Haslam affirmed that “the incentive offer was ‘absolutely not’ used as leverage to pressure Volkswagen to reject the card-check process” (Williams 2015b). Bill Hagerty also claimed that the incentive package was not revoked because of Volkswagen’s perceived sympathy towards the UAW, but simply because the standard deadline of ninety days to accept the offer had expired (Flessner 2014). Bill Hagerty’s spokesperson, Clint Brewer, told reporters that “that the incentive package expired Jan. 31 [2014] and that the 90-day window is standard operating procedure” (Williams 2015b). If that were truly the case, however, then the deal would
have actually expired on November 21, 2014. Hagerty told reporters that the deal was extended nearly two months beyond that date because of the importance of Volkswagen to the state and to the Chattanooga community (Williams 2015b). Tennessee House of Representatives member Mike Stewart noted the irony of the deadline, telling reporters that “I would love to know if there is a single person outside the administration -- Democrat or Republican -- who believes in any such 90-day deadline?” (Williams 2015a). Instead, Rep. Stewart believed that the offer was rescinded for political reasons. Rep. Stewart argued that the Haslam administration was “essentially holding Volkswagen hostage and saying 'if you don't do what we want, based on our political agenda, then we are going to withhold hundreds of millions of dollars' -- which are, of course, taxpayer dollars” (Williams 2015a). Rep. Stewart and other House Democrats attempted to open an investigation to determine how the incentive offer was used to influence the union issue, but their actions were blocked by House Speaker Beth Harwell and Tennessee Attorney General Bob Cooper (Williams 2015c).

I asked one of the elected members of Local 42 what impact the incentives might have had on Volkswagen’s stance toward the union drive in the lead up to the election. This member stated that:

I think it definitely had something to do with it. I mean, if you look at the other plants that are here, the union plants, and you at, uh, look where there money is coming from for expansions and renovations, it’s all coming from the company. GM is paying for investment in Spring Hill. It’s the company that’s paying for it there. But if you look at where the money is coming from for Volkswagen’s plant…It’s all taxpayer money. It’s our money that’s paying for this plant and so, yeah, you know, if they threaten to take that away, I mean, where else is it gonna come from? I think that it definitely had something to do with it.

This member’s description of GM’s investment was largely accurate. Although a complete accounting of the incentives that GM received when it initially built the Spring Hill plant in 1985 is difficult to determine, both the NY Times and Good Jobs First database show that that state’s
investment in the plant was miniscule compared to GM’s. Since 2008, Tennessee has provided GM with a total of $13,551,993 in training reimbursement subsidies. In contrast, GM invested $788.7 million for plant refurbishment and expansion over that same time period (Good Jobs First 2018; NY Times 2016; Priddle 2016).

The Haslam administrations claims of neutrality in the Volkswagen negotiations are difficult to justify given that additional leaked emails clearly show that Haslam favored a union free plant. In one of the confidential documents that was leaked to WVTF, Haslam states that the proposed incentive offer was “subject to works council discussions between the State of Tennessee and VW being concluded to the satisfaction of the State of Tennessee” (Williams 2015c). Further, in an email addressed to Frank Fischer, CEO of Volkswagen’s Group of America Chattanooga Operation, Haslam expressed concerns over Volkswagen’s conciliatory stance towards the UAW. The letter, which was sent to Fischer on February 4, 2014, just ten days before the union vote, reads as follows:

Over the course of several months Volkswagen has been considering the prospect of establishing a works council and allowing workers to vote on that decision, which has culminated in Volkswagen announcing an election in which the employees will vote for or against union representation by the UAW. It is our hope and expectation that this process will be a fair and equitable one, allowing each employee to vote his or her conscience in an informed manner without undue influence from either side in an election by ballot over the period of February 12-14. It is our understanding, however, that the Company is allowing the UAW to use Company facilities to advise and attempt to influence employees to vote in favor of union representation, while at the same time denying similar facilities to Volkswagen employees of groups in opposition to UAW representation. This distinction favoring the UAW at the expense of employees opposed to union representation is of concern to us. We expected the Company to assume a position of neutrality that would provide an “even playing field,” if you will. It is of such concern that I felt it necessary to speak on behalf of those Tennessee citizens who are employees at the Chattanooga facility. While many will choose to differ on the advisability of union representation, there should be a general consensus that the manner in which the Company administers and oversees this process is critical not only to the Company, but also to the general
perception and acceptance of any result by the employees and the community in which they live and work. Thank you for your further consideration of this issue of fairness. We are confident that Volkswagen has the employees, all of the employees, and their best interests at heart. The State of Tennessee appreciates very much the important and prominent role that Volkswagen plays in our state (Williams 2014, 2015a emphasis added).

In addition to Haslam’s threats to withdrawal incentives, other high-ranking members of the Tennessee legislature also indicated their opposition to further incentive Volkswagen in the event that the UAW won the representation election. On February 10, 2014, several members of the Tennessee Legislature spoke at a press conference in Nashville where they addressed the potential unionization of the Volkswagen plant. State Senator Bo Watson told reporters that, "should the workers at Volkswagen choose to be represented by the United Auto Workers, then I believe any additional incentives from the citizens of the state of Tennessee for expansion or otherwise will have a very tough time passing the Tennessee Senate" (Webb 2014). Echoing Senator Watson’s remarks, House Majority Leader Gerald McCormick said, “I encourage the employees of Volkswagen to reject bringing the United Auto Workers Union into the Plant and into our community. As you consider your vote, ask yourself this question - Will I be better off with the UAW? When you consider that question, I believe the answer will be NO!” (Webb 2014).

For their part, Democrats in the Tennessee House of Representatives attempted to counter the narrative and argued that the state had not right to mingle in the affairs of the private business. On the same day, House Democratic leader Craig Fitzhugh told reporters that “in my 20 years on the hill, I’ve never seen such a massive intrusion into the affairs of a private company” (Webb 2014). In a similar statement, House Democrat Mike Turner said that “Republicans are basically threatening to kill jobs if workers exercise their federally protected
rights to organize. When the company says they don’t have a problem with it, what right does the state have to come in and say they can’t do it?” (Webb 2014).

Subsequent emails obtained from the Nashville station WTVF also showed the anti-UAW effort in Chattanooga was coordinated by US Senator Bob Corker’s office with support from the anti-union groups described above (Elk 2014b; Williams 2015). In a message that was sent on February 10, 2014, Peter List, the aforementioned head of the antiunion group Kulture Labor Relations, emailed a link to union opposition videos that were created by Southern Momentum. In the email, List appears to gloat about the large number of views the videos had received online. What was especially interesting about the message was that the email was addressed to numerous state officials including Senator Corker’s chief of staff Tony Womack, Chattanooga Regional Manufacturers Association CEO Tim Spires, and Ron Harr, the CEO of the Chattanooga Chamber of Commerce. Also included in the email were Maurice Nicely, Southern Momentums legal counsel, Jim Gray, an antiunion consultant from Charleston, South Carolina, and Don Jackson, a Volkswagen plant manager who was openly opposed to the UAW (Elk 2014b; Williams 2015). Tom Womack went on to forward the email to Bill Hagerty, Commissioner of the Tennessee Department of Economic and Community Development, as well as Hagerty’s chief of staff Will Alexander (son of Tennessee’s other US Senator, Lamar Alexander). The text of Womack’s message read “if you would, please don’t forward this version, but this is the video that I mentioned” (Williams 2014). This email chain indicates a level of coordination between the antiunion groups and state officials that was previously unknown, and, given the tone of the email, suggests a high level of familiarity between the parties. The fact that Womack instructed the recipients not to forward the message also indicates some level of care to keep the connections hidden.
In what was arguably the most shocking and detrimental action towards the UAW’s organization drive, Senator Corker told the public and Volkswagen employees that the Chattanooga plant would not grow or expand if the UAW was allowed in the plant (Williams 2015). Speaking on February 12, 2014, the day before the union election was set to begin, Corker released a statement in which he told the public that “I've had conversations today and based on those am assured that should the workers vote against the UAW, Volkswagen will announce in the coming weeks that it will manufacture its new midsize SUV here in Chattanooga” (Flessner 2014). This completely baseless accusation prompted Volkswagen Group of America CEO Frank Fischer to issue a statement of his own telling employees and the public that “There is no connection between our Chattanooga employees' decision about whether to be represented by a union and the decision about where to build a new product for the U.S. market” (Pare 2014). In fact, at least one VW official, Bernd Osterloh, said the exact opposite. Osterloh, the Global Works Council Chairman, said that he would work to prevent the new SUV line from being produced in the US unless the Chattanooga plant achieved union representation (Atkins 2014). The false statement by Corker, described as a bombshell by many reporters, was likely one of the decisive factors in influencing the outcome of the election (Woodall 2014). Corker even made a special trip from Washington DC to Chattanooga on the first day of the election in order to issue his statement, and continued to defend his remarks against Fischer’s claims to the contrary.

I asked one of the UAW organizers in Chattanooga what impact Corker’s statement had on the vote:

I think, I mean, look, there were a lot of factors at play during this union drive. We had the outside pressure groups, we had workers, workers who I think were really influenced by some of these outside groups, made to do things that wouldn’t have otherwise, and we had enormous pressure from the Haslam’s and the Corker’s and the other members of legislature that were working against us.
But if you had to put a finger on thing that broke the vote, yeah it was definitely Corker’s statement that you’d put it on. I mean, his statement came on the first day of the election, and here he is telling people that if you vote for the union, then you won’t get a second a product line. Now that was completely false, but I think it had a major impact on the vote, on the outcome.

Speaking on the second day of the election, Corker reaffirmed his comments and said that the decision regarding whether or not to expand the plant would not be made by Fischer or local plant managers, but by top executives in Wolfsburg who Corker claimed to speak with regularly (Pare 2014; Woodall 2014). “After all these years and my involvement with Volkswagen,” Corker told reporters the following day, “I would not have made the statement I made yesterday without being confident it was true and factual” (Pare 2014). Corker refused to disclose who it was that he spoke with and VW officials have continually denied that the union vote would affect their decision to expand (Woodall 2014).

On February 14, by a vote of 712 to 626, the UAW narrowly lost the election at the Volkswagen Chattanooga. In what has now been called the “St. Valentines Day Massacre,” the UAW failed to organize what was seen as one of the most union friendly companies in the world (Logan 2014; Noah 2014). The UAW also missed it’s opportunity to organize the first foreign owned automotive plant operating in the US South. Although the UAW was criticized for, among other things, failing to build rank-and-file support for the union among employees (Brooks 2015), and failing to engage with Chattanooga community groups (Brooks 2017, Elk 2014), it is my contention that anti-union activism and insidious political interference were the deciding factors in the failed vote. I asked one of the UAW organizers about the criticism that the union faced after the election, asking if there was more that the union could do have done to influence the election:

There’s always more that you can do. There’s always more that you want to do. But, you know, we felt really good about this election. We had, uh, a majority of
the workers had signed cards, we had a company that had pledged to be neutral, and we worked hard in the run up to this election to make sure that we had the votes. What I think, what I think some people don’t understand is that it’s also a question of resources. We were fighting battles in Mississippi, in South Carolina, Ohio. You can only do so much, and we thought that, we thought we did what we could here and needed our people down there in Mississippi. It was a question of resources.

The UAW lost representation election by 86 votes, meaning that it would have taken just 44 votes in favor to swing the historical election in the union’s favor. With the benefit of hindsight, the union could have done to more to ensure a positive outcome, but it is hard to believe that the coordinated anti-union campaign by Tennessee politicians, state officials, and outside pressure groups was not the deciding factor in influencing the outcome of the election.

*The Union’s Response*

The UAW, in response to the outside interference, filed formal objections with the NLRB over the results of the tainted election on February 21, 2014 (Chattanoogan 2014). At the same time, UAW officials continued to appeal to Volkswagen in order to discern some mechanism through which workers at the plant could influence management and shop floor decisions. At a meeting in Germany on March 21, 2014, UAW and Volkswagen officials, including Hans Dieter Potsh, reached agreement on a ten-point plan regarding the outcome of the February election. In the ten-point agreement the UAW agreed to, among other things, the withdrawal of its NLRB objections regarding the tainted February election, and Volkswagen agreed to, among other things, officially recognize the UAW as the representative of its members and reject any yellow
union activity at the plant that would undermine the UAW’s representation (Atkins 2014). On April 21, the UAW fulfilled its commitment and withdrew its NLRB complaint. Regarding the decision to withdrawal its objection, UAW President Bob King stated that “the unprecedented political interference was a distraction for Volkswagen employees and a detour from achieving Tennessee’s economic priorities. The UAW is ready to put February’s tainted election in the rearview mirror and instead focus on advocating for new jobs and economic investment in Tennessee” (UAW 2014a).

On July 10, 2014 the UAW announced the creation of UAW Local 42, a new local union providing representation for employees at the plant in the Chattanooga (Atkins 2014). In announcing the new local union, UAW officials stated that “we’re confident that the company will recognize Local 42 by dealing with it as a members’ union that represents those employees who join the local” (UAW 2014b). Four days later, on July 14, Volkswagen announced the creation of 2,000 additional jobs at the Chattanooga plant that would be used to build the new Atlas mid-sized SUV product line (Morrison 2014). UAW officials noted that the withdrawal of their NLRB complaint cleared the way for the new product line and indicated that the company had reached a consensus with the UAW regarding employee representation. Gary Casteel said as much in an official statement after withdrawing the complaint, noting that “The UAW knew that withdrawing its objections to February’s tainted election, in consensus with Volkswagen, would expedite the company’s decision on the new product line” (Atkins 2014). Shortly thereafter, on September 9, 2014, the Volkswagen Global Group Works Council, IG Metall, and the UAW

---

8 Yellow union activity refers to contracts that employees sign with employers pledging not to join a labor union. Also known as company unions or yellow dog unions, these organizations exist to undermine trade unions were widely used in the US during the late nineteenth and early twentieth centuries. Although yellow dog contracts were officially prohibited under the 1932 Norris LaGuardia Act, the practice still continues to take place under different forms (Lichtenstein 2013). In the case of the VW Chattanooga Plant, the yellow union activity refers to the actions of the American Council of Employees who formed a union at the plant for the sole purpose of opposing the UAW.
signed a letter of intent declaring their joint desire for Volkswagen’s Chattanooga plant to be a UAW represented facility (Woodall 2014).

On October 4, 2014, likely in response to the Volkswagen Global Works Group’s declaration that the Chattanooga plant should be represented by the UAW, anti-union activists created the American Council of Employees (ACE) whose only stated mission was to oppose the UAW inside the Chattanooga plant (DePillis 2014). Labor activist Chris Brooks described ACE as “no doubt, a yellow union funded by corporate interests for the sole purpose of preventing the UAW from achieving exclusive representation” (quoted in Stangler 2015). The group did not disclose its source of financial support, but was publicly represented by Maury Nicely, the same attorney who formerly represented the anti-union group *Southern Momentum* in the weeks leading up to the initial union election. Among US and German labor allies, ACE was widely viewed as a yellow union, a clear violation of the ten-point agreement reached on March 21, 2014.

On November 12, 2014 Volkswagen established a new Community Organization Engagement (COE) policy at the Chattanooga plant which outlined a three-tiered structure for engaging with multiple employee groups (including ACE) at the plant based on membership numbers (Flessner 2015). The UAW pledged to work with Volkswagen to verify Local 42’s membership level and, by December 8, 2014, Volkswagen had verified UAW Local 42’s membership at the highest level under the new COE policy (Flessner 2015). Although the company did not disclose the union’s membership levels, UAW officials reported that Local 42 represented a majority of blue-collar workers at the plant (Local 42 2014). Under the new COE policy and in accordance with the German principles of codetermination, the local union was granted biweekly meetings with the Volkswagen Human Resources department and monthly
meetings with the Volkswagen Chattanooga Executive Committee to discuss matters of concern to employees such as shift scheduling and workplace safety. Echoing the earlier letter of agreement with the Global Works Groups and IG Metall, UAW officials reported that the local union would continue to work toward collectively bargaining with the company (Local 42 2014).

In January 2015, UAW Local President Mike Cantrell traveled to Germany to meet with representatives of the Volkswagen Global Group Works Council to discuss how the Chattanooga plant, the only Volkswagen plant in the world not represented on the Global Group, could take part in the philosophy of Volkswagen and its culture of employee representation and codetermination with management (Local 42 2015). To further their cause and intention, the UAW drafted a 36-page vision statement for establishing a German-style works council at the Chattanooga plant. The document was based on the framework agreed to by the UAW and Volkswagen preceding the initial union election and consisted of numerous proposals to establish a path for management and employees to cooperate on matters inside the plant (Local 42 2015). In response to the vision statement, UAW Secretary Treasurer Gary Castell was asked to participate in a conference call with Horst Neumann, a member of Volkswagen’s board of management. During the call, Neumann instructed Volkswagen officials to move forward with plans to fulfill the company’s commitment to recognize the UAW as the representative of its employees in Chattanooga. Neumann agreed with Castell that a timeline was needed to resolve the situation, stating that employer representation in Chattanooga “can’t be a never-ending story” (Local 42 2015).

Despite pledges on the part of Neumann and other Volkswagen officials to resolve the labor situation in Chattanooga, there was little action on the part of the company. On August 6 2015, frustrated by the continual delays, members of UAW Local 42 asked the company to
recognize the local union as the official representative of Chattanooga employees in accordance with the ten point agreement (Local 42 2015). However, despite tacit agreement on the part of company executives to officially recognize the union, Volkswagen declined the request. VW company spokesperson Scott Williams denied that the agreement existed, stating only that the company “has no contract with the UAW” and that the ten-point agreement only served as one avenue for continuing dialogue with employee organizations (Schelzig 2016). Casteel countered that the UAW and VW had “talked extensively about what recognition means and what would occur if we withdrew our objections to the election,” but VW continued to remain defiant (Schelzig 2016).

After two months of inaction on the part of Volkswagen, Gary Castell sent a letter to Horst Neumann indicating that that UAW Local 42 members had lost patience with the company and were planning to proceed with filing for an NLRB election among the skilled-trade employees on October 23 (Pare and Sehr 2016). Additionally, on October 26 Castell sent a letter to Hans Dieter Potsch explaining the timeline and rationale for the NLRB filing. Despite attempts on the part of Volkswagen to block the election, the NLRB, on November 18, ruled in favor of UAW Local 42 and orders an election for the 160 skilled trade employees at the Chattanooga plant (Pare and Sehr 2016). Volkswagen, in a seemingly acquiescent move, sent out a special communication to all Chattanooga employees stating that if Local 42 was successful in the skilled-trades election, the company would enter into collective bargaining with the UAW (Pare and Sehr 2016).

Undoubtedly, one of the key reason for the slow response on the part of Volkswagen was due to the diesel emissions scandal which rocked the automaker in September 2015. A complete recounting of the scandal is impossible in the context of this chapter, but, in a few words, the
Volkswagen emission scandal was uncovered by researchers in West Virginia and confirmed by US environmental regulators in California (Hirsch 2015b). In order to make its diesel engines appear to run cleaner, VW installed electronic defeat devices on its vehicles that allowed them to detect when they were being officially tested, and to modify their performance accordingly in order to pass emissions tests (Ewing 2016). When the cars were operating under normal driving circumstances, the vehicle electronics allowed them to emit up to 40 times the legally allowed limit of nitrogen oxide under US law (Hirsch 2015b). The defeat devices were installed on roughly 482,000 vehicles in the US and on some 11 million vehicles worldwide (Neuman 2015). While the case is still being litigated in the EU and other international courts, Volkswagen agreed to a $15 billion settlement in the US in June 2016 (Hirsch 2015b). Although the scandal did not have a discernible impact on the labor situation in Chattanooga, it did result in the shakeup of top level VW executives. Volkswagen CEO Martin Winterkorn, among others, was replaced by Porsche CEO Matthias Mueller (Neuman 2015). Winterkorn, who had served as CEO since 2007 and played an active role in the Chattanooga VW plant negotiations was largely viewed by UAW officials as sympathetic to the UAW’s organizing efforts in Chattanooga. Although Mueller also has a long history of working with organized labor in Germany, clearly Volkswagen began to think about strategies to cut costs amidst the looming fines and litigation. On September 22, 2015, Gary Casteel submitted a letter to Horst Neumann offering the UAW’s support regarding the Obama administration’s response to the emission scandal, but Casteel did not receive a response. I asked one of the elected officers of Local 42 what, if any impact that the emissions revelations had on the effort to organize the skilled trade union election:

We thought it might actually help us a little bit. We were thinking ‘well, maybe this is a way to give the company some good publicity. Like, this emission thing comes out, maybe you can start trying to win back your, uh, reputation if you go ahead and acknowledge us. Like, we knew that wouldn’t cause the scandal to go
away, but we thought that it might help. We were wrong about that, though (laughs).

The autoworkers were indeed wrong about that, but, undeterred by the scandal, the skilled trade employees proceeded with the NLRB election and voted overwhelmingly to designate Local 42 as their official bargaining representative at On December 2, 2015. Of the 152 skilled trade employees who cast ballots in the election, 107 (or 71 percent) voted in favor of union representation (UAW 2015). On December 14, the NLRB certified the results of the election but, despite the ruling, Volkswagen refused to come to the bargaining table (UAW 2015).

In response, UAW officials filed charges with the NLRB stating that Volkswagen was in violation of US labor law for refusing to bargain with the union following a fair election. Shortly after the election was held, Volkswagen indicated its intention to appeal the ruling (Morrison 2016). On April 13, 2016 the NLRB denied Volkswagen’s request for a review of the December election among the skilled trade worker. The decision effectively upheld the results of the initial union vote. Days later, the NLRB issued a complaint against Volkswagen arguing that the company was engaged in unfair labor practices and requiring the company to bargain with the skilled trade employees (Morrison 2016). In spite of the ruling, Volkswagen again refused to come to the bargaining table.

Roughly a month later, on May 11, Gary Casteel traveled to Wolfsburg to meet with Volkswagen’s new head of human resources, Karlheinz Blessing, in a good faith effort to resolve the labor situation at the Chattanooga facility (Morrison 2016). Castell asked Blessing to fulfill the commitments outlined in the ten point agreement reached with Hans Dieter Potsch in 2014 and to officially recognize Local 42 as the bargaining representative of the Chattanooga workers. Blessing declined the request. Castell further asked Blessing to accept the results of the
December election among skilled trade employees and abide by the NLRB’s ruling. Again, Blessing declined the request and indicated to Castell that Volkswagen planned to resist the NLRB decision and appeal the ruling to the US Court of Appeals (Woodall 2016). Blessing did indicate support for another plant-wide union election in Chattanooga, but he did not provide any assurances that another election would not be tainted by the same kind of political and outside interference that occurred during the initial election in February 2014.

On May 25, 2016 IndustriALL, a global union founded in 2012, adopted a resolution calling on Volkswagen to respect workers’ rights in North America and stated that Volkswagen’s refusal to bargain with the skilled trades employees in Chattanooga was a violation of both US labor law and IndustriALL’s Global Framework Agreement that Volkswagen entered into in 2002 (Casteel 2016). Additionally, IG Metall’s President Jorg Hoffmann, speaking in solidarity with the Chattanooga workers, stated that “it is not acceptable that companies abide by the law in Germany but disregard it in other countries. Workers’ rights should be respected worldwide – particularly by companies headquartered in Germany” (Casteel 2016).

On August 31, the NLRB unanimously ruled that that Volkswagen must meet with the skilled trade employees who had voted to unionize and come to the bargaining table (Local 42 2016). Further, the NLRB instructed Volkswagen to issue the following statement to Chattanooga employees: “We will not fail and refuse to recognize and bargain with United Auto Workers, Local 42 as the exclusive collective-bargaining representative of the employees in the bargaining unit.” Again, in spite of the ruling, Volkswagen announced on September 1 that it would defy the NLRB ruling and appeal the ruling to the US Circuit Court of Appeals in Washington DC. This move was interesting because the DC appellate court was the same court that was responsible for establishing the legal standard applied by the NLRB in the Volkswagen
case. In a statement, Gary Casteel said that “this unanimous decision makes it clear that the company has been operating in violation of federal law by refusing to come to the bargaining table” (Local 42 2016).

Frustrated over the inaction on the part of Volkswagen, US Labor Secretary Tom Perez gave an interview with the influential German newspaper Die Welt on September 10, 2016. Until this time, the US Labor Department had remained on the sidelines for most of the negotiations between Volkswagen and the UAW. In the interview, however, Perez expressed his displeasure over Volkswagen’s decision to appeal the NLRB ruling stating that “I think VW shouldn’t only listen to its lawyers but also apply its common sense… Their current strategy might in the short run buy VW time in the court, but every day that passes adds another dent on the image of Volkswagen” (Vetter and Doll 2016).

Shortly after the NLRB declined Volkswagen’s request to review the December 2015 election, Politico noted that “The ball is in Volkswagen’s court. It can either relent and sit down to bargain with the new union or it can refuse negotiations, sparking a ‘refusal to bargain’ unfair labor practices proceeding at NLRB” (Mahoney 2016). Unfortunately for the UAW, Volkswagen chose the latter path. As Politico noted at the time, if the NLRB initiated refusal-to-bargain preceding against Volkswagen “the board would undoubtedly rule against Volkswagen again, moving the case to the federal court of appeals” (Mahoney 2016). The two courts to which Volkswagen could appeal, the 4th Circuit or the 6th Circuit Court of Appeals, were seen as a nonstarter by many UAW officials at the time because both courts had recently upheld the ability of employees to form micro unions. As noted above, Volkswagen instead decided to appeal the NLRB decision to the District of Columbia Circuit Court, the same court that had first ruled on the legality of micro unions in 2008.
Stated differently, two of the main courts to which Volkswagen could have appealed had already spoken on the matter and upheld the position advanced by the UAW. Instead, Volkswagen chose to appeal to the very court responsible for helping to establish the legal standard for micro unions in the first place. At this time, the UAW believed that Volkswagen had no discernible path in US courts that would overturn the NLRB’s ruling and concluded that the company was simply using a stall tactic to delay the inevitable. Volkswagen’s behavior remained inconsistent with its stated principles of social responsibility and contrary to the commitments it made in the ten-point agreement with the UAW.

Institutional Memory and Volkswagen’s Reluctance to Recognize the UAW

In April of 2017 I had an opportunity to travel to Germany to take part in a Cross Movement Mobilization Conference hosted at Ruhr University in Bochum. I travelled to the conference with one pressing question on my mind: why was VW so reluctant to recognize the skilled trade’s union given the company’s commitment to works councils and the principles of codetermination that seemed to animate its relationship to its workers everywhere except the US? VW’s official stance towards the skilled trades representation election was that it wasn’t opposed to the union, but that it simply wanted to its workers to vote as one unit (Wiessner and Woodall 2016). Although this claim seems to speak to questions of worker solidarity and the desire of VW to organize the entire Chattanooga plant, it flies in the face of former statements by the company as well as established practice at other VW facilities where segments of the workforce had formed splinter unions (Woodall 2016). While attending the conference I had the opportunity to speak with Dr. Martin Seeliger from the University of Jena. Dr. Seeliger has studied Volkswagen’s practice of codetermination at its foreign subsidiaries and spent
considerable time at the VW plant in South Africa. I asked Dr. Seeliger what he made of Volkswagen’s recent decision to oppose the skilled trade elections and he told me, bluntly, that

If Volkswagen really cared about codetermination than they wouldn’t have chosen to locate that plant in Tennessee in the first place. If they, I know that they received offers from nearly every state in the US, and if they really cared about codetermination than they would have opened that plant in California or, or in New York. Somewhere else. I think that, uh, that they know what they’re getting into when they go to the South. It’s the same with BMW and Mercedes. They know that they won’t have to worry about labor, that they won’t have to worry about unions.

Although Dr. Seeliger was adamant that Volkswagen’s location decision indicated that they had no interest in establishing a works council at the Chattanooga plant, other academics at the conference had a different explanation. I spoke with Dr. Sabrina Zajak, a Ruhr University scholar of social movements, and posed the same question to her. In response, Dr. Zajak told me that:

I think the situation in Chattanooga is very complicated. I really do think that Volkswagen cares about codetermination and wants to have works councils at all of its plants. It’s one of the key reasons why Volkswagen has been so successful. It’s part of the company policy and it’s, it’s mutually beneficial for both the workers and the company. The situation in Tennessee is different, though. VW is under a lot of pressure from, a lot of pressure from a lot of different places. On the one hand, Volkswagen obviously wants to reduce labor costs, and, on the other, they’re facing pressure from your politicians to keep the union out. Then you have the vote, and the workers voted against the union. I think Volkswagen does care about codetermination. I think they care a lot. But I also don’t think that Volkswagen wants to dictate to workers how they should behave, how they should organize. They voted against the union, they voted against works councils. Volkswagen wants to respect that decision too.

Volkswagen may have indeed wanted to respect the outcome of the initial vote, but it does not explain the company’s adamant refusal to bargain with the skilled trade employees who voted overwhelmingly in favor of a labor union.

In July of 2017 I had the opportunity to return Germany where I worked in the Volkswagen Corporate Archives in Wolfsburg, and, among other locations, with German
automotive experts at the Berlin Social Science Center. As I noted in Chapter Four, Volkswagen’s first foray in the US market occurred from 1978-1988 when they opened an automotive assembly plant in Westmoreland, Pennsylvania. From the onset, VW’s Westmoreland plant was besieged with production setbacks, management shakeups, economic crises, and labor unrest. Workers at the Westmoreland Plant voted overwhelmingly to join the UAW, and both VW’s assembly plant in Westmoreland as well as their stamping facility in West Virginia were subject to wildcat strikes and shop floor militancy that often resulted in work stoppages. While working at the Berlin Social Science Center, I had the opportunity to interview Dr. Ulrich Jurgens, an expert on globalization, work, and production in the German car industry. I asked Dr. Jurgens if he believed that the situation in Westmoreland had anything to do with Volkswagen’s current behavior towards the UAW:

I think there is a possibility that the situation in Westmoreland has something to do with their current situation in Tennessee. As, as you said, the situation in Westmoreland, there were a lot of problems. I think that the main reasons why that plant closed definitely had to do with, with the economic crises that were occurring at that time. Volkswagen was having a problem with lots of its plants in 70’s and 80’s, a lot of car manufacturers were having trouble at that time. But I think that the UAW might have been the, what do you all call it, the straw that broke the camels back? There are big differences between German trade unions and US trade unions. German trade unions don’t believe in the seniority system. They, they have always believed in, uh, equal work for equal pay. They don’t think that the seniority system is fair. And they had a lot of problems with the American managers in that plant as well. But the union, the UAW, I definitely think that played a major role in their decision to close the plant.

It is difficult to discern what, if any, impact that Volkswagen’s history in the US market played on the situation in Chattanooga. Perhaps it’s the case that, given the desire among the state’s Republican law makers to keep the plant union free, as well as the Volkswagen’s emission scandal and impending fines, VW’s negative experience with the UAW in the 1970’s-80’s was enough to cause VW to oppose the union efforts and tie up the skilled trade unions case in
federal court. In any case, VW’s decision to oppose the election on the grounds that they did not want the Chattanooga workforce to be divided played directly into the hands of union opponents. With the election of Donald Trump in November, 2016, the NLRB and the courts, where the UAW believed they had an excellent chance to win, underwent a fundamental reorganization that would put the case, and the fate of the Chattanooga workers, in jeopardy.

*The NLRB and the Skilled Trades Union*

While awaiting the NLRB decision in the District of Columbia Circuit Court, the UAW faced a major setback in its organizing drive. After Donald Trump took office in January 2017, he immediately set to work remaking the composition of the National Labor Relations Board. Robert Kaplan was sworn into office on August 10, 2017 followed shortly thereafter by William J. Emmanuel on September 26. Both men have long records of fighting unions and formerly worked as management side attorneys (Lanard 2017). Emmanuel’s nomination was especially problematic given that he was a shareholder and longtime lawyer with Littler Mendelson P.C., the world’s largest management-allied legal firm (Lanard 2017). Attorney’s from Littler Mendelson are currently representing Volkswagen in the case before the NLRB. Both nominees were approved with straight line party votes which gave the board a 3-2 Republican advantage. At the time, the UAW remained optimistic about the case given that it resided in the Circuit Court’s hands. However, in December 2017, the Republican-led board upended a series of Obama era decisions which made it easier for unions to organize (Wiessner 2017).

Of particular importance to the UAW was the December decision by the NLRB to overturn a 2011 ruling known as *Specialty Healthcare and Rehabilitation Center of Mobile*. In
that case, the NLRB overturned years of precedent by allowing unions to organize a minority of a company’s workforce. As long as the workers involved in the units did not share the same working conditions (e.g. hours, pay, or where their work was performed) with other employees in a workplace then they were free to form their own unions. Prior to the *Specialty Healthcare* decision, unions needed a clear majority of workers to vote in favor of unionization in order to be recognized as the employee’s bargaining agent (Pare 2017b). In a case known as *PCC Structuralists Inc.*, however, the NLRB overturned the *Specialty Healthcare* decision and ruled that a group of roughly 100 welders at an Oregon investment casting plant could not form their own union and should instead include all 2,500 plant employees in a representation election. The decision went against the rulings of eight federal appeals courts that had upheld micro unions in casing involving FedEx drivers and Macy’s cosmetic and perfume department workers, among others (Wiessner 2017). The ruling in the *PCC Structuralist* case was especially ominous for the UAW given how closely the case mirrored the situation in Chattanooga.

Shortly after the *PCC Structuralist* case was decided, the NLRB asked the District of Columbia Circuit Court of appeals to send the *Volkswagen Group of America, Inc.* case back to the board on December 26, 2017. The DC Circuit Court agreed to do so, likely signaling that the NLRB plans to revisit the case in light of the decision not to recognize the micro union in the *PCC Structuralist* case. Further indicating a potential reversal in the *Volkswagen* case was the nomination of President Trump’s third nominee, John Ring, to the NLRB in February 2018. Ring, like Kaplan and Emmanuel, was a management side lawyer and longtime partner at the law firm Morgan Lewis & Bockius (Wiessner 2018). In response to Ring’s nomination, the AFL-CIO sent a letter to the Senate Committee on Health, Education, Labor and Pensions urging careful scrutiny and caution. In the letter, the AFL-CIO stated, in part, that
President Trump has nominated to this critically important agency three management lawyers with experience representing corporations on labor law issues, but not working people… And despite their commitments to your Committee that they brought no agenda or prejudgments to the agency, these appointees have carried out the agenda of the Chamber of Commerce and Republicans in Congress, ignoring established agency practice and, in one case ignoring a clear conflict of interest to reverse precedent and take other actions to undermine workers’ rights… In this context, we hope it is evident why the nomination of yet another management lawyer to this critically-important workers’ rights agency causes us such concern. John Ring has an extensive track record at the corporate law firm Morgan, Lewis & Bockius representing employers before the NLRB, other agencies, and in the courts, but to our knowledge, he has no experience representing working people seeking to exercise their rights (Samuel 2018).

Despite the AFL-CIO’s warning, the Senate committee, in a straight party line vote, voted 12-11 to send King’s nomination to the Senate floor. King was confirmed on April 18, 2018 to head the agency in a 50-48 Senate vote which also took place largely along party lines.

Although the Volkswagen case remains before the NLRB, the board seems poised to reverse a series of pro-labor rulings that will make it more difficult for employees to form unions (Lanard 2017; Morath 2018). Dan Gilmore, a Chattanooga labor attorney, noted at the time that VW was “likely optimistic” that the decision to send the Volkswagen case back to the NLRB indicated that the board was expected to come to a different decision the second time it heard the case. (quoted in Pare 2017a). If the NLRB rules as expected then the UAW will have its own chance to appeal the ruling, but it remains a process that, as the Volkswagen case clearly showed, can take years to resolve. At this moment it remains unclear when the NLRB will issue its decision. I spoke with one UAW official who was not optimistic about the outcome of the ruling:

Yeah we’re not really looking at the case anymore as a path to, um, as a path to union recognition. Trump’s appointment to the board really dashed our hopes there. This guy Emmanuel used to be an attorney working with Volkswagen on the case, so we know, we know which way he’s gonna vote. We really thought the case had a great chance when it was before the DC court. That was the place where they decided to allow micro unions in the first place. But now, with this NLRB? I think it would be a miracle if they ruled in our favor.
In an interview with Reuters shortly after the NLRB made its ruling against micro unions in the *PCC Structuralist* case, UAW President Dennis Williams made clear what his view was on the impending *Volkswagen* case. If the NLRB voted to deny the Volkswagen micro union, then Williams stated that “this is about not having unions” (Carey 2017). Williams went on to say “that rises to a different level of how we feel about the NLRB, because we may have to go back to striking to get recognition if that’s how they’re gonna act. We’ll shut down these companies we’re organizing” (quoted in Carey 2017).

**Conclusion**

While working in the Volkswagen corporate archives in Wolfsburg, I came across a document describing an interview that UAW President Leonard Woodcock gave to a German newspaper in 1976. In the interview, Woodcock was asked if in ten years there would still be four major auto manufacturers operating in the US, to which Woodcock replied that he thought there might be seven or eight. When asked if the foreign automakers would pose a challenge to the UAW, Woodock stated emphatically that “Not only does it pose no problems, but I have urged these manufacturers to come here” (Unternehmensarchiv Volkswagen Aktiengesellschaft, Zugang 174, Nr. 1644/4). When asked if the foreign owned auto manufacturers would be willing to agree to UAW contracts at least as good as those in place at Detroit’s car companies, Woodcock replied that “I think they would take that for granted, and that they’d meet prevailing wage rates and working conditions” (UVA, Z174, Nr. 1644/4). At the time of the interview, UAW membership stood at roughly 1.4 million members, just shy of it’s peak of 1.6 million in 1973.
Woodcock was certainly right about the number of foreign owned automakers that would open plants in the US. Today there are currently twelve foreign automotive companies with plants in the US (Bureau of Labor Statistics 2018). Woodcock was certainly wrong, however, about the impact that these companies would have on the UAW’s membership levels as well as how globalization would erode the labor-capital accord. Today membership in the UAW stands at 430,871, roughly one fourth of what it was when Woodcock gave his interview (Szczesny 2018). Speaking in 2011, then President of the UAW Bob King made clear that the future of the UAW rests on organizing foreign owned plants: “If we don’t organize the transnationals, I don’t think there is a long-term future for the UAW” (Woodall 2011).

The effort to organize the Volkswagen plant in Chattanooga represented the best opportunity to date for the UAW to act on Bob King’s plea and organize a foreign owned automaker. Prior to the official vote, the UAW was successful in signing up a majority of workers, and Volkswagen, at least at the onset, was ostensibly neutral in the organizing effort. As a result, the UAW has drawn sharp criticism for its failed organizing effort, some of which may be warranted. As this chapter has shown, however, I believe that key reason for the UAW’s defeat had much less to do with the UAW’s organizing effort than it does with the insidious anti-union groups and political interference on the part of Tennessee elected officials who engaged in a coordinated effort to crush the union presence in Chattanooga. The stance that Tennessee Republicans took towards the UAW is reminiscent of the anti-union campaigns that besieged organized labor in the late nineteenth and early twentieth century. Were it not for this political interference, I imagine that I would be writing a very different dissertation.

The situation in Chattanooga continues to show the important role that the state plays in facilitating or impeding the future of organized labor. The actions on the part of Tennessee’s
elected officials speaks directly to this point, but we have also seen this play out in more discreet ways such as in the composition of the National Labor Relations Board and in the use of secretive government incentives and tax abatements that can be used to influence a company’s behavior. There are instances of heroic organizing efforts that have been able to overcome these type of odds (the Smithfield Foods organizing campaign in North Carolina is a prime example), but the reality is that, in face of such a blatant political offensive, such examples may be the exceptions that prove the rule. The UAW learned valuable lessons in the Volkswagen campaign that would influence their subsequent organization drives, but, as I will briefly describe in the conclusion, the union was served with even more resounding losses in campaigns in Mississippi and South Carolina.

This chapter also speaks to the limits of a foreign owned companies potential to influence the US labor movement. Even a company as labor friendly as Volkswagen appears reluctant to fully embrace its own global labor guidelines when operating in the US South. The anti-labor environment that has been put in place in the South and Southeastern US serves as a formidable barrier to union organizing. Certainly, a number of factors may have influenced Volkswagen’s recalcitrant stance towards the skilled trades union at Chattanooga (i.e. the withdrawal of incentives and the onset of global emission scandal), but the fact that a company with such a celebrated history of labor relations would renege on it’s commitments illustrates the limits of trying to import a stronger brand of unionism in the US.

In January of 2017 representatives from the UAW Local 42 held meeting with Volkswagen employees about their right to strike and access to UAW strike funds. The move would be unprecedented for a micro union in a right to work to state and, at least at the moment, there is little indication that such an action will occur. Still, with the NLRB ruling likely months
away and with Volkswagen showing no sign of recognizing the union, perhaps its time for trade unions to begin thinking about new tactics in the current era of political repression. The Flint sit down strike which gave rise to the UAW was unprecedented as well. As Leonard Woodstock warned in the conclusion of his interview “a strike is a messy thing, but it’s part of the price of freedom.”

The return to strike tactics may be a necessary move in the face of the changing composition of the state. In Fred Block’s (1977) seminal essay, *The Ruling Class Does Not Rule*, he described capitalist societies as being comprised of three separate groups: the working class, the capitalist class, and the state managerial class. Block rejected the idea of a class conscious ruling class and, instead, argued for the relative autonomy of these three groups. The ruling, or capitalist, class did not rule because, although the capitalist class was cognizant of their interests as capitalists, they were not conscious of what was necessary for the social and economic reproduction of capitalism that were necessary for the continued accumulation of profits. For Block, the task of ensuring the long-term survival of capitalism was left to the state managerial class. Unlike the capitalist class, state managers are cognizant of the long-term interests of capitalism as a system because their power can only be maintained through the electoral victories. Only if the managerial class could maintain the confidence of the electorate by ensuring a healthy political and economic system could they hope to retain their power and status of state managers. It is also for this reason that state managers will also attempt to buffer the savage effects of capitalism on the working class through, for example, the protection of trade unions or the enactment of welfare policies. State managers will, at times, assuage the working class in order to ensure their continued reelection.
Block does show how members of the capitalist class attempt to influence state managers through such means as campaign contributions, political lobbying, and the granting of favors to politicians and civil servants. The capitalist class does so only in an attempt to influence certain spheres of the state apparatus. For example, Block states that the capitalist class, working as either individuals or in small groups, will lobby state managers for such things as lucrative contracts, tax incentives and abatements, specific spending measures, and legislative acts. However, even in such measures as the regulation of the labor force, the primary concern of the capitalist class, Block argues that “the policies that the capitalists demand might not even be in their own long-term best interests” (1977:13). It is the role of the state manager to balance the conflicting desires of the capitalist and whatever working class challenges emerge in order to ensure the long-term economic health of the capitalist system.

Block argues that the state tends to (but does not always) act in the interest of the capitalist class because investment decisions, the primary weapon that the capitalist class wields, can serve as a de facto veto measure over legislative efforts designed to benefit the working class. If investment is not forthcoming, then the economic climate begins to falter and faith in the state managerial classes ability to oversee this segment of society unravels. Without this faith, an electorate is likely to vote out the managerial class, thus robbing them of their means for continued power and influence. Ironically, Block shows how managerial classes ability to intervene in the economy is contingent on the performance of the economy in the first place. In times of crises, when the need for intervention is greatest, the managerial class is actually less able to enact policies that would ensure the long-term reproduction of capitalism.

Block’s theory of the state cannot account for the situation in Tennessee where we have a perfect example of the ruling class actually ruling. Block’s notion that state managers will
protect the working class through measures such as welfare or labor protections is clearly not borne out here, even if we think that such measures are only used to ensure their own reelection. Instead, the state has effectively given up on the reproduction of the working class, relying only on the growth of low paying jobs. When state managers had a chance to nurture the entry of better blue collar jobs simply by staying out of the way, the managerial class failed to do so.

One of the key reasons why Block’s theory is not predictive for the case in Tennessee is because he failed to account for the takeover of the managerial class by the capitalist class. Block conceded that the managerial class is usually comprised of capitalists, but argued that “ruling class members who devote substantial energy to policy formation become atypical of their class, since they are forced to look at the world from the perspective of state managers. They are quite likely to diverge ideologically from politically unengaged ruling class opinion” (1977:13). The case involving Tennessee and Volkswagen raises fundamental questions about Block’s conclusion.

As this dissertation has shown, globalization has greatly altered the relationship between states, corporations, and labor. This is clearly at play in the analysis of Volkswagen’s decision to locate a manufacturing plant in Tennessee, Volkswagen’s willingness to work with trade unions, and the relentless effort on the part of Tennessee elected officials to oppose the union effort. What this also shows, however, is the takeover of the managerial class by the capitalist class. The most vocal critics of the union were Tennessee Governor Bill Haslam and Tennessee Senators Bob Corker and Lamar Alexander. It is not a coincidence that these individuals are also among the richest politicians in the US. With a net worth of $2.5 billion, Governor Haslam is the second richest politician (behind only President Donald Trump) in the US (Forbes 2018). Bob Corker is the fourth richest member in the US Senate with a net worth of $69.5 million (Open
Secrets 2015), and Lamar Alexander is the ninth richest US Senator with a net worth of $14.2 million (Open Secrets 2016). Both Governor Haslam and Bob Corker were elected to office with little political experience and both ran on platforms which stressed their business qualifications. This situation is no longer becoming unique in the US. The election of President Donald Trump is certainly a case in point, but this trend is playing out in Congress as well. The median net worth of the 113th US Congress was $1,008,767, marking the first time in US history that the majority of congressional members are millionaires (Open Secrets 2012). The new millionaire makeup of the state has clearly changed how states will rule, even when dealing with a corporation that has a history of being friendly to labor. The relationship between state managers and the ruling class has been sufficiently blurred so as to make the two indistinguishable.
CHAPTER VI CONCLUSION

On February 15th, 2017, almost three years to the day following the UAW’s loss at Volkswagen, the International Association of Machinists and Aerospace Workers (IAM) were drubbed in a representation election at the Boeing plant in Charleston, South Carolina. Following the election, Boeing stated that 74 percent of its nearly 3,000 employees at the plant voted against the union (Scheiber 2017a). In the months leading up to the election the IAM faced an onslaught of antiunion activities from the company as well as from South Carolina politicians and outside pressure groups. Boeing spent $435,000 to set up billboards, radio and television ads, youtube videos, social media posts, and emails to company employees urging them to vote against the union (Elk 2017b). The company also tried to influence the vote by having mandatory meetings decrying the IAM, placing televisions in break rooms which displayed anti-union messages, and giving out free anti-union t-shirts. One display that the company created featured food, diapers, and clothing as some of the things that employees could buy instead of paying union dues (Eidelson 2017). The South Carolina Manufacturers Institute, essentially the business lobby in the state, also poured hundreds of thousands of dollars into radio and television ads with anti-union messages (Scheiber 2017a). The antiunion campaign was further bolstered by South Carolina politicians who were openly disdainful of the IAM. Before taking her post as the US Ambassador to the United Nations, then Governor Nikki Haley used Facebook and Twitter to discredit the union and urged workers to vote against the union in her 2015 State of the State Address (Scheiber 2017a). This sentiment was echoed by Lewis Gossett, former head of the state’s labor department and current president of the South Carolina Manufacturers Alliance, who ran ads in which he stated that “Organized labor has no place in our state. A lot of likeminded companies don’t want to see them in South Carolina” (Eidelson 2017). Two days
before the election, South Carolina’s US Senator Lindsay Graham told reporters that “if we destroy the business model that led Boeing to South Carolina, this plant will not be able to grow” (Eidelson 2017).

The business model that Graham was referring to is the climate of antiunion sentiment in the state. South Carolina has the lowest rate of union density in the US at 2.6 percent and Boeing executives even stated publicly that they selected South Carolina for production of their new 787 Dreamliners in order to gain “freedom from strikes and escalating wages” at their manufacturing facilities in Seattle Washington (Bureau of Labor Statistics 2018; Eidelson 2017). IAM locals in Washington even voted to approve a contract which froze their pensions in 2014 in an attempt to persuade Boeing to manufacture the Dreamliner in Seattle. The Seattle based IAM machinists were once able to elicit major concessions from Boeing at the bargaining because of their ability to shut down production in the Puget Sound facilities. Today they are still attempting to recover their bargaining status in light of the companies threats to move more production to non-union facilities (Scheiber 2017a). On June 1, 2018, the IAM won a small victory when a group of 178 flight-readiness technicians voted to form a micro union at the South Carolina facility (Chappell 2018). This victory, like that of the skilled trade employees at Volkswagen, gives labor a very small but nonetheless important foothold in a region hostile to union organizing. As was the case with Volkswagen skilled trades union, however, the legality of micro unions is still being hotly contested on the Republican controlled NLRB.

On August 5, 2017, the UAW suffered another stinging defeat at the Nissan manufacturing facility in Canton, Mississippi. Workers at the plant voted nearly 2-1 against union representation bringing a close to a decade long organizing campaign in the state (Scheiber 2017b). Just as in South Carolina, the company went to extreme measures to discourage the
union vote. Nissan spent thousands on radio and television ads leading up to the election and viciously campaigned against the union on the shop floor. Plant supervisors at the Nissan facility held mandatory meetings to discourse the union and, in some cases, even told employees that if they voted for the union then the company would shut down the facility and move production to China (Elk 2017b). Anti-union videos played on a continuous loop inside the plant and many supervisors openly wore “Vote No” t-shirts that the company was giving to employees. Nissan was also joined by outside pressure groups including the Mississippi Chamber of Commerce, the National Association of Manufacturers, and the Koch-funded Americans for Prosperity who aided in the media blitz to discredit the union drive (Brooks 2017). Mississippi politicians also entered the fray to undermine the UAW’s efforts as well. Mississippi Governor Phil Bryant stated on week before the scheduled vote that “If you want to take away your job, if you want to end manufacturing as we know it in Mississippi, just start expanding unions.” The actions on the part of Nissan led Gary Casteel, secretary treasurer of the UAW to describe it as “one of the nastiest anti-union campaigns in the modern history of the American labor movement” (Elk 2017a).

The failed effort to organize the Canton Nissan plant was especially difficult for the UAW to take given how much time union had invested in the drive. Additionally, while the UAW was roundly criticized for failing to engage community organizations in Chattanooga, the UAW had established a good deal of grassroots support from, among others, the Mississippi Alliance for Fairness at Nissan, that includes Black Lives Matter activists, church groups, the Sierra Club, the American Civil Liberties Union and the National Association for the Advancement of Colored People (Elk 2017b). The UAW attempted to frame the union drive as a continuation of the Civil Rights movement and even enlisted the aid of Vermont Senator and
Presidential candidate Bernie Sanders as well as actor Danny Glover (Elk 2017c). Following the loss, the UAW attempted to appeal to the French government who owns a large stake in Nissan. French President Emmanuel Macron had once put pressure on Nissan CEO Fabien Gauche to respect French worker’s rights, but, following his presidential election, has remained silent on the Canton Nissan organizing drive (Elk 2017c). This again shows the limits of attempting to import a stronger labor movement in the US. Like Volkswagen, Nissan operates manufacturing facilities on every continent. Of their 45 global auto plants, only three are without union representation: the Canton plant in Mississippi and the Smyrna and Decherd plants in Tennessee (Elk 2017c).

On November 9, 2017 the UAW lost its third representation election at the Fuyao glass manufacturing plant in Moraine, Ohio. The Chinese owned plant is largest automotive glass production facility in the world and supplies customers such as General Motors, Ford, Fiat Chrysler, Daimler, and Toyota. The plant used to house a unionized GM assembly operation that was shuttered in 2008 during the height of the Great Recession (Gnau 2017). In the weeks leading up to the election, both the company and Ohio politicians engaged in the usual anti-union tactics. The company issued a statement two weeks before the election in which they stated, in part, that employees will be voting “to decide whether they wish to be represented by a union, or maintain their rights and direct relationship with Fuyao. Fuyao believes that maintaining this direct relationship is in the best interest of our associates, customers, business partners, the State of Ohio, and the Dayton community in which we operate” (Kenney 2017). One week later, fifteen Republican lawmakers released an open letter discouraging Fuyao employees from voting for the union. The letter read, in part, that “Unfortunately, we understand that there are outside forces trying to come into Fuyao… This choice is up to you as employees to make. As those who
represent you every day and fight for you, we urge you to reject these outside forces” (Gnau 2017).

Of the roughly 2,000 employees that were eligible to cast ballots in the UAW representation election at Fuyao, workers voted overwhelmingly to reject the union, 868-444 (Carey 2017). The loss, which did not garner nearly as much attention as the organizing drives in South Carolina and Mississippi, was still equally devastating. Unlike the campaigns that occurred in the Southern US, the UAW lost the Fuyao election in Ohio, a state that is not right-to-work and that has comparatively friendly labor laws (Bradsher and Scheiber 2017). The UAW was again competing against an anti-union company and state legislature, but this vote occurred in what was once the heartland of union manufacturing. Although there has never been a strong union presence in the US South, the UAW’s loss in Ohio serves as an especially bad omen for the future of the union.

As this cursory review of some of the recent organizing campaigns indicates, the situation that unfolded in Tennessee was not unique. In the years following the narrow union loss at the Volkswagen plant in Chattanooga, organized labor suffered a string of high profile losses at plants in Charleston, South Carolina, Canton, Mississippi, and Moraine, Ohio. The antiunion campaign that took place in Chattanooga served as an organizing template for companies and politicians seeking to avoid union representation. The only real difference between the Chattanooga operation and the other campaigns mentioned above was that, at least with Volkswagen, the company that was ostensibly neutral. The campaigns in South Carolina, Mississippi, and Ohio, in contrast, faced a trifecta of opposition from the company, politicians, and outside pressure groups. Although the UAW attempted to learn from its loss at Chattanooga by staging grassroots campaigns and enlisting the support of community organizations, their
efforts were not enough to overcome the antiunion offensive that sprang up anywhere a representation election was to be held. The UAW has still yet to unionize a single foreign owned plant in the Southern US.

In this dissertation I have argued that the relationship between states, corporations, and trade unions has been fundamentally altered as a result of neoliberal globalization. Some of the outgrowths of this shift include patterns of deindustrialization in developed countries (Bluestone and Harrison 1982), changes in production techniques that increasingly rely on global supply chains and segmented production processes (Dickens 2015), and a shifting political terrain in which state managers are increasingly drawn directly from the ruling class into the political arena (Block 1977). Although the culmination of these changes are myriad, one area in which the effects of neoliberal globalization is most visible is in the global decline in trade union density. Between 1980-2016, trade union density across all OECD countries declined by an average of 17.4 percent (OECD 2016). This decline was especially pronounced in liberal market economies such as the US, Canada, and Australia where union density declined by an average of 24.6 percent over the same time period (OECD 2016). This decline is concerning because numerous studies have indicated that trade union density is a key factor in mitigating the impacts of globalization and combatting economic inequality (Fantasia and Voss 2004; Fletcher and Gapasin 2008; Geoghegan 2014). As a result, states and state actors should increasingly look for ways to facilitate the expansion of trade union density.

As I noted in Chapter I, the coordinated and social democratic countries of Western Europe have done the best job of mitigating the economic impacts of globalization. In the coordinated market economies such as Belgium, Germany, and Italy, the decline in trade union density has been much less pronounced. Between 1980-2016, trade union density declined by
only 13.2 percent in coordinated market economies (OECD 2016). For social democratic countries such as Denmark and Norway, the decline over this same time period averaged only 7.2 percent (OECD 2016). As I have argued throughout this dissertation the differential impact that globalization has had in core countries is best analyzed through a state perspective which makes explicit the role of the state in facilitating political, economic, and social arrangements which are favorable for workers *vis a vis* capital. These arrangements and the role of the state in facilitating them remain crucial, but many contemporary studies of corporate location decisions and labor unions have failed to acknowledge the role of the state.

One of the reasons why the state has failed to garner as much attention as it deserves in contemporary studies is due to the rise of global commodity chains and segmented production. As I analyzed in Chapter II, the modern corporation increasingly relies on far flung nodes of production. Components of a given commodity are often sourced from all over the globe that are then shipped to regions where labor or material cost differentials are favorable for the corporation. The final product may be assembled in one or more countries before being shipped to its final point of consumption in another. As a result, the international division of labor has been segmented accordingly. Scholars interested in such things as global labor standards or international trade unions increasingly look to multi scalar regulatory systems such as the World Trade Organization or the International Labor Organization to advocate for the improvement of working conditions on an international level. There is significant merit to this approach, especially when it comes to regulating companies that are vertically oriented and rely heavily on global supply chains. Automotive companies, while certainly globalized, are horizontally organized, meaning that these companies seek to replicate the entire production process in the country in which they intend to sell their vehicles. The Volkswagen Chattanooga facility is a
perfect example of this. As I noted earlier, nearly 85 percent of the components used in the assembly of vehicles at the Chattanooga plant are manufactured on site. Similarly, although labor standards outlined in the International Labor Organization could be used to regulate such things as union representation elections, it is important to remember that these standards do not apply to private companies. Instead, they apply to governments which can then use them as benchmark standards in order to guide policy formulation. This again highlights the enormous role that the state plays in helping to undergird trade union density in the private sector.

The contrasting histories of the US and German labor movements that I described in Chapter III illustrates the important role that the state plays in the formation of a national labor movement. The highwater mark of union strength in the US came during the New Deal era, when state officials, arguably for the first time in the country’s history, began to side with labor over business. Key pieces of legislation such as the National Industrial Recovery Act, the National Labor Relations Act, and the Wagner Act helped provide the necessary state support for the formation of a true labor movement in the US. Union expansion occurred rapidly during this period, and labor militancy was bolstered by the use of the sit-down strike tactics. With the passage of the Taft-Hartley Act in 1947, however, the hard-fought gains that labor had won during the New Deal began to be steadily eroded. The decline of the labor movement in the US was due not just to the lack of state support, but the outright aggression on the part of the state apparatus towards organized labor. The German labor movement, in contrast, has benefitted from unprecedented levels of state support. The new German constitution adopted in 1949 guaranteed the right of trade union association, and subsequent legislative victories ensured that the principles of codetermination, works councils, and autonomous labor representation would remain sacrosanct. Subsequent developments in the German labor movement allowed it to
capitalize on the social movements of the 1960s-1970s and, as in the past, the German labor movement is poised for another period of revitalization.

Another avenue in which the state plays a key role in the national labor movement is through the use of tax incentives and abatements to attract foreign capital. The increased mobility of capital combined with the desire among state actors to attract foreign direct investment has led to an unprecedented rise in the value of incentives, tax abatements, and other inducement packages that states are willing to offer private firms. As I argued in Chapter IV, the amount of corporate welfare that has been awarded to large multinational companies has risen exponentially. Since 1992, foreign owned automotive companies in the US South have received over $5 billion in taxpayer dollars (Good Jobs First 2018). The use of these incentives to lure companies to certain states has become an insidious practice and one that increasingly erodes a state’s tax base. From the perspective of organized labor, these corporate welfare schemes are also being used to discourage companies from working with trade unions. As I pointed out earlier, Tennessee legislatures actually threatened to withdraw incentives from Volkswagen because of their relatively pro-union attitude. This practice runs completely counter to the research literature on corporate location decisions, which holds that unionization generally increases the amount of tax incentives that a host country is willing to offer in order to offset the higher labor costs (Haufler and Mittermaier 2011). It would be one thing if the state of Tennessee was willing to offer more incentives in exchange for a cooperative relationship between the UAW and Volkswagen. After all, union members make, on average, twenty seven percent more than nonunion employees across all industries (Bureau of Labor Statistics 2018). Instead, Tennessee politicians threatened Volkswagen with the withdrawal of incentives in an effort to keep the union out.
The threat of pulling incentives away from Volkswagen is just one of the ways that the ruling class in Tennessee attempted to control the labor force. As I documented in Chapter V, Block’s (1977) theory of the state cannot account for the situation in Tennessee where we have a perfect example of the ruling class actually ruling. Block’s notion that state managers will protect the working class through measures such as welfare or labor protections is clearly not borne out here, even if we think that such measures are only used to ensure their own reelection. Instead, the state has effectively given up on the reproduction of the working class, relying only on the growth of low paying jobs. When state managers had a chance to nurture the entry of better blue collar jobs simply by staying out of the way, the managerial class failed to do so. Instead, state managers collaborated with outside pressure groups and made baseless threats to Volkswagen employees to discourage workers from voting in favor of the union. The actions on the part of the ruling class here are reminiscent of the state’s efforts to destroy the Knights of Labor in the late 19th century where the full weight of the state was employed to crush the Knights precisely because of their organizational effectiveness (Voss 1994). The exceptional nature of the US labor movement was born at that moment. As this dissertation has shown, this type of behavior on the part of the ruling class has become, especially in the US South, the new normal.

Although this dissertation has focused primarily on the UAW’s effort to organize the Volkswagen plant in Chattanooga, the increasingly hostile stance that the state has taken towards organized labor in the US extends far beyond Tennessee’s borders. Certainly the hostility is evident across the US South, but it is increasingly taking on a national scope as well. On June 27, 2018, the Supreme Court dealt what many are calling a deathblow to organized labor (Scher 2018). In Janus vs. American Federation of State, County, and Municipal Employees the court
ruled 5-4 that public sector employees who are not members of a labor union but who are covered by collective bargaining agreements cannot be compelled to pay any union dues (Liptak 2018). The ruling overturned forty years of precedent and could potentially result in the loss of one third of public sector union membership and millions of dollars in union coffers. As I have noted elsewhere, public sector union memberships dwarves the private sector and remains one of the last places in the US where union membership is common. Union density in the public sector stands at 34.4 percent compared to just 6.2 percent in the private sector (Bureau of Labor Statistics 2018). The ruling could be especially damaging for the teacher’s unions who were in the midst of a labor revitalization that the country has not seen in decades. In the Spring of 2018 teachers in West Virginia, Kentucky, Oklahoma and elsewhere engaged in strikes and walkouts to protest their abysmally low pave and high insurance premiums. Their successful actions demonstrated the clout that unions can still have when their cause is just and their members resolved to fight. The Janus decision seeks to upset that potential. Having already crushed unions in the private sector, the state is now turning its attention to the last bastion of organized labor in the US.

As I noted in the preface, when I first began working on this dissertation I was interested in Volkswagen for a number of reasons. One of which was the prospect of a company brining good jobs to a community hard hit by deindustrialization. Volkswagen did bring good jobs to the Chattanooga community. Although workers at the Volkswagen facility have the lowest hourly automotive cost in the country at $38 an hour, this rate is still significantly higher than Chattanooga’s mean hourly wage of $20.16 (Bureau of Labor Statistics 2016). That said, workers at the Volkswagen plant lost out on significant bargaining leverage by voting against the UAW. As I noted above, union workers make, on average, twenty seven percent more per year
than non-union workers across all industries (Bureau of Labor Statistics 2017). This difference is especially pronounced in the automotive sector where hourly wages vary widely among automotive manufacturers. Wages among the big three automakers (GM, Ford, and Chrysler) where the UAW’s presence is most concentrated, for example, average $54.33 per hour.

If the UAW had won the union vote and achieved hourly compensation and benefit packages commiserate with their salaries at other unionized auto plants, the employees at Volkswagen Chattanooga, and, by extension, the communities in which they reside, would have benefited enormously. On average, the workers would have stood to gain $33,964.40 more per year in wages and benefits than they currently make. Projecting across the entirety of the 3,200 employees at the plant, this represents a yearly loss in income and added tax revenue of $108,684,800. The difference in worker compensation over the life of the twenty-eight-year contract that Volkswagen holds with Tennessee represents an aggregate loss in wages totaling $3,043,174,400. This number represents more than three times Volkswagen’s investment in the Chattanooga community, and, had the UAW prevailed, would have drastically increased the economic impact of the plant on Tennessee’s income growth and total tax revenues.

This dissertation has raised fundamental questions about the types of jobs that are being created in the US and at what cost they come to taxpayers. Instead of propping up good jobs and strong labor unions, state managers are increasingly subordinating workers all in the name of creating a “good business climate.” I have argued that this is the result of the changing composition of state managers. In Contrast to Block’s thesis that the ruling class does not rule, what we see in our current political climate is a cadre of state managers drawn directly from the ruling class. Whereas state managers once had held interests that conflicted with the capitalist class’, today the aims of these two groups are increasingly aligned. This poses serious risks not
just for the future of the labor movement, but for the future the democratic institutions. The ability of labor unions to bargain collective for their members is of paramount importance for combating economic inequality, but the true power of labor unions comes from their ability to allow for at least some form of democratic control over the workplace. The loss of that control is a loss of democracy.


UK: Verso.


Early, Steve. 2009. Embedded With Organized Labor Journalistic Reflections on the Class War


------. 1996. “Global Commodity Chains: New Forms of Coordination and Control..."


Hirsch, Barry and David Macpherson. 2018. “Union Membership, Coverage, Density and
Employment by Industry” *Union Stats*. Retrieved August 1, 2018
(http://unionstats.gsu.edu/)


Retrieved June 8, 2018. ([www.truthout.org](http://www.truthout.org)).


Unternehmensarchiv Volkswagen Aktiengesellschaft, Zugang 31g, Nr. 24730.
Unternehmensarchiv Volkswagen Aktiengesellschaft, Zugang 174, Nr. 1645/2.


Zachary McKenney received his BA in political science and sociology from Emory and Henry College and a MA in sociology from the University of Tennessee-Knoxville. He recently completed his PhD in Sociology with a concentration in Political Economy and Globalization. His dissertation focused on the evolving relationship between states, corporations, and trade unions in the current era of neoliberal globalization. His dissertation evolved through a case study of the United Automobile Workers ongoing organizing efforts at the Volkswagen plant in Chattanooga, Tennessee. His research was supported by several grants which provided him with the opportunity to spend time at the Volkswagen Corporate Archives in Wolfsburg, Germany. As a result of this research, he was awarded the Graduate Students Senate Excellence in Research Award and the Chancellor’s Citation for Extraordinary Professional Promise. His research interests include Political Economy, Political Sociology, Social Movements, Social Theory, Qualitative Research Methods, and Experiential Learning.