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Car Wars

Global Automakers, Entrepreneurial Governance, and the Elision of Labor

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Global Automakers, Entrepreneurial Governance, and the Elision of Labor

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M.A., Emory University, 2015

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Abstract

Car Wars
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By Oliver A. B. Cowart

Since the global crisis of the 1970s-80s and the onset of the neoliberal globalization project a major shift has taken place in the U.S. automotive production that has followed the restrictive labor climate of the Southeastern U.S. As foreign producers entered the country, states and local governments became entrepreneurial in attempting to lure in automotive plants. This research is concerned with two central questions: 1) is this competition among states for industrial investment new, or just the same kind of state support for capital we have seen in the past? and 2) Are there deeper changes occurring in the relations between capital, the state, and labor? I conducted a comparative case study of 21 automotive assembly plants that located in or near the Southeastern United States since 1980, focusing on the complexities of the process of recruitment and the power relations within it. I conducted extensive secondary research and interviewed 18 experts on both the private and public side of development.

My findings show that there were important changes in industrial recruitment efforts that began in the mid 1980s, as the people involved become more professionalized in recruitment efforts, the process of recruitment became more rationalized, and the government incentives packages grew to encompass fixed-capital and other up-front costs. Furthermore, the rationalization of the recruitment and site selection process created a field of expert knowledge shared among professionalizing government development officials and firms specializing in industrial site selection. This overlapping field of knowledge is firmly situated in the perspective of businesses, obscuring the public-private distinction in a one-sided way. I argue the development of this professional field has affected the practice of governance itself, as these localities come to adopt a "partnership" approach to entrepreneurial governance in which they behave *as* a business. As localities interpellate the imperatives of global neoliberalism, local governments are partly reshaping themselves according to ideology of market orthodoxy. This has the ultimate effect of both reorienting the locality towards facilitating global capital accumulation, while also eroding the political legitimacy of labor as a political actor vis-à-vis capital and the state.

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While this work is somewhat critical of the economic development efforts of governing officials and professionals in the southeastern United States, I am not directly critiquing the many professionals who shared their time and knowledge with me in the course of my research. All of my respondents were generous and helpful, and I am indebted to them for their contribution. I want to thank the Department of Sociology at Emory University for taking a chance on me, and all the members of my committee, Alex Hicks, Rick Rubinson, John Boli and Rick Doner, who encouraged me and offered constant advice that made this final product possible, and put up with my occasional divagations into obscure Marxian ephemera. Thanks to Pat Hamilton for keeping it together. Thanks to my supportive family, and thanks to Ryan, for his extraordinary patience.

This work is dedicated to my mother

Kathleen Boylan Cowart

Thank you for showing through your example and advocacy that intellectual pursuits are a worthy endeavor.

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Chapter 1
Introduction

In the early months of 2014, something strange happened in Chattanooga, Tennessee. Rumors had been circulating in trade journals and local papers that the German automaker Volkswagen was considering a plant expansion in North America to produce a new mid-sized sport utility vehicle, and that the recently opened VW plant in Chattanooga was in the running along with another site in Mexico. However, a looming February vote by the Chattanooga plant employees on whether or not to accept United Auto Workers (UAW) organization was loudly denounced as threatening that site's chances for winning the new platform. But these fulminations did not issue from the lips of VW executives; indeed, officials at the plant had already organized works councils to deal with daily plant issues, and had freely allowed UAW representatives to distribute literature to workers in the facility (Pare and Sher 2014). Rather, it was then governor of Tennessee Bill Haslam and state and federal lawmakers who raised their voices against the specter of plant unionization. But what is most surprising is that Tennessee lawmakers threatened to revoke their offer of incentives and subsidies to Volkswagen for the expansion at the Chattanooga site if unionization of the plant was approved – incentives that amounted to nearly half of the proposed $600 million dollar investment (Nelson 2014). Tennessee senator "Todd Gardenhire said VW officials are 'in your face. It's their way or no way. They've decided by-golly they want the UAW here. They're not listening to the community.'"(Pare 2015). In a face-off against efforts to organize workers

in their trophy manufacturing plant, Tennessee politicians threatened disinvestment…in their own state.

If the state representatives in Tennessee were perhaps a bit more vocal and threatening than in other cases, the anti-union sentiment is not. Indeed, anti-labor attitudes are a perennial feature of southern culture and political society; almost every state in the confederate South rushed to adopt so-called "right to work" laws (bills or laws that ban obligatory union dues) as soon as the Taft-Hartley act allowing them to do so passed in 1947 (Cobb 1993; Hülsemann 2001). But there is a curious little puzzle here. If the Volkswagen plant had been recruited to Tennessee to create jobs in the first place, how would allowing those workers at that plant to vote on unionization be ignoring "the community?" But local reporters have our answer for us: "Republican lawmakers, including Haslam and [U.S. Senator] Bob Corker [Republican from Tennessee] complained loudly that the UAW would hinder economic development efforts"(Pare and Sher 2014). The community, it seems, is those most concerned with local economic development. In the end, tellingly, it was the workers themselves who decided the outcome by voting against unionization.

The states of the South also have long had a history of being aggressive in trying to bring in development and investment from capital, but in the past four decades or so the efforts of these states to pursue development has changed in some critically important ways. As we will see, the strange kerfuffle over the Tennessee plant expansion encapsulates these changes quite well. Here we see local governments vociferously decrying the political organization of labor, and citing the harm it will do to efforts to

pursue economic development and to the "community." And even though economic development efforts are nominally undertaken to bring jobs to that community, when the workers who *work* in those jobs contemplate organizing around their own political interests, governors and lawmakers say they are harming the community of which they are constitutive. Further, even though the large industrial employer brought in six years previous by state and local economic development professionals was publicly indifferent to unionization, the economic developers themselves protested it would have a negative impact on economic development in the state. One might wonder just what local governments are doing here. I certainly did, and this project is the result of the research and questions that have sought to dig beneath the surface of the economic development activities of local governments, and understand how they have changed what government is and does, and how it has affected relations between firms, localities, and workers.

When VW first came to Tennessee in 2008, the state offered up $577million dollars in incentives for the plant. These incentives, meant to make the state and locality more attractive to the global automotive producer than other competing locations, consisted of the suspension or abatements of various taxes by state and local governments as well as direct expenditures in the land for the plant site, worker training and other up-front costs that go into starting a "greenfield" (or undeveloped) industrial project. This was not a novelty but rather a recent example of a trend in government investment in (primarily foreign owned) automotive assembly greenfield plants that began in the late 1970s. And indeed, today it is common to open the newspaper to a

story about a corporate headquarters, or sports stadium, or data processing center being "won" by a local town and state who work together to incentivize global corporations with such lucrative agreements. Typically these local news stories tell a tale of valorous local development officials fighting to bring jobs to the community, and though a few raise the proverbial eyebrow at the tens or hundreds of millions of dollars put up by localities, they then return to the question of jobs and remind us that all is well.

Occasionally, we do find an investigative article that takes a more critical tone, such as the recent article published in *the Atlanta Journal-Constitution*, that noted the power that economic development officials have over the expenditure of taxpayer money and the lack of transparency into that power (Niesse 2017). In 2012, Louise Story published an investigative report in the *New York Times* that also noted the difficulty in gaining a clear picture of incentives and recruitment efforts. When her investigative team put together a database of the incentives offered to corporations in different states, she found that billions in incentives were being offered to companies in states all over the U.S.

> A portrait arises of mayors and governors who are desperate to create jobs, outmatched by multinational corporations and short on tools to fact-check what companies tell them. Many of the officials said they feared that companies would move jobs overseas if they did not get subsidies in the United States…over the years, corporations have increasingly exploited that fear, creating a high-stakes bazaar where they pit local officials against one another to get the most lucrative packages. States compete with other states, cities compete with surrounding suburbs, and even small towns have entered the race with the goal of defeating their neighbors. (Story 2012)

Story paints a picture of a race to the bottom, in which local governments are forced by exploitative global corporations to cough up more and more local tax dollars to make sure much needed jobs do not go to some other state, city or county. She tracks

the beginning of this type of competition back to the General Motors corporation opening up competition for a new Saturn plant in 1985, after which “the gates had been opened” (Story 2012). But was this really anything new? After all, states in the Southeast had a long history of mixing a labor repressive, socially conservative politics with an activist approach to government encouragement of business activity, and Saturn ultimately located in Tennessee. Perhaps this competitive recruitment is just an extension of past activity, not really much of any change at all.

The Question

The state in capitalist society has a long history of acting as the midwife to capitalist development, investment and growth, from imperialism (Chase–Dunn 1998; Wallerstein 1974) and the enclosures (Brenner 1977; Marx 1976) to the construction interstate road systems and the formation of welfare regimes (Hicks 1999; O’Connor 1973). But the crises of the late 1960s and 1970s for many observers marked a fundamental shift in the relationship between states and private corporations and workers, one variously described as neoliberalism (Peck and Tickell 2002), globalization (McMichael 2000; Scholte 1997, 2005), the “new” economy (Hacker 2008), or a flexible, insecure economy (Harvey 1989; Kalleberg 2009, 2012). Among these changes, many critical geographers have noted that transnational corporations have become increasingly involved with sub-national governments and territories (Brenner 1999a, 2004; Cox 2009; Gough 2004a), and argued that these governments are behaving in an “entrepreneurial” fashion, meaning that they are increasingly competing amongst

themselves for private investment and development (Cox 2010; Harvey 2006a; Peck and Tickell 1994, 2002).

I address these broader theories of the relation between capital and the state and geography further in the following chapter, but they help to shape the fundamental questions and hypotheses at the heart of this research. I narrow these down to two core questions:

> 1) Is the competitive recruitment of businesses by local governments a new activity, or is there something new about it?

If states have long been involved in capitalist investment, and if the southeastern U.S. in particular has a history of being keen on luring industrial investment, then can we say there is really something different or new in these competitive recruitment activities by states and local governments? As we will see, the answer is essentially *yes*. But we need to situate the newness of these recruitment efforts within the broader comparative history of government economic development activities. The second question which arises is,

> 2) Is this industrial recruitment activity a "race to the bottom" among local governments inculcated by global corporations, or is there some deeper change in the *relations between* governments and businesses?

While the account given by Story suggests a one-sided picture in which governments are at the mercy of capitalist firms traipsing the globe looking for the best deal, the critical geographic literature suggests that we need to consider this competition in the context of a deeper shift in the relations between governments and businesses in

the neoliberal era. As I show in chapters 5 and 6, sub-national governments themselves are key actors in the process of shaping and driving forward entrepreneurial governance.

While the question of changing relations points towards a qualitative research design, the question of assessing changes in the overall patterns of local development and recruitment efforts does not lend itself to straightforward quantitative analysis of programs and spending as one might think. This is in part due to the complexity of conducting comparative analysis among localities that differ in unsystematic ways, and in part due to the nebulous nature of incentives and recruitment efforts that are officially reported in a haphazard fashion. I will briefly address these complexities before turning to outline the research that follows from the questions posed here.

The Complexity

Louise Story and her colleagues at the *New York Times* discovered, as did I, that there are several layers of complexity in trying to study industrial recruitment efforts at the local level. "A full accounting [of incentives], The Times discovered, 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…collecting data on property tax abatements is the most difficult because only a handful of states track the amounts given by cities and counties" (Story 2012).

Simply put, the complexity of studying incentives and recruitment derives from the fact that different types of incentives are offered by different agencies at different levels of government with varying degrees of transparency, and these differences vary between states based both on what states can offer and the relative transparency of

their reporting on their own incentives programs. For example, as I will discuss in further detail in chapter 5, most states have a basic jobs-based tax incentives program, based on a tiered county-based system in which locating a business in the poorest county will get the largest amount of per-job tax breaks (c.f. Georgia Power 2012). Yet, on top of this most states have “enterprise zones” or “opportunity zones” that can be specially applied for by a locality and that offers enhanced tax breaks – usually higher tax breaks for fewer minimum required jobs created to qualify. The benefits that accrue in such a zone differ from state to state, or city to city, and the area designated differ from zone to zone. For example, if an area is designated an “opportunity zone” in Georgia, which the City of Hapeville applied for in 2010, businesses that locate there can obtain higher than usual tax abatements ($3,500/job) by bringing in fewer than usual jobs (as few as 2); Alabama’s “enterprise” zones offer similar incentives. Gaining a clear picture of such zones is impeded by the haphazard way they are designated by the given state authority. For example, according the Georgia Department of Community Affairs (GDCA) (which approves Opportunity Zone designation), whole cities are not award OZ status, only sub-sections with particular unemployment or poverty rates. It should be clear, then, that even parsing out these generalized and public forms of development incentives can be a murky undertaking. The matter becomes even more complex when we begin to look at the industrial recruitment policies that target specific projects for inward investment.

The particular difficulties in obtaining reliable and detailed information about the industrial recruitment processes of particular projects stem from several issues. Targeted industrial recruitment packages are not simply parts of extant legislation, though as

mentioned aspects such as specialized "zones" with particular exemptions (taxes and tariffs) might be. Rather, these packages are usually specially crafted and shaped through the process of competition with other states and in dialogue with the potential firm (McDermott 2011, 2013; Perrucci 1994:32–33; Rubenstein 1992:219–22; Spindler 1994). As such, these packages are special agreements that are not published in any comprehensive database or systematically recorded.

Many states do publish detailed reports on tax incentive programs, such as Louisiana's incentive performance reporting; other states have "sunshine" laws and other transparency measures. But these laws tend to apply to specific programs or target specific types of measures, such as assessing the actual jobs that are created by firms given jobs-based tax credits. Moreover, what states do end up reporting when laws so require is not usually commensurable either across states or over time, or even necessarily accurate. Incentive recipients, incentive amounts, local governments involved, the particular type of incentive – data on all of these may vary across different states' reports, reports which again are themselves irregular.

The initially problematic nature of the data on industrial recruitment is compounded by the complexity of different governments and agencies involved in the recruitment process. Recruitment involves development officials from the state, county, and city governments and often private associations as well. For example, in the process of luring Hyundai to Montgomery Alabama, the state of Alabama, Butler county, the city of Montgomery, and public-private utilities were all involved in the final package estimated at around $250 million (though my estimates put the number closer to $500

million); in the purchase of the Lincoln, Alabama site for Honda in 1999 five different county governments were involved (Tomberlin and Pratt 1999). Further complicating the incentives picture, both firms and governments stress the need for confidentiality throughout the process of recruitment and negotiating incentives.[1]

In addition to the clandestine nature of the negotiations themselves, the formal agreements signed by state and local governments and private firms are only one part of a broader array of "good-will" efforts that governments make to show their willingness to be a good "partner." For example, in Georgia governor Nathan Deal signed into law House Bill 259 or the "Georgia Business Act" on the 6th of May, 2015, which exempted Kia (who run the single auto assembly plant in Georgia) from the bidding process used to vet the purchase of vehicles for the state fleet (Reed 2015). A similar measure was attempted by Alabama governor Jim Folsom when Mercedes-Benz located in Tuscaloosa in 1993, though public outcry (after the governor was seen driving around the state in a new prototype Mercedes model) saw the reinstatement of the bidding process. Thus, while open records requests may be made in order to gain details of an incentives package, requests would need to be submitted to a number of different development agencies, (each of which could reject the request) and the official record of the initial agreement may well not contain all of the relevant perks that accrue to the recruited firm.

[1] McDermott, for example, attributes Kia's choice of West Point, GA over a site in Mississippi in part to the latter states' governor betraying at too early a stage their bid for the plant site (McDermott 2012:23).

Finally, it is worth noting that most of the official estimations offered in Table 3.1 below are probably low, sometimes very low. This is due both to the problematic and incomplete information, and the fact that estimates offered by state officials rarely include things such as payments of interest on the debt incurred in the provision of incentives (such as bonds purchased), which in themselves can raise overall cost calculations by tens, sometimes hundreds of millions of dollars (Glickman 1989; Mattera and Tarczynska 2013; Perrucci 1994:6–7; Rubenstein 1992:229).

Research Overview

Given the depth of the complexity of local initiatives to recruit businesses, my research takes a focused, comparative case-study approach. While there are definitely benefits to an additional quantitative analysis of overall trends in development efforts and spending, the complexity and shoddiness of data renders cross-state—and even within-state—data incommensurable. Moreover, the questions posed above are not simply about overall trends, but directed at the changing processes and relations between governments and businesses. These factors point towards a qualitative, case-oriented research design. This view was confirmed in a personal correspondence with Dr. J. Craig Jenkins, one of the leading researchers on local economic development strategies. Dr. Jenkins confirmed that "I do agree there is some "race to the bottom" [aspect] but it is very hard to tease out quantitatively and, if that is your aim…you quickly get drawn into the micro details of capturing the various ways to race to the bottom (which are legion and continuously evolving quickly). Plus, that process is so localized

that it become[s] very hard to capture…[and] I suspect…data generated by local and state development agencies is exactly what you suspect—basically trash" (Jenkins 2015).

Hence, in order to address the research questions raised above, I chose a comparative case-study approach and focused in particular on the recruitment of the automotive industry, primarily focusing on the Southeastern U.S. This regional focus is largely determined by the patterns in the industry itself, in particular the location of 17 greenfield automotive assembly plants in the Southeast and Midwest since 1980. The automotive industry has been a primary driving force in changing economic development practices, and a comparative case-study design allows for the elaboration of the myriad complexities of changing recruitment and development efforts among states. The focus on the automotive industry is guided in part by the fact that the changes within that industry offer a window into the connections between shifts in the broader global economy and local government relations. It is also guided by the fact that the scope and scale of industrial recruitment efforts are largely determined by the type of project, and hence the most straightforward way to conduct a comparative analysis is by focusing on the recruitment of similar industrial projects.

Outline of this Study

This study is at its core researching questions of power and class. As I discuss in the next chapter and chapters seven and eight, I take the development of auto manufacturing centers in the South as a case for studying how neoliberal globalization has inserted the private interests of corporations into the very meaning and rationale of "public" governance. These developing relations between local governments and firms

amount to more and deeper changes than can be explained by increased competition and less market regulation; I argue that changing scales of economic governance (Gough 2004a) are altering what governance *is.* Governance is ultimately about *relations* between state and capital and labor, between public institutions and private corporations and citizens, between politics and economics; this research begins with the argument that these relations are changing, and that we are not looking at a different quantity but a different quality of governance.

In the following chapter, I examine the previous research on economic development strategies and industrial recruitment, noting that these studies typically take some form of more or less critical policy evaluation (with notable exceptions). I then lay out the theoretical approach that guides this study, drawing on Marxian theories of states and governance that trouble the economic/political divide assumed in other analytical approaches. I then turn to broader theories of the structuration of the broader global capitalist economy to lay the framework for connecting the trends in local development practices observed in my research to changes in the globalizing capitalist political economy. I then discuss my research methods and analytical techniques, demonstrating why the questions and complexities raised in this chapter, and the theoretical concerns raised in the next, lend themselves to a qualitative, case study approach.

In chapter 3, I lay the contextual basis for my comparative analysis. I first discuss the distinct features of the U.S. approach to industrial policy, and the particularities that arise from the history of the Southeastern region that I focus on in this project. In

particular, I elaborate the history of labor repression and active government involvement in industry, which will help to see current developments as, in some ways, a continuation of past regional trends. I then provide a brief overview of the cases I focus on in this study of industrial recruitment of automotive assembly plants and incentives packages offered each case. The reader can find detailed tables here that discuss the timing, location, costs, and other details of plants that have located in the U.S. over the last 40 years.

In chapter 4, I then discuss the broader trends in the global automotive industry in the period in question, to contextualize the particular industrial changes that shape the decisions of corporations and localities drawn out in this research. I then briefly discuss the critical geography of the so-called southern drift in automotive production in the U.S. First, I lay out a little bit of locational theory, and specify a few useful concepts that will help decode the language of development officials and site selectors interviewed in later chapters. I then discuss the patterns in locating automotive assembly plants in the U.S. since the 1970s, using the discussion of the automotive industry in chapter 3 to distinguish various pressures faced by auto manufacturers from the different countries that have built plants in the South. This discussion will draw out the connections between the rhythms of capital investment and spatial formations of industry that will allow the critical consideration of economic development efforts in later chapters.

In chapter 5, I directly address the changes in industrial recruitment among Southeastern states. Drawing on key findings from my case study of the automotive industry and interviews with politicians, economic development professionals and site

selection consultants, I answer the first research question raised above of whether recruitment efforts today are really anything new, or the same as what these states were doing 50 years ago. I first outline what a typical recruitment might look like today, and then show how there have been important and interrelated changes in the incentives packages used to recruit industry, in the people engaged in recruitment efforts, and in the process of recruiting industrial projects. Implications of these findings are elaborated in chapter 7.

In chapter 6, I lay out the key findings of my research, and draw out the deeper changes in the approach to local governance that drive the developments discussed in chapter 5. Using Harvey's theory of the shift from managerial to entrepreneurial governance at the local level, I demonstrate how in the South this has shaped what I call the *partnership* approach to entrepreneurial governance. Addressing the second research question raised above, I show that a “race to the bottom” perspective on incentives neglects the important role that governments and development professionals themselves have played in creating the competitive recruitment atmosphere among states and local governments. In other words, the narrative of helpless governments and greedy corporations is not quite accurate – the picture is more complex.

In chapter 7 I tie the observations and findings from the two previous chapters together with my theoretical discussion of neoliberal globalization. I show that these changes in relations between governments and firms fundamentally affect questions of place, class, and power. I argue that industrial recruitment not only involves increased expenditures and debts by local governments, but also directly affects the fixed-capital

investments that connect industries to a particular place. When local governments become business partners, it changes the relation between businesses and the locality being governed. I then show that behind the partnership perspective taken by local governments is a one-sided view of class relations that heavily diminishes the legitimate political position of labor in local—and global—politics. Indeed, partnership changes the very political articulation of class relations themselves. Finally, I argue that these local developments are tied to global trends in the neoliberal globalization of capital accumulation in the past 40 years.

In the concluding chapter, I note the limitations and prospects of the partnership approach to entrepreneurial governance discussed in the previous chapters, and argue that while there are limitations built into the notion of partnership, the ultimate fate of these changes in local governance—and that of any challenges to them—is tied to the broader neoliberal globalization project and the dominance of its ideology of market orthodoxy. Yet these terms remain to defined, that is my task in the following chapter.

Chapter 2
Theorizing Local Development Strategies

In this chapter, I discuss the previous research and literature on strategies for local economic development, and then lay out my own theoretical perspective on the subject. This involves a brief discussion of both my perspective on the relations between states and markets (or the political and economic) as well as the general framework I use to understand shifts in the global political economy. I conclude with a discussion of my research methods and analytical techniques.

As discussed in the introduction, the core questions in this research concern the changing relations between local government actors and transnational corporations, and how these have or have not changed over the past 37 years since the 1980s, with a focus on the automotive industry in particular. This focus is based in theory and research that examines the ways that localities (state/local governments and local governing coalitions) in the modern world economy adopt a competitive stance towards one another vis-à-vis foreign investment (especially in manufacturing and industry). There are two primary theoretical concerns here, the first being the relations between "states" and private actors in the economic sphere. This problem stems from Marxist literature that understands the separation of the "spheres" of political and economic activity and power in modern capitalism not as an analytical axiom, but rather as a form of political power relations in itself that is historically and locally constituted by and contingent upon class struggle (Brenner 1977; Wood 1981). The second concern ties these local formations of class relations to a broader perspective on the global capitalist political economy. In

particular, I draw on critical geography perspectives that argue that the increasing globalization of capital flows and the emergent importance of sub-national governing and territorial structures (or the "re-scaling" of governance and class relations) are dual aspects of a class *projec*t (Brenner 1999b, 2004; Eisenschitz and Gough 1998; Gough 2004a, 2012, Harvey 2005, 2006a, McMichael 2000, 2012; Peck 1996; Peck and Tickell 2012). The theoretical proposition developed here, and more extensively in chapters 7 and 8, is that the rescaling of governance and economic activity (towards global and local scales) characteristic of what I call neoliberal globalization has precisely been directed at re-shaping the boundaries of political and economic—public and private—power relations. Before exploring this theoretical perspective a bit deeper, it will be useful to situate it in the proper context, and what follows is a brief overview of contemporary approaches to studying local development strategies and government subsidies to businesses.

Location in the Literature

Types of Development Strategies

The very language of "development" adopted by local and state governments reflects a broader sociological and political economic literature that analyzes the mutual constitution of (national) states and capitalist economies, and examines the differential development of capitalist economies in various parts of the world (Block and Evans 2005; Evans and Stephens 1988; Hicks 1999; Scharpf 2010; Thelen 2012). The question of economic development focuses primarily on the role of states in setting economic policy and the reciprocity which is thereby created for relatively stable economic growth. While

not quite the same as Marxist literature that examines public or state investment and support of capitalist accumulation (Brenner 1977; O'Connor 1973; Rubinson and Sokolovsky 1988), this development literature also makes the fundamental assumption that states play an essential role in the construction and operation of markets and capitalist development more broadly.

Within this broader literature there is a field of research that focuses on the efforts of sub-national governments to shape economic development. Since the 1970s sub-national governments have increasingly taken on roles of policy formation and developed policy strategies ostensibly designed to stimulate growth and job-creation in their local or regional economy (Brenner 1999b; Cox 1995; Harvey 2006a). Writing in the 1990s, Leicht and Jenkins noted that "over the past two decades, [U.S.] state governments have become the major setting for innovations in U.S. economic development policy. Ranging from public venture capital firms, technology parks…to industrial revenue bonds, enterprise zones, and right-to-work laws, state governments have adopted an array of new methods for stimulating economic development" (Leicht and Jenkins 1994:256). Jenkins, Leicht, and colleagues (J. Craig Jenkins, Leicht, and Jaynes 2006; J. Craig Jenkins, Leicht, and Wendt 2006; Leicht and Jenkins 1994) argue that there are three broad categories of local development strategies that states and local governments adopt to stimulate growth. "By an *economic development strategy*, we mean a general outlook on the nature of economic growth and the proper role of state [and local] government in encouraging growth" (Leicht and Jenkins 1994:257). They

categorize these strategies into **entrepreneurial** (which I will call **high-tech**, for clarity's sake) strategies, **industrial recruitment,** and **deregulation** strategies.

> the [**high-tech**] approach is based on the assumption that economic growth is a qualitative transformation toward higher –value-added production (or "high-technology") and that state government can facilitate this process by assuming entrepreneurial functions…**industrial recruitment** strategy is based on the quantitative increase of existing products by offering incentives for the relocation or expansion of existing enterprises…**deregulation** policies attempt to reduce governmental regulation of private economic activity…the aim is to turn back the welfare state by weakening labor unions, reducing governmental regulation of employer/employee relations and relaxing environmental and similar regulations that directly affect the production process (Leicht and Jenkins 1994:257–8 **emphasis** added)

I will discuss the particular strategies used to promote automotive assembly plant location much more fully below, but in general Southeastern states have continued a 60 year old tradition of industrial recruitment and deregulation type policies (Rubenstein 1992; Spindler 1994; Storper and Walker 1989). Leicht and Jenkins argue that industrial recruitment and deregulation strategies follow from (neo)classical locational theory and focus on minimizing factor costs of inputs and overall "costs of doing business;" I will argue below, however, that such strategies do not simply minimize costs and government regulation, but the way they have been structured deepen the role of government in private enterprise and investment itself.

Approaches to Studying Development Strategies

Within the field of comparative policy research, analysis of development strategies falls under a few general directions. Most studies take up the discussion of whether local development strategies and policies are successful in their ostensible goal of creating jobs and stimulating tax revenues and overall economic development – I call this a ***policy-outcome approach*** (Jacobs 2012; J. Craig Jenkins et al. 2006; Kebede and

Ngandu 1999; Merriman, Skidmore, and Kashian 2011; Weber, Bhatta, and Merriman 2003). Jenkins et al., for example, look at whether programs intended to promote growth in the high-tech sector actually create the high-paying jobs they are designed to (2006), while Kebede and Ngandu (1999) and Bartik et al. (1987) look respectively at the policies designed to lure Mercedes-Benz and Saturn plants to Alabama and Tennessee, and the effect of those plants on the local economies. Generally speaking, policy-outcome approaches are practical and functionally oriented, and are not intended to pose critical questions about government and industry relations.

More critical approaches to the study of development strategies (particularly industrial recruitment strategies) focus on the relative costs and benefits of development strategies for the communities they are intended to benefit. These **leftist-policy approaches** are still basically a policy-outcome approach to the study of recruitment and development strategies, but with greater emphasis on the costs and debts incurred by local governments (and thus local populations) in the pursuit of businesses in their locality. For example, a number of studies have looked at the recruitment of Mercedes-Benz to Alabama (Boudreaux, Coats, and Davis 2012; Spindler 1994) and BMW to South Carolina (McDavid 2010), and questioned whether the incentives offered were excessive given the relative benefits to the communities. Leftist-policy approaches then are distinguished by their focus on whether or not development strategies are excessive or even *necessary at all* for the stimulation of local business and industry (Jansa and Gray 2014).

The research and literature examining the development of automotive plants in the U.S. for the last few decades is predominantly policy-outcome oriented. While these studies are clearly useful, there is little by way of historical background or broader reference to the general changes in global capitalism which have precipitated the rising importance of local governments and increased the competition among localities for capital investment. Moreover, such approaches often assume a clear distinction between the political and the economic, state and capital, and fail to apprehend that his may be precisely what is in question.

Two studies that stand out in this regard are Perrucci's (1994) sociological study of Japanese automotive transplants in the U.S. in the 1980s, and aspects of Rubenstein's study of the shifting geography of the U.S. auto industry (Rubenstein 1992). My theoretical approach, like Perrucci, takes into account the structural forces of global capitalism, and the critical geographical literature that examines the contradictory pressures firms face when deciding on a locality. Rubenstein uses a number of different geographical and locational theories to analyze the multiple factors that have shaped the geography of the U.S. automotive industry over its lifetime. I draw extensively on both authors' research in the following chapters, but I add the Marxist perspectives I discuss in the following section, to form the questions unique to my research. In order to understand why these theories appertain to the discussion of automotive production in the Southeast United States, I need to turn to theories of the state and the global capitalist forces that have shaped the global economy over the past 37 years.

Theories of Capitalist Accumulation and Change

As briefly discussed in the introduction, the agglomeration of automotive assembly plants in the Southeast and the increasing competition to recruit them occurred in a critical and transformative period in the global capitalist economy, that followed from a major structural crisis in the mid to late 1970s. In order to understand why I analyze the development of competitive local industrial recruitment of automotive assembly plants in this light, I must elaborate explicitly some of the deeper theoretical assumptions and propositions of my position and their connection to the conjunctural crisis of the late 70s.

My approach to the issue of local economic development strategies and industrial recruitment stems from a Marxian political economy orientation informed by critical and radical geography, that approaches questions of state policy from a perspective capital-labor relations. Many sociological approaches to political economy make some basic assumption of a distinction between the economic and political, whether this assumption is one of relatively autonomous spheres of activity and actors (Miliband 1969), or of a more basic economic aspect of society distinct from a political "superstructure" (Poulantzas 1975), or of distinct—yet entwined —sources of social power (Mann 1986).[2]

The theoretical approach I take begins from the opposite position. This theoretical perspective follows Ellen M. Wood, Simon Clarke, Robert Brenner and other historians and sociologists in the Marxian tradition, in treating the assumption of separate spheres of political and economic activity as an historical, political and

[2] The word "assumption" does not imply that these approaches are not well thought-out.

ontological question rather than as a question of abstract "overdetermination" or a *de facto* analytical expedience. My approach asserts and assumes that markets are themselves political formations with historical origins, and that property rights and class relations are politically constituted by the state, and indeed that the state and even locality are essential to the constitution of classes and class relations (Wood 1981). In this view "relations of production take the form of particular juridical and political relations—modes of domination and coercion, forms of property and social organization—which are not mere secondary reflexes but constituent of the productive relations themselves" (Wood 1981:78–79). The ultimate form these relations of production take in capitalism in a given society are again not logically derived from capitalism or its contradictions but rather the outcome of concrete histories of struggle and political organization (Clarke 1991b). I discuss the empirical importance of this theorization of the state in capitalist society further in chapter 7, but here it should be clear that I see industrial policy, state and economy as *internally related* (Gough 2003; Harvey 1982). "The point really is that markets themselves are political institutions, embedded historically in states and the state system at large…commercial bureaucratic states and the capitalist world economy were mutually conditioning" (McMichael 2000:103),[3] and Gough—speaking more directly to class relations—points out that this view entails that "capital's (re)organisation is always formed in relation to labour. This class struggle is played out not just within

[3] Hence, for example, Brenner's argument that the rise of capitalist accumulation in Western Europe cannot simply be attributed to unequal exchange for profit, and rather that " 'production for profit via exchange' will have the systematic effect of accumulation and the development of the productive forces only when it expresses certain specific social relations of production (Brenner 1977:32).

production but within the state and the heterogeneous forms of the reproduction of labour power" (Gough 2004a:189). An analysis of state and state policy therefore must take account of the specific historical formations of the political tensions inherent in the capitalist mode of production, most importantly the contradictory tension between the necessity for both coercion and cooptation of "free" labor that is definitive of the state-capital-labor relation (Gough 2004a; Gramsci 1971; Marx 1976; Wallerstein 1974; Wood 1981).[4]

There are two implications from this deeper theoretical approach to studying local development strategies at the end of the twentieth century. The first is that I do not see my study of industrial policy as externally influencing class issues but as a constitutive moment in class relations. Indeed, the *absence* of organized labor from the detailed accounts to follow is telling here. The second implication is that studying the specific policy formations in the U.S. South and Midwest in the last 37 years requires taking a theoretical account of this historical period of global capitalism in greater detail.

Theorizing Context

Projects and Relations of Production

Most political economic perspectives agree that the crisis of the 1970s and early 80s was a major structural crisis that caused convulsions throughout the global capitalist economy and forced expansive efforts at political and economic restructuring (Aglietta 1998; Chase–Dunn 1998; Harvey 1989; Scholte 2005; Teeple 2000). However, different

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[4] This refers to the fact that workers are not technically owned or dominated by capitalists, but can "freely" choose to work for who they want. Of course, the reality of this situation is much different than the ideal.

perspectives have different ways of characterizing the periods around the crisis and thus the major changes it brought (though most agree that after the crisis the world political economy was more "global" in some sense of that word).[5] Most of these theories hinge on how they characterize the period of relatively stable accumulation in the post World War II era, roughly from the mid-1940s until the crises of the late 1970s, and how they differentiate this period from the post-1970s global era.

The theoretical approach I take is one that takes account of three intertwined factors. The first is the changing geography of capitalist accumulation, which has not only become more global but also more local. Geography is key not only to understanding the shifting center of automotive production in the U.S., but also why local and state governments have become the site of changing relations between industry and governments in the last 37 years. The second factor to account for is the way in which capital accumulation and class struggle are institutionalized in states and localities, and the way that production and consumption interrelate within and between nations. The third factor to consider is the overall ideology and guiding philosophy that form the principles shaping the actions of governmental and class elites, but that also serve to establish hegemonic power. This approach is an amalgamation of a number of different theories I call the "hegemonic class project" approach.

Hegemony here refers to the Gramscian notion of social power in which "the supremacy of a social group manifests itself…[both] as 'domination' and as 'intellectual and moral leadership'" (Gramsci 1971:57). Hegemony is a useful concept because it

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[5] But see Mann (2013).

encapsulates how subordinate classes more or less consent to domination or rule through the acceptance of an ideology and worldview, a worldview which at the same time shapes the role of the state and the process of capital accumulation. A hegemonic *project*, then, is roughly a political and ideological regime that establishes consent through such "political, intellectual, and moral leadership" and achieves hegemony in a given period (or place) (Gramsci 1971:161,170; Jessop 1983:100).

> This involves the mobilization of support behind a concrete, national-popular program of action which asserts a general interest in the pursuit of objectives that explicitly or implicitly advance the long-term interests of the hegemonic class (fraction) and which also privileges particular "economic-corporate" interests compatible with this program. Conversely those particular interests which are inconsistent with the project are deemed immoral and/or irrational and, insofar as they are still pursued by groups outside the consensus, they are also liable to sanction. Normally hegemony also involves the sacrifice of certain short-term interests of the hegemonic class (fraction), and a flow of material concessions for other social forces mobilized behind the project. It is thereby conditioned and limited by the accumulation process. (Jessop 1983:100)

McMichael argues that in the postwar period an international hegemonic project prevailed – the development project. The development project emerged out of the widespread class struggle of the early 1900s and later the decolonization movement, as well as the supposed threat of communism in the postwar era. Both an ideology and policy framework, the development project was hegemonic among core and semi-peripheral nations that viewed state-regulated capitalism as force for creating national economic development and increasing the prosperity of nation-states, and was in this way nation-state *centric* (McMichael 2012:14 *inter alia*). In fact, the wealth of core nations and the global system which sustained that wealth through accumulation and exploitation were decidedly inter-national, and the development project served the intellectual and moral purpose of justifying that system of exploitation which operated on both national and international scales (for a discussion of the concept of *scale* and notes

on terminology see footnote below).[6] This multi-scalar institutional framework for the development project is reflected in the Bretton Woods agreements:

> Under U.S. auspices in 1944, the future members of the United Nations (UN) held a conference at Bretton Woods and established the basis of an international monetary system. The delegates created an exchange-rate mechanism by setting the prices of national currencies against the U.S. dollar; and they established, among others…the International Monetary Fund (IMF) and the World Bank (WB). The IMF was intended regulate international trade balances…the World Bank was designed to manage an international fund for economic development. Along side these mechanisms, the General Agreement on Tariffs and Trade (GATT)…would provide the institutional means for a negotiated removal of…national barriers to world trade. (Teeple 2000:54)

In this way, the development project was always dual faceted, oriented towards both national developmentalism and laying the groundwork for global markets (Ruggie 1982). Marxist political economists and geographers characterize the institutionalization of class relations and capital accumulation in this period as “Fordist” – a period in which mass production was balanced with a new era of mass consumption and the advent of consumerism in Western core economies. Fordist production processes are characterized by mass production techniques developed during World War II, with heavy fixed-capital investment in plant and machinery and highly standardized mass products (Harvey 1989:Ch.8; Kwon 2004:37).[7] These production processes were accompanied by social relations of production that too became highly standardized, in which often-large unions

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[6] **Two Notes on Terminology**: 1) In geographical literature ***scale*** refers to the particular geographical “level” at which social institutions and actors operate and towards which they are oriented. A typical elaboration of scales in descending order might be: Global, regional, national, provincial, local. The European Union is an example of a regional body, the state of California or the province of British Columbia examples of provincial scales, local governments are often based on cities or counties or both. **2)** For clarity’s sake, and because this study focuses on the United States, I will adopt the U.S. terminology in which the provincial scale is usually seen as the “state” level as opposed to the “federal” or what I will refer to as the national-state level.

[7] It is important to stress that Fordism is an *ideal type* (Clarke 1988), indeed one based on the assembly line production techniques pioneered by the Ford automotive corporation. The degree to which it was characteristic of production outside the Western automotive industry varies substantially.

negotiated long term contracts within entire industries, usually through tripartite arrangements in which states mediated capital-labor relations in a more or less centralized fashion (national differences will be discussed further below) (Harvey 1989:133–34; Rubenstein 1992:270–72). These relations of production were in part an historical outcome of the defeat of revolutionary movements in some European countries in the interwar period (Harvey 1989:133; Mann 2012:Ch.6), and in part active class projects in Western nations to both undermine the most radical segments of organized labor while compromising with the least radical segments, compromises encouraged by the looming threat of Soviet state socialism and the brewing cold war. The Fordist era was characterized not only by these "politicized" class relations (which secured for many workers in the West rising wages) but also by the differential spread of Keynesian-ish welfare state policies and more interventionist regulation of industries by nation-states (Harvey 1989; Hicks 1999). This created conditions for the mass consumption of the prodigious output of Fordist factory systems and contributed to the brief period of consistently rising standards of living in Western nations. Hence, as Harvey puts it, "postwar Fordism has to be seen…less as a mere system of mass production and more as a total way of life. Mass production meant standardization of product as well as mass consumption" (1989:135). Monetary policy in the Fordist regime was tied to the U.S. dollar (ostensibly gold-backed) and based in the Bretton Woods accords among core nations.[8]

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[8] The perspective here is in many ways drawn from *regulation theory* (Aglietta 1998; Clarke 1988; Jessop 2013), or the similar *social structures of accumulation* theory (Kotz, McDonough, and Reich 1994). These theories distinguish periods of capitalism as "regimes of accumulation" characterized by institutional

Drawing together these two theoretical threads, I characterize the postwar era (roughly the 1940s – late 1960s) as the **Fordist development project**, because this conceptual periodization encompasses both the dominant processes and relations of production and structures of accumulation, as well as the hegemonic project constructed by dominant classes (or the *hegemonic bloc*, led especially by capitalists and elites in the U.S.) that framed and legitimated (and provided material concessions for) this form of the capitalist world economy.[9] Whatever stability was achieved through this project was confined primarily to the core nations (the West and Japan, and perhaps South Korea) and began to wane into structural crisis no sooner than stability had been achieved.

The Globalization Project: Re-Scaling Governance

If the Fordist development project began to solidify in the postwar era, it was at the same time laying the basis of its own dissolution and began to unravel as early as the mid-1960s (Teeple 2000:62–71).[10] The problems of the Fordist development project lay in several places. I have little space here to discuss the anti-colonial movements and the

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arrangements that facilitate relatively stable periods of capital accumulation. It is easy to see from the account of Fordism how this view has been accused of falling into functionalist explanations and overemphasizing the smoothness of capitalist accumulation (Clarke 1988; Gough 2012; Peck 1996:97–99; Teeple 2011). While I agree with Harvey (1989b:121) that the notion of a regime of accumulation can be useful, I do not use the language here because I reject the idea that the history of capitalism is punctuated by such stable institutional accumulation periods. Indeed, given the many crises of the post-1980s era and the similarly chaotic prewar and interwar periods, it is difficult to find *any* other solid example of a highly stable period of capitalist accumulation. Moreover, the regime of accumulation perspective deemphasizes actual *actors* such as classes and political elites who shape policies and ideologies, and who struggle and negotiate the regimes of accumulation and modes of social regulation.

[9] In this sense, the "mode of social regulation" and the concessions and co-optation which are typically part of a hegemonic project are basically the same thing.

[10] This has lead Simon Clarke to challenge "if such a thing as the 'Fordist regime of accumulation' ever existed, [as] it was singularly ineffective at securing the 'stabilization in the allocation of the product between production and consumption over a longish period'"(Clarke 1988:78; *see also* Gough 2012; Peck 1996:97–100). I take this challenge to heart, and it is why I do not include lengthily discussion of regulation theory here.

major geo-political factors which led to the fracturing of the hegemonic ideology (but see McMichael 2012; Teeple 2000). Many authors agree that, in conjunction with massive shocks in the global economic system brought on by numerous chronic issues (balance of trade issues, real appreciation of the dollar) (Frieden 2006:342–7; 364-72) that were inflamed by the oil crisis of 1974, the Fordist-development project crumbled beneath the weight of its own *mass*iveness. David Harvey sums up some of the issues with so-called Fordism:

> These difficulties could best be captured by one word: rigidity. There were problems with the rigidity of long-term and large-scale fixed capital investments in mass-production systems that precluded much flexibility of design and presumed stable growth in invariant consumer markets. There were problems of rigidities in labour markets, labour allocation, and in labour contracts (especially in the so called 'monopoly' sector.) And any attempt to overcome these rigidities ran into the seemingly immovable force of deeply entrenched working-class power – hence the strike waves and labour disruptions of the period 1968–72. The rigidities of state commitments also became more serious as entitlement programs…grew…the only tool of flexible response lay in monetary policy…and so began the inflationary wave that was eventually to sink the postwar boom. (Harvey 1989:142)

The declining profitability and rising challenges from newly industrializing countries eroded the material base for the postwar development project. With the onset of major crises in 1974 there began a considerable restructuring of the international economy and a reorientation away from national development towards what I call the **neoliberal globalization project**.[11] Drawing again primarily on the work of McMichael (McMichael 2000) and Harvey (2005, 2006a, 2006b), I would frame the neoliberal globalization project as a direct confrontation with the nationally centered rigidities of Fordist-developmentalism, particularly the class relations entrenched in national institutions. Following Brenner, I argue we have to understand the neoliberal

[11] Technically "glocalization" would be a bit more accurate, but I find the word irritating.

globalization project as "two dialectically intertwined but analytically distinct moments: the (partial) *destruction* of extant institutional arrangements and political compromises through market-oriented reform initiatives; and the (tendential) *creation* of a new infrastructure for market-oriented economic growth, commodification, and the rule of capital" (2002:362).

On an ideological level the neoliberal project involves a shift away from state-mediation of capitalist social relations and an attempt to impose market rule and the law of value on firms, labor and governments. This shift marks a movement *away* from the hegemonic principles of social democracy, citizenship, and collective rights characteristic of the Fordist development project *towards* different intellectual and moral ideals founded on the centrality of the market and competition in determining social outcomes and the "sacralization" of the individual and corporate private property (Brenner and Theodore 2002; McMichael 2000; Peck and Tickell 2002).[12][13] What this entails in practices hinges largely on the national context of "inherited regulatory landscapes" (Brenner and Theodore 2002:352), but it often means a relative retreat of the nation-state from extensive involvement in capital-labor relations, the relaxation at the national level of regulatory barriers to capital flows, and openly coercive state reinforcement of corporate private property and the coterminous expansion of prison systems (Harvey 2005, 2010; McMichael 2000; Scholte 1997; Teeple 2000, 2011). Finally, there has been a

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[12] Boli (2006) discusses many of these aspects as part of the ongoing rationalization of world-culture.

[13] "Even the published views of representatives of international capital on democracy have been far less sanguine and more realistic than those of social-democratic parties. The Trilateral Commission's analysis of the 'crisis of democracy' concluded in 1975 that there was too much democracy, that curbs on its expansion should be implemented, and that to the degree that democracy 'worked' it was largely because of the political apathy of the working classes" (Teeple 2000:33).

marked shift in the discourse, and to a lesser extent the actual structures, of welfare systems towards an ideology of "workfare" and the curtailment or stagnation of state expenditures on social insurance programs.

If, then, neoliberal "globalization, as a political project, concerns the attempt to instiutionalise the neoliberal agenda of market reform by removing public constraints on economies" (McMichael 2000:110) this project has involved first and foremost the revolutionary restructuring the Fordist production processes and the simultaneous "upward and downward scalar shifts"(Gough 2004:186) in capital accumulation processes and class relations, circumventing the national scale at which the rigidities of Fordist class relations were most entrenched (Brenner 1999a) and towards the global and local levels. The response of capitalists within the emergent hegemonic bloc[14] to Fordist rigidities was to revolutionize the means of production and (re)turn to political principles based in the perennial capitalist fiction of the self-regulating market (c.f. Polanyi 1957 Ch. 6). Information and communications technologies (ICTs) removed many spatial and temporal barriers to the flow of money; this allowed not only for the pooling of ever more vast sums of resources, but also for significant increases in the size and pace of commodity flows (Teeple 2000:67; 2011). Beyond the circulation of capital, new technologies facilitated major changes in processes of production and distribution.

> In the realm of production, the computer transformed the entire labour process…[the application of] computer-aided production and continuous processes…brought into being "lean production," "just in time" assembly, and "flexible manufacturing," developments that immensely facilitated global production in multiple sites and from multiples sources. (Teeple 2000:66)

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[14] Made up of the capitalist and political elites not subsumed in the crisis. See Sklair (Sklair 2000) and Robinson (2005).

In conjunction with such massive changes in production, distribution processes underwent transformations as well, such as computer-aided shipping and the "containerization" of commodity transportation, greatly increasing the quantities of commodities in circulation. Of course, technology is only a tool, and these changes should not simply be chalked up to the innovation of the micro-chip but to the application of that chip to a directed class project.

So-called "flexible accumulation" marked a shift not only in the organization of the production process but also a general shift in the global organization of production. The technological innovations mentioned above all contributed to major changes in labor processes and facilitated the further development an international division of labor, through which core Western nations were significantly de-industrialized, as de-skilled production processes moved to peripheral and semi-peripheral regions with cheaper labor forces (Wallerstein 1974, 1979). The mobility of firms and the international division of labor served to discipline labor forces (especially in core nations) by increasing national and especially global competition, subjecting them more extensively to the law of value; this resulted in widespread yet differential enervation of organized labor and the marked decline of unionization in many nations over the ensuing decades (Fröbel, Heinrichs, and Kreye 1980; Harvey 1989:9; McMichael 2012:3; Scholte 2005:136–40; Teeple 2000:5).

All of these revolutions allowed capital in all its forms – productive, commodity and finance – to at least partially transcend the territorial framework of the nation state

and reconstitute itself at the global level.[15] In other words, the national state ceased to be *the* primary structure for organizing capitalist production processes, as the enhanced mobility of capital (especially finance) enabled it to scale upwards somewhat, but the inevitable materiality of productive processes meant that at the same time the provincial and local organizational frameworks became more central. "The post-1970s wave of globalisation has significantly decentered the role of the national scale as a self-enclosed container of socio-economic relations while simultaneously intensifying the importance of both sub- and supranational forms of territorial organization" (Brenner 1999b:435). We can suggest then that capital now *flows* through supra-territorial global structures and institutions, but production and labor relations are organized primarily or increasingly on sub-state and urban scales. However, this should not be read as suggesting the national state is somehow fading or even necessarily becoming less important as an institutional and regulatory structure.

> Viewing the market as a de-nationalizing movement does not imply a borderless world, rather it implies transformed states. In my view, this transformation involves a shift from states managing national economies, to states managing the global economy – in two senses; facilitating global circuits of money and commodities, and resolving the contradictions of global capitalism…[thus] the globalization project is simultaneously a project of crisis management and a blueprint for continuing development through private means. Like the development project, the globalization project is an attempt to construct a stable hegemonic ordering of the world…[and] a movement to institute market rule by a powerful global managerial class (McMichael 2000:110–13)

Thus the increased importance of global and local scales in neoliberal globalization must be seen as relative to their importance in the Fordist development

[15] Brenner suggests, following Lefebvre (1992), that "the territorial fixity of [nation] state institutions provides a stabilized geographical scaffolding for the circulation of labour-power, commodities and capital on multiple scales"(1999b:434). The nation state, probably more than any other previous form of organization, "manages space on a grand scale" by "producing large-scale spatial configurations that serve as territorially specific forces of production" (Brenner 1999b:434).

project, and the different role played particularly by local governments. Moreover, this importance of supra and sub-national scales does not mean the national state is not crucially important to neoliberal globalization. "On the contrary, across the world the [nation]-state is, after several decades of accelerated globalization, in most cases larger and more entrenched in social relations than ever" (Scholte 1997:441). Nation states are central to instituting the neoliberal project and its global markets, and creating more competition among local governments, and so while the nation-state is in some ways relatively less central to global capitalism it is still a critically important structure.

Entrepreneurial Governance[16]

The neoliberal globalization project has characterized the period since the 1980s in which global automotive firms began locating and agglomerating in the Southeast and Midwest United States. This larger understanding of the shift towards global flows of capital and the increasing centrality of local governance is important because it highlights why local governments became increasingly "entrepreneurial" in the period in question. On the one hand, increasingly globalized capital not only affected the relations between capital and national-states but also between nation-states and sub-national government:

> This rescaling of statehood has not only eroded the nationalized formations of urban governance and the redistributive forms of state spatial policy that prevailed during the Fordist-Keynesian period. It has also entailed the consolidation of new interscalar rule-regimes…that have enhanced fiscal constraints and competitive pressures upon cities and regions, impelling the regulatory institutions to privilege the goals of local economic

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[16] **Clarification of Terminology**: The term "**entrepreneurial governance"** is a general term used to specify the turn in government intervention in economic "development" in the neoliberal era (Harvey 2006a; Perrucci 1994; Rubenstein 1992). Jenkins et al. use the term in a more specific sense to try and specify the different types of development strategies. My usage here reflects the more general usage, as the particular usage by Jenkins et al. applies to development strategies which lie outside the scope of this analysis.

> development and territorial competitiveness over traditional welfarist, redistributive priorities. (Brenner 2004:176)

Put somewhat more succinctly, Cameron and Palan suggest that "national economic policies and institutions are increasingly being geared towards promoting internal competition between different industrial regions for investment" (Cameron and Palan 1999:282). On the other hand, local governments facing both declining transfers of funds from the national level and capital flight faced unique difficulties. With capital in some forms now dealing more directly with urban and state governments, competitive pressures on government officials and elites at these scales increased immensely. This is hardly without an element of strategic manipulation – it is precisely *local* governments that are directly responsible to local constituents and their immovable, concrete standards of living (Cox 2010; Storper and Walker 1989). In the context of the neoliberal globalization project, localities adapted their forms of governance to new imperatives. "A colloquium held…in 1985 brought together…policymakers from eight large cities in seven advanced countries…indicated a strong consensus that urban governments had to be much more innovative and entrepreneurial, willing to explore all kinds of avenues…[to] secure a better future for their populations"(Harvey 2006a:346).[17] Thus, the shift towards the neoliberal globalization project had immediate impacts on states and local governments and the formation of industrial policy in the U.S. South as competitive pressures for capital investment were increased by deindustrialization in the dominant industries of textiles and furniture manufacturing (Cobb 1993; Jacobs 2012).

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[17] "Put simply the 'managerial' approach so typical of the 1960s has steadily given way to initiatory and 'entrepreneurial' forms of action in the 1970s and 1980s" (Harvey 2006a:347).

> The new entrepreneurialism has, as its centerpiece, the notion of a "public private partnership" in which a tradition of local boosterism is integrated with the use of local governmental powers to try and attract external sources of funding, new direct investment, or new employment sources…the activity of that public-private partnership is entrepreneurial precisely because it is speculative in execution and design…in many instances, this has meant that the public sector assumes the risk and private sector takes the benefits…I suspect this feature of risk-absorption by the local (rather than the national or federal) public sector which distinguishes the present phase of urban entrepreneurialism from earlier phases of civic boosterism in which private capital seemed generally much less risk-averse. (Harvey 2006a:352–53)

As we will see, these principles of public-private partnership, speculative activity, and risk shifting are increasingly characteristic of economic development activities not only of cities, but also states and counties throughout the Southeast and some other states. Moreover, the turn within U.S. automotive production toward the South in particular reflects the broader neoliberal preference for a tighter disciplining of labor given the South's oppressive labor control regime. These are points I will draw out in the following chapters.

RESEARCH DESIGN

So far in this chapter I have discussed previous research on economic development strategies and industrial recruitment, and laid out a broader theorization both of the relation between capital and the state and of the particular historical period in question. This conceptualization of the neoliberal globalization project is important for understanding how I focus my research questions and design this research project. From my theoretical perspective, the competitive recruitment of industry at the local level is understood as a form of what Harvey calls entrepreneurial governance, which he argues involves a closer imbrication of the activities of private firms and localities brought on by the competitive pressures of the neoliberal globalization project. In this light, the central

research questions laid out in the previous chapter can be rephrased: first, does the competitive recruitment of industry really mark a change toward more entrepreneurial governance really, or is this really just an extension of what localities and states have long done for capital? And the second question seems even more resonant: does the entrepreneurial turn reflect a deeper change in local governance, in the relations between capital and labor, and between classes and the state?

While theoretically speaking the first question could be assessed through a quantitative statistical analysis, practically the extant data are not commensurable and so are prohibitive of such an approach. I discussed at length above the problematic nature of data on economic development strategies by local states, and the particular difficulties in gaining a clear picture of the full scope and costs of industrial recruitment incentives. Variations in records keeping and transparency laws, types of incentives, local government structures and other state or local differences make the construction of a large scale data set on industrial recruitment (and other types of development strategies) a nigh impossible undertaking. There would simply be no way to ensure that statistically significant correlations or trends observed, such as increases in spending over time (or on some types of programs) or changes in types of programs across time or space, are not artefacts resulting from the data gathering process or the primary data sources.[18] More importantly, if we are to assess whether there has really been a change in the processes

[18] Systematic data will start being reported at the state level in 2017 due to new requirements by the Government Accounting Standards Bureau (GASB), a non-governmental advisory board that 50 states align reporting with. I reiterate in chapter 8, this is a clearly beneficial avenue for future research, though again local and county governments do not all adhere to GASB standards.

and perspectives of local governments and businesses, changes in what Wood called the political and juridical relations that are constitutive of class relations, qualitative research methods are most appropriate.

Thus this project takes a comparative case-study approach to the question of how entrepreneurialism and industrial recruitment is changing local governance. The case study approach to comparative analysis of policy and industry has a long history in the social sciences (Dobbin 1994; Evans 1995; George and Bennett 2005; Perrucci 1994; Ragin and Rubinson 2009, 2011). Because I am examining the relations between governments and businesses, the actual unit of analysis is the industrial recruitment project itself, or the siting of a major industrial project. This is because major industrial projects take on a particularly competitive tone given the scale of the investments (often between $500 million and $2 billion), the jobs they entail, and the longevity of the investment. Whereas state, city, and county development agencies might pursue different local agendas, large industrial projects require both financial and political input from all of these levels and thus act as a centrifugal force binding multiple counties and cities together with the state through recruitment efforts. Thus, the level of analysis is technically the state level, though this encompasses actors and activities at the county and city level as well. Finally, to ensure cases were properly comparable I chose to focus on the recruitment of a single industry, for while there are definite generalizations that can be made for recruitment of large industrial projects (as I will discuss in later chapters) there are strong geographical facts that are industry specific that could limit such comparisons. The choice of the automotive industry was influenced by a number of

factors, primarily that automotive production in the U.S. provides a clear window into the impact that the neoliberal globalization project had on industry, and there are cases enough to provide material for comparative analysis. Also, as my research will show, the recruitment of automotive plants was crucial to shaping changes in economic development efforts more generally in the neoliberal era.

Case Selection

Ultimately, my research focuses on the recruitment of automotive assembly plants, located primarily the U.S. Southeast in the post-Fordist era of neoliberal globalization. Again, my primary interest is how relations of governance changed in this time period, and focusing on industry rather than state or locality allowed me to gain comparative perspective on industrial relations and development activities. Through interviews and other research, I confirmed that the efforts that go into siting and recruiting a major automotive assembly plant, where the final car is put together (*assembly* is the distinguishing word here), are of a different scale than even large automotive equipment suppliers. This led to a total of 21 cases since 1978, which were almost entirely non-U.S. based manufacturers and were primarily located in southern states. While there are a few notable exceptions, I argue in the following chapters that the South in particular has characteristics that had a strong influence in drawing foreign and domestic manufacturers to the region, characteristics that are in some cases approximated in alternative locations. As I discuss in the next chapter, I focus primarily on

“greenfield” plants located in the Southeast and focus most intensively on cases in the mid 1980s and early 1990s, when many of the patterns we see today were taking shape.

Research Methods: Secondary

My research on these cases drew on primary documents (though few of these are publicly available) such as the Memorandum of Understanding drawn up when an incentives deal is finalized, newspaper reports, local business news, accounts by journalists, and professional publications (such as *Area Development* magazine and its sister publication *Site Selection* magazine) (c.f. Lyne 2002; Nelson 2014; Site Selection 1999). I also drew on the extensive secondary research into cases of automotive plant location and economic development in the South more generally. These studies are from various academic fields such as sociological analyses of Japanese firms in the South (Perrucci 1994), historical accounts of Southern attitudes towards economic development (Cobb 1993, 2005) and the automotive industry in particular (Hülsemann 2001), geography (Mair, Florida, and Kenney 1988; Rubenstein 1992) and economic and business studies (McDermott, Luethge, and Byosiere 2011; Woodward 1992), all of which are tied together by a focus on the cases in question. I also researched numerous newspaper accounts of plant locations, and books published by journalists on the cases (Gelsanliter 1990). All these sources were triangulated to construct detailed accounts of locational decisions, actors involved, and tables on incentives agreements for each of the cases.

Research Methods: Primary

While the multiple sources above offer a great deal of insight into the questions posed here, my specific focus on changes in relations between governments and industry required direct knowledge of the political actors, development professionals and others involved in the process of local recruitment and development. I thus conducted primary research that consisted of 18 interviews with professionals in the economic development and site selection fields, and political officials involved in recruitment, conducted between July of 2015 and August of 2016. These interviews were restricted to professional accounts, expert knowledge, and professional opinions. Sampling of respondents followed a purposive or theoretical sampling method, supplemented with snowball sampling techniques (Bryman and Teevan 2005:231–32; Creswell 2014:178; Warren and Karner 2009:141). Such a strategy seeks respondents only according to the "criteria specified by the research questions" and "purposefully select[s] participants…that will best help the researcher understand the problem" (Creswell 2014:178). There were two primary purposes guiding my sampling.

One primary goal was to conduct general knowledge interviews, to gain insight into the general processes, primary actors, and history of industrial recruitment efforts. While there have been a number of interesting case studies of auto assembly plant recruitment, I needed to get a clearer picture of what aspects of the recruitment process were standardized, who the key actors were, and how the actual negotiation process takes place. The goal here was to get as comprehensive a view as possible of the activities, strategies, expectations, and limitations of actors involved across different

states, localities of various size and wealth, and from within and without public office. Thus, eight of the interviews I conducted were with individuals from regional chambers, city and county development authorities, and other development entities that were not directly related to the cases of automotive assembly plant locations. Diversity was my guiding principle: diversity in terms of the type of locality in terms of size, wealth, and territory (county/city/region), as well as type of entity (public authority or private business alliance or chamber). Almost every development professional I spoke to had worked in multiple agencies and localities, which broadened the professional experiences beyond their immediate occupation. I also interviewed officials from North Carolina purposefully, as the state had been in the running for, and lost, several automotive assembly plants. I ceased conducting these general knowledge interviews once I felt I had reached saturation on general knowledge of economic development and the process of recruitment.[19] I also interviewed three professional site-selection consultants, a profession I discuss in depth in chapters 5-7, all of whom had worked on the site selection for a major automotive plant in the U.S. These professionals were selected through snowball sampling and purposive sampling, the latter using *Site Selection* magazine interviews on changes in the field of economic development to discern contacts who had both experience with automotive recruitment and a long history in the professional field.

[19] Some might question saturation occurring at 8 interviews, but case-specific interviews also contributed to general knowledge. Also, there is little that is generalizable across states and cases, so general knowledge itself is limited.

My second primary research goal was to get further direct knowledge of the cases of automotive assembly plant recruitment and site selection. McDermott (2011, 2012, 2013) has already conducted a number of highly useful interviews with individuals involved, but I wanted to supplement these with interviews that directly addressed my own research questions. Thus, in addition to the three site-selection consultants, I spoke with seven professionals or former politicians who had been directly involved in one of the 21 cases. I selected respondents based on my secondary research, again with the goal of diversity of experience, primarily focused on knowledge of different states but also at different levels of government, as with the general knowledge interviews. A number of these officials had experience with recruiting multiple automotive assembly plants, and some had experience both working as site consultants for producers, and on recruitment efforts by states. The experience of these professionals covers the entire period of plant locations I analyze, though their experience is more concentrated in the mid-1990s to late 2000s period. All told, respondents collectively had experience on recruiting 10 cases of automotive assembly plant locations in Alabama, Tennessee, Georgia, Mississippi, and Kentucky. General experience in economic development, I should note, extends well beyond these five states. In future research I might conduct further interviews with officials involved in particular cases, or at site selection firms, though the availability of such officials is limited by the number of cases and the long time period in question.

All interviews were semi-structured, with various prompts depending on the specific type of professional and the (non-)case specific nature of the interview. For

example, when interviewing an official with a public-private development partnership, I would inquire into how their public-private status made their outlook or interactions different. Where officials had experience with multiple types of agencies or cases, I would include specific prompts in order to gain their comparative perspective. Interviews tended to be less structured, and where possible I let respondents lead the discussion, the goal being to get as close as possible to the professionals' own line of thought. All interviews contained some general prompts, such as how the field of development had changed in that professional's experience. Examples of interview prompts are provided in Appendix 1.

Coding of interviews was primarily open coding, though guided by my theoretical framework. As different themes emerged in the process of coding early interviews, new prompts were developed and incorporated into later interviews. Likewise, early interviews were recoded according to themes that emerged from later interviews. Themes and findings that emerged from coding interviews were then triangulated with secondary research materials.

In the next chapter I lay out some of the findings from my secondary case study research, first discussing the particular features of the U.S. and its Southeastern region, then turning to an overview of the cases of plant location themselves.

Chapter 3
Context and Cases

In this brief chapter I discuss the contextual factors related to the particular region in my case studies, the U.S. Southeast, to set the stage for the substantive findings that follow in the next four chapters. I then offer two tables to give the reader an overview of all automotive assembly plants that have been constructed in the U.S. in the neoliberal era, and then the details of the costs, locations, and incentives packages of the cases I focus on in this study. This overview is simply meant to give the reader a familiarity with the cases in question—greenfield automotive assembly plant sites—and which cases are not the focus of intensive case study but which are nonetheless substantively important. What discussion I offer here of incentives packages is meant only to be a gloss, as discussion of the details of these agreements are taken up at some length in chapter 5. Before discussing these cases I will contextualize the comparatively distinct aspects of U.S. industrial policy and that of the Southeastern region.

United States Industrial Policy (such as it is)

The discussion in the previous chapter of the major crises of the 1970s and the shift away from Fordist developmentalism towards neoliberal globalism needs greater contextual detail in order to understand the way automotive manufacturers in different nations responded new dynamics and pressures and produce the geographical picture we see today in the United states. As discussed, while there was a real globalization of capital flows and intensification of competition coupled with a reorientation of the nation-state, national lineages of industrial policy and relations of production were hardly

wiped clean in a few decades. Hence, while all nation-states were affected by the rescaling of neoliberal globalization, national institutional contexts still strongly shape the effects of the globalization project (Huber and Stephens 2005). As we shall see, despite very different industrial histories and industrial relations/policy frameworks, the crisis in the global auto industry produced similar pressures on both the German and U.S. automotive industries.[20]

The germane point for the following analysis is the relatively unique form that industrial relations and regulation have taken in the United States, especially compared with the three "late industrializing" nations that have located automotive assembly plants there – Japan, Germany and South Korea (and potentially the Swedish-Chinese Volvo) (Evans 1995; Hicks and Kenworthy 1998:1633). In most comparative work on capitalist development and institutions – whether of the varieties of capitalism genre or the corporatist/neo-corporatists vein (which essentially look at many of the same questions) – the United States and Britain tend to stand out historically as very "liberal" in their policy orientation (Hall and Soskice 2001; Hancké, Rhodes, and Thatcher 2007; Thelen 2012; but see Wuthnow 1985). What this generally means is that in both nation-states, but most pronouncedly in the U.S., the state takes a very hands-off approach to regulation and policy – a sort of "let markets and competition do their work" approach to economic development, and a "wait until after an unmitigated disaster" approach to

[20] Arguably this is because the penetration of the auto industry into U.S. government and policy formation, and the relative privileging of auto-workers which derives therefrom (Luger 2000; Rubinson and Sokolovsky 1988), created something similar to the corporatist arrangements in Germany, albeit in a more concentrated fashion.

industrial regulation (Dobbin 1994; Rubinson and Sokolovsky 1988). This differs strongly from postwar Japan, West Germany and South Korea, in which the state has typically taken a much more active role in economic development and industrial regulation, helping to foster industries and their development and usually taking a more proactive approach to the regulation of industrial activity and labor relations (Evans 1995; Hicks and Kenworthy 1998:1649; Kwon 2004). In many comparative studies of capitalist development and industrial policy the U.S. tends to stand out as an outlier.

The United States is also an outlier in the sense that its industrial policy approach has been highly "localized" in two senses of the word. First, industrial policy has been historically very de-centered – or engineered at the state as opposed to federal level of government. Even Germany, which also has a history of de-centralized provincial governance (Heaton 1948; Mann 1993:673; Milward and Saul 1973; Rueschemeyer, Stephens, and Stephens 1992) has not had the sort of the sort of industrial policy seen in the U.S.[21] As Lancaster and Hicks note, one "argument is that federalism…institutionalizes a greater degree of political and policy competition and *laissez-faire* economics than unitary systems" (2000:229), and indeed there is a literature studying the "market-preserving" or competitive effects of federalism on developmental outcomes (Cai and Treisman 2006; Sail 2001; Weinsgast 1995). A second line of thinking is that federalism limits central government intervention in industry and markets, thereby preserving the

[21] A number of other historical factors which are well beyond the scope of this research a relevant to such policy and institutional differences.

competitive freedom of firms, while also limiting the ability of economic interests to "capture" political power and gain competitive advantage (Weinsgast 1995:25).

The latter claim about federalism limiting the economic capture of governance is dead on arrival, as the second sense in which U.S. industrial policy and labor relations are "localized" is by industry; Rubinson and Sokolovsky's (1988) analysis of railroad development and Luger's (2000) analysis of the U.S. automotive industry both suggest that the U.S. state is highly permeable to capitalist interests. Put succinctly, industries and segments of capital in the U.S. can gain a fair amount of control over the regulation of their own industry, especially if their interests in controlling that regulation are more persistent over time and not spasmodic reactions to cycles of accumulation. This was the case with railroad corporations, with large segments of the cattle and beef industry, pharmaceuticals (Light, Lexchin, and Darrow 2013), and of the automotive industry; as Luger puts it, "always formidable, the auto industry and its officials have never been far from the center of power in Washington" (Luger 2000:183). Thus, where federal industrial policy does emerge in the U.S. it is heavily controlled by the very industry it is meant to regulate.

There are two important implications of this uniquely segmental form of industrial policy. The first is that, by insinuating themselves narrowly in the regulation of their own industry, segments of capital do not mitigate issues of market forces and competition more broadly, meaning that even where industrial capitalists gain influence over the regulation of their industry they are still subject to pressures of markets and competition between segments of capital (Dobbin 1994; Rubinson and Sokolovsky 1988).

At the same time, as industries become more powerful and exercise greater control over the regulatory and political apparatus, there is a class polarization effect that tends to occur – and given the "monopoly" position of the industry they are able to relatively privilege the segment of labor with which they deal, forming a sort of mini-corporatist relation (Burawoy 1985:66–67). "Where unionization is consolidated after the transition from competitive to monopoly capitalism, it generally takes root most firmly in the monopoly sector, as in…the United States. Concessions made to labour in that sector can be pushed onto the consumer — and onto the weaker competitive capitalists" (Burawoy 1985:67) Hence, some of the earliest and most powerful unions in the U.S. were the railroad workers unions, and one of the most powerful of the declining unions today is the United Auto Workers union.

The point in elaborating the particular processes of industrial regulation and relations in the U.S. is to understand the particular context in which the industrial relations between firms and local governments in the 1980s were formed. As we will see, the relations between the segments of global automotive capital that located in the South and Midwest over the past four decades have avoided the institutionalized rigidity of American automotive relations. Indeed, even as the Detroit 3 automakers in the U.S. were adjusting and restructuring due to their declining competitiveness in the face of global competition and crisis, auto makers from abroad began investing in U.S. localities that were distant enough from the Michigan automotive core to avoid those entrenched relations. This was the beginning of the "Southern drift" of auto manufacturing in the U.S. and the beginning of the formation of the Southeastern automotive core. To gain a more

complete contextual understanding of this Southern drift, we need to consider the regional peculiarities of the U.S. South.[22]

The South

While industrial policy in the United States does not adhere to any coherent pattern at the nation-state level, shared aspects of the political economic history of the South have given those states relatively homologous approaches to class relations and the institutionalization of market forces and capital accumulation. For the purposes of this study, I limit my definition of "the South" to the 13 confederate states of the South (stretching roughly from Virginia to Texas), and I do so precisely because of the elements of their shared history (Hülsemann 2001). This approach is somewhat different from an economic geography approach, which might take the South and the Midwest as part of a larger industrial complex.[23] While some of the seventeen greenfield automotive assembly plants located outside the South; the reason for this focus on the South will become clearer as I discuss the locational decisions for individual plants in chapter 4. For the moment, it is enough to say that these cases do not undermine the locational importance of the regional factors of Southern states I address here.

The states of the American South are bound together by their political economic past basis in a plantation-based agricultural economy, in which landlords primarily relied

[22] It is worth noting that while the activity of automotive production does indeed shift South in the 1980s, it is not the same automotive manufacturers moving south, but new foreign competitors. In this sense, there was not a southern drift of the extant manufacturers as with textiles in the early 1900s. The activity moved, firms did not.

[23] For Example, some studies include plant locations in Indiana as part of their overall analysis. The Southeastern agglomeration is fairly clear from Figure 4.1, though the propinquity to the Midwestern agglomeration is not unimportant.

on slave labor and indentured servitude. While this shared past continues to have many myriad impacts on contemporary life in the South, for the purposes of this research the most important factor is the negative effect this form of production had on the process of industrialization and what Jonas has called the **local labor control regime** (Jonas 1996; Peck 1996). This latter concept is one of the defining features of Southern states: by labor control Jonas simply means the “social need in capitalism for employers to invest in means of integrating labor into the production system”(Jonas 2009:59). A local labor control regime (local LCR) then refers “to an historically contingent and territorially embedded set of mechanisms which co-ordinate the time-space reciprocities between production, work, consumption and labour reproduction within a local labour market” (Jonas 1996:325). For example, one would consider the expectations and norms of workers as to their own treatment by capital and the state, the way in which they meet their daily needs, the expectations of incoming firms and local elites, all as making up a local LCR. For example, the state and industry treat workers very differently in Central Mexico than they do in coastal California, and workers themselves have very different attitudes towards each other, their own reproduction and subsistence, and towards capital and the state.

The local labor control regime of the American South is intrinsically tied to its industrial history. The South lagged well behind Northern states in terms of their industrialization until well after the American Civil War, in many ways directly due to the labor repressive conservatism attached to large landowners engaged in agricultural production (Cobb 1993:1–3; Rueschemeyer et al. 1992:121). Even through the second

World War, the South was seen as an "economic embarrassment" by some federal politicians (Cobb 1993:1). The lingering legacy of labor-repressive government, and the relative poverty that accompanied the industrial stultification in the South (Jacobs 2012:201–2) mean that the region is characterized in part by an outright antipathy toward organized labor (among business, workers, and government) and a cheaper environment in which to do business due to a relative lack of development. And the labor control regime in the South is not just a legacy of labor-repressive practices in the pre-civil War era either; these policies were actively pursued by local government officials well after reconstruction. In 1947 when the Taft-Hartley Act was passed, allowing local governments to ban shops requiring union dues (or "closed" shops), "seven southern states enacted open–shop legislation in the form of so-called right-to-work laws" (Hülsemann 2001:224) by the end of that year. Attempts to unionize in the South throughout the postwar years met with repeated failure, and "by the end of the 1970s anti-unionism had practically replaced racism as the South's signature prejudice" (Cobb 1993:259) indicating an aversion to organized labor not only among businesses and government officials but also to some degree within the workforce.

Such activist pursuit of labor control policies by government officials is not unique to the area of industry-labor relations. Precisely because their states had languished in industrial production, many local and state officials in the South pursued economic and industrial development more directly and actively than in other states. Southern leaders developed a "philosophy of industrial development…that remained socially conservative but nonetheless recognized the importance of an expanded government role in

promoting economic development" (Cobb 1993:4). Hülsemann agrees, "the dominant recipe for industrial growth in the South remained to lure industry from the North by the promise of cheap land and labor" (Hülsemann 2001:223) among other factors (McDermott 2011:80). Recalling the typology elaborated above by Leicht and Jenkins (1994), we can say that historically (and especially in the period following the second World War) the South pursued primarily industrial recruitment and labor control strategies of development – though we shall see that the particular strategies of industrial recruitment changed in substantial ways in the 1970s-80s (Perrucci 1994:30–35; Ch. 5).

The largest industry that was first lured from the Northern states was textiles and apparel manufacturing, which between the 1920s and 1940s shifted from being heavily concentrated in New England to being primarily centered in the Carolinas (Storper and Walker 1989:92). Textiles and furniture manufacturing, both of which are relatively low-skill sectors, dominated in the South through the 1990s (Jacobs 2012:202–3,206); Cobb notes that the labor environment, and the lack of unions in particular, was a key factor in those industries migrating south (Cobb 1993:214–15). The widespread capital flight from textiles and furniture making from Southern states in the 1980s and 1990s is in part attributed to the skill-level of labor required; this deindustrialization in an industry-slim region partly accounts for the intensification of industrial recruitment after the 1970s crisis – a subject I will return to when I discuss incentives and recruitment in chapter 5.

Automotive manufacturing has not been wholly absent from the South. G.M. and Ford both located branch plants and parts production in Southern cities around the turn

of the century, and some locations were refurbished (or torn down and rebuilt) after WWII. G.M. located in "Georgia, Alabama, Mississippi, and Louisiana…chiefly made electrical components, requiring rather low-skilled labor" (Hülsemann 2001:226; see also Rubenstein 1992:125). Ford located branch assembly plants in both Kentucky and Georgia. In contrast to the general trend in the labor regime typical of the South, the UAW did achieve success in organizing the Southern assembly plants (though not parts production facilities) even as late as the 1970s, in the middle of the crisis of the U.S. auto industry (Rubenstein 1992:241). This success was likely tied to the parent companies themselves being held accountable by workers at more complex assembly plants in the Northern automotive core. The Detroit 3 assembly plants located in the South (and other regions outside of the Northern central manufacturing belt) were what are known as **knock-down** plants which are "assembly platforms at the lower end of a product cycle, whose employees do little more than build knocked-down kits of components" (Mair et al. 1988:359) and whose development was primarily intended to mitigate shipping costs of fully constructed products (Rubenstein 1992). Thus, these plant locations never developed into automotive manufacturing centers that the foreign plants and Saturn ultimately did (Hülsemann 2001:219; Mair et al. 1988:359–60), and these later foreign plant locations define the southern drift in U.S. automotive production. Moreover, what pockets of unionization did exist were primarily seen as places to *avoid* when foreign automakers were choosing locations (Hülsemann 2001; McDermott 2011, 2012).

Thus, the Southern region of the U.S. had a number of particular features, low development and perforce low costs of living and doing business, a legacy of

governments being very active in business promotion, and a very repressive labor regime that minimized unionization. These factors, along with the competitive federalism characteristic of U.S. federal policy, are crucial considerations for the changes in economic development activities of localities and the locational considerations of automotive firms I discuss in the following chapters. Before that, I turn to several tables that offer an overview of the automotive assembly plants constructed in the neoliberal era, and which of those cases I focus on for my analysis.

The Cases

Since the onset of the era of neoliberal globalization automotive firms established twenty-one automotive assembly plants in the United States, all but one of these was established in or after 1980, and all but two of the plants were built wholly or in part by foreign-owned corporations. Of these 21 cases I focus primarily on plants established on *greenfield* sites, or brand new developments that are not constructed on previous industrial sites (or *brownfield* developments). I also focus primarily on plants established by a single corporation and located in the Southeast, and give greater attention in the following chapter on locational patterns to projects recruited and established in the 1980s through early 2000s before "agglomeration effects" become a stronger factor in locational decisions. Agglomeration effects refers to the way in which particular industries tend to agglomerate around geographic centers, as local knowledge, suppliers and parts manufacturers, knowledge of the field by government regulators, and other place-specific factors form a kind of center of gravity for new industrial investment (Mair

et al. 1988; Rubenstein 1992; Storper and Walker 1989). While there is some debate within industrial location theory between neoclassical and structuralist theories about whether it is price signals or returns to productivity that encourage agglomeration (Rubenstein 1992:1–10; Storper and Walker 1989:71–77), there is strong empirical evidence to demonstrate such

TABLE 3.1 AAPs in Eastern U.S. In Neoliberal Era

Firm	Site Location	Year Announced	Initial Investment (Millions)	*Reported* Value of Subsidies/Incentives† (Millions)
Volkswagen	Westmoreland, PA	1978	$250	$63
GM	Hamtramck, MI	1980	$700-800	$350
Honda	Marysville, OH	1980	$750	$21 - $27
Nissan	Smyrna, TN	1980	$760	$33-$66
NUMMI*	Freemont, CA	1984	$450	$0?
Mazda-Ford*	Flat Rock, MI	1984	$750	$125
Saturn	Spring Hill, TN	1985	$1,500	$80+
Toyota	Georgetown, KY	1985	$800	$150
Diamond-Star*	Bloomington, IL	1985	$600	$118-274
Subaru-Isuzu	Lafayette, IND	1986	$500	$86 - $94
BMW	Spartanburg, SC	1992	$300	$130
Mercedes-Benz	Vance, AL	1993	$300	$250 - $300
Honda	Lincoln, AL	1999	$450	$158.4
Nissan	Canton, MS	2000	$900	$295
Hyundai	Montgomery, AL	2002	$1,000	$258
Toyota	San Antonio, TX	2003	$800	$133
Kia	West Point, GA	2006	$1,200	$410
Honda	Greensburg, IND	2006	$550	$141.5
Toyota	Blue Springs, MS	2007	$1,300	$293 - $296
Volkswagen	Chattanooga, TN	2008	$1,000	$577
Volvo	Charleston, SC	2015	$500m	$210+

Sources available on request.

- Brown lines indicate brownfield sites; (*) Indicates a joint-venture
* Note the Volvo deal is preliminary; the total of $240 million in incentives also does not include tax incentives or abetments, but up-front expenditures alone.
† The reported value of incentives is based on news reports that take into account different factors. Table 3.2 below takes a more systematic approach.

patterns of industrial clustering. There is also historical evidence demonstrating that industries shift centers over time according cycles of growth and recession in capital accumulation (Gough 2003; Harvey 1982). Table 3.1 shows *all* automotive assembly plants located in the U.S. since the neoliberal turn of the late 1970s, including joint venture plants (marked with an asterisk) and brownfield sites (highlighted in light brown).

As discussed in the last chapter, my focus is on changing relations between governments and firms choosing new sites for automotive production. I focus primarily on plants located in the Southeast because the legacy of activist industrial governance and labor repression creates a unique dynamic that is not necessarily present in states outside of the region, though Indiana perhaps has displayed a similar tendency. One of the professional site selectors I spoke to told me that "probably going back to the 1960s…whenever something big…happened in Indiana it was usually the public and private sector coming together to do it" (SEL03 2016). I further narrow my focus to single-ownership greenfield automotive plants because such sites raise particular considerations for firms choosing a location and for localities pursuing industrial recruitment and development efforts. As a rule, brownfield sites are not as expensive or intensive an undertaking for firms or states because both the industrial (land, plant, watershed, utilities) and public infrastructures (road and rail connections) are partially in place already.

This focus means that I largely eliminate the VW plant in Westmoreland, PA (1978); GM plant in Hamtramck, MI (1980); New United Motors Manufacturing Incorporated in Freemont, CA (1985); the Mazda-Ford joint venture in Flat-Rock, MI (1985); and Diamond-Star motors in Bloomington-Normal, IL (1985) from my analysis. In the next chapter I discuss my reasoning for eliminating these cases from focused investigation, as these reasons have to do with locational and site selection considerations discussed there, in addition to the reasons mentioned above. I do offer a brief discussion the importance of the joint-venture plants and brownfield sties as they relate to the locational patterns of automotive firms' calculations in chapters 4 and 5, but for the most part I maintain my focus on the dynamics that go into the location and industrial recruitment of greenfield automotive assembly plants.

The extensive details of the cases I focus on are provided in table 3.2 below. I refer to this table throughout the following chapters.

Table 3.2 – Greenfield Plant Locations and Incentives Packages Detail
[Details provided as available from texts and materials]
[Borrowing Costs excluded from all estimations]
(number in parentheses are rough estimates of inflation, adjusted to 2014 dollars)

1980 Honda
Ohio | City: Marysville| County: Union
Initial Firm Investment: $750 Million | Deal Announced: Late 1979 | Plant operational: 1982
Up Front Incentives:
• Highway Construction
• Site improvements
Sub-Total: $22 million
Tax-Based Incentives:
• $5 million unspecified tax incentives
Incentives Total: $27 million ($77.5 Million)

1980 Nissan
Tennessee | City: Smyrna| County: Rutherford
Initial Firm Investment: $760 Million | Deal Announced: November 1980 | Plant Operational: 1982
Up Front Incentives:
• $ 22m Road Improvements and Site prep
• $11m Employee Training
• $13m 'indirect incentives'
Sub-Total: $46 Million
Tax-Based Incentives:
• $10m unspecified tax incentives
Incentives Total: $66 million ($186.7 million)

1985 Saturn
Tennessee | City: Spring Hill **|** County: Maury & Williamson
Initial Firm Investment: $ 1.5 billion | Deal Announced: July 1985 | Plant Operational: 1991
•$30m worker training
•$50m road improvement and construction
Sub-Total: $80 million
Tax-Based Incentives:
• PILOT agreements, amount not documented (no basis for estimates)
Incentives Total: $80 million+ ($176 million)

1985 Toyota
Kentucky | City: Georgetown| County: Scott
Initial Firm Investment: $800 million | Deal Announced: December 1985 | Plant Operational: 1988
Up Front Incentives:
• $20m site purchase & prep
• $10.28m Utilities (water and gas)
• $12.2m wastewater facility;
• $47m road improvements;
• $7.2m Training center;
•$55 - $65m worker training;
•$5.2m Toyota families education.
Sub-Total: $147 Million
Tax-Based Incentives:
• Unspecified Tax Incentives, amount not documented (no basis for estimates)
Incentives Total: $147 million+ ($318.4 million)

1986 Fuji-Isuzu
Indiana | City: Lafayette| County: Tippecanoe
Initial Firm Investment: $500 million | Deal Announced: December 1986 | Plant Operational: 1989
Up Front Incentives:
• $19m site purchase & prep
• $37m Road & Utilities (water and gas)
• $29m worker training;
• $1m Japanese family transition
Sub-Total: $49 Million
Tax-Based Incentives:
• $210m tax abatements and credits
Incentives Total: $260 Million ($561.6 million)

1992 BMW
South Carolina | City: Spartanburg| County: Union
Initial Firm Investment: $300 million | Deal Announced: June 1992 | Plant operational: 1994
Up Front Incentives:
• $36m Site Purchase $^{31.6 state;$5mn County}

•$22.5m Infrastructure & Site prep; road improvement; utilities and lines; expansion of airport runways
Sub-Total: $58.5 million
Tax-Based Incentives:
• $70.7m
- Fee in lieu of property tax
- Job Tax credits
- Creation of industrial park

Sub-total: $70.7 million
Incentives Total:$ 129.2 Million ($214.7 million)

1993 Mercedes Benz of Alabama
Alabama | City: Vance| County: Jefferson
Initial Firm Investment: $300 million | Deal Announced: September 1993 | Plant Operational: 1997
Up Front Incentives:
• $30m - 35m Site Purchase and development [Tuscaloosa City & Country + $5m From Birmingham city]
• $35m Training Facility [state?]
• $45m Worker Training and Pay while training [State]
• $5m Welcome Center
• $11m Alabama Power incentives

Sub total: $126 million
Tax-Based Incentives:
• **$**280m 25 Year Corporate income Tax Holiday [State [Law passed for both]]
- Worker Income tax deferred to MBZ (5% of worker pay) [State and Local; 'Mercedes Benz Bill']

• $9m/yr Property Tax Breaks [Property tax break (Spindler 1994:198)]
- No Timeline [assume 10yrs (low estimate) = $90m]

Sub-**Total:** $370m
Incentives Total: $ 496 million ($800,484,130)

1999 Honda Manufacturing of Alabama
Alabama | City: Lincoln| County: Multiple
Initial Firm Investment: $450 million | Deal Announced: May 1999 | Plant operational: 2001
Up Front Incentives:
• $16m Site Purchase [Counties: Jefferson, St. Claire, Talladega, Etowah, and Calhoun]
• $64m Site Prep
• $20m Road Improvements and Utilities
• Worker Training [Unspecified]

Total: $102.7m
Tax-Based Incentives:
• $ 56m Tax Breaks/Abatements [Details Unclear – based on previous legislation]
• **[**Estimated Property Tax Exemptions (10 years – low estimate): $90 Million]

Incentives Total: $158.7 – $248.7 million ($222.8 - $349.1 million)

2000 Nissan
Mississippi | City: Canton| County: Madison
Initial Firm Investment: $900 million | Deal Announced: November 2000 | Plant Operational: 2003
Up Front Incentives: (Initial Package)
• $93m site purchase and prep [State and local]
• $59m road improvements
• $33m water and sewer infrastructure
• $17m "vehicle preparation" building
• $25m university-level automotive engineering center
• $80m for training
• $5m marketing plan to promote both the company and the state
• $8m miscellaneous expenditures

Sub total: $320 million

Tax-Based Incentives: (Estimates)
• $400 million Jobs tax Credits
• $72m Corporate income tax breaks
• $160m Advantage jobs subsidies
• $210m Property Tax abatements
Sub total: $842 million
Incentives Total: $1.162 *billion* ($2.2 billion)

2002 Hyundai Motors Manufacturing Alabama
Alabama | City: Montgomery| County: Butler
Initial Firm Investment: $1 Billion | Deal Announced: April 2002 | Plant operational: 2005
Up Front Incentives:
• $55m site purchase and improvement [25m City and County & 34m State]
• $7m training center [State]
• $54.8m training [State (I Think)]
• $20m road/access improvements [State]
• $21m sewer and water line improvements [City & County]
• $18.2m utilities & railroad improvements [Private (Utility Companies)]
• $1m employee housing assistance [State]
• $12m Miscellaneous
Sub-Total: $170.8 million
Tax-Based Incentives:
• $ 82m Corporate income tax breaks (20yrs)
• Property tax breaks undocumented [very low estimate $100m property tax breaks based on equivalents]
Sub-Total: $82 - $182 million
Incentives Total: $252.8 - $358.2 million ($329.9 - $467.5 million)

2006 Kia Motors Manufacturing of Georgia
Georgia | City: West Point | County: Troup
Initial Firm Investment: $1.2 Billion | Deal Announced: March 2006 | Plant operational: 2009
Up Front Incentives:
• $60.5m site purchase and prep (includes resident relocation) [state]
• $36m road improvements & rail spur [State GA DOT]
• $21m infrastructure improvement
• $40.5m Training equipment and hard assets [Local & State]
• $31.4m Training Centre (5yrs) and maintenance [State]
- Includes 5 years Operation Costs and Maintenance
• $5.7m Job Training [State]
Sub Total: $195.1 million
Tax-Based Incentives: X
• $65.6 - 75.9mn Job-based tax credits [State & Local?]
• $14m (est.) sales tax exemption on equipment/other purchases [State]
• $130mn Property Tax abatements (15yrs)
Sub-Total: $209.6 million
Incentives Total: $404.7 million ($473,453,777)

2007 Toyota [Plant opening delayed by recession, opens 2011]
Mississippi | City: Blue Springs| County: Pontotoc, Union, Lee
Initial Firm Investment: $1 Billion | Deal Announced: February 2007 | Plant operational: 2011
Up Front Incentives:
• $67m site purchase and prep [$30m Local Gov't]
• $136.6m infrastructure upgrades [State & Federal]
• $ 80m training [State]
• $10.3 miscellaneous [Local]

• $30m tier-1 supplier (earmarks)
Sub Total: $323.9 million
Tax-Based Incentives:
• Tax Incentives not Documented
• Estimates [based on 2000 Canton, MS deal]
— $250m Jobs-based credits
— $100m Job Advantage Subsidies [low estimate]
— $100m Property Tax Abatements [low estimate]
Sub Total: $450 million [estimate]
Incentives Total: $323.9 - $773.9 million ($368.6 - $880.7 million)

2008 Volkswagen Group of America
Tennessee | City: Chattanooga | County: Hamilton
Initial Firm Investment: $1 Billion | Deal Announced: July 2008 | Plant operational: 2011
Up Front Incentives:
• $81m site purchase and development [City and County]
- Property a "gift" to VW
• $93m roads and highway improvement [Federal and State]
• $30m worker training, screening, training center construction [Fed, State and Local]
• $3.5 rail upgrades [State, City and County; Hamilton County Railroad Auth.]
Sub-Total: $207.5m
Tax-Based Incentives:
• $200m job tax credits (20yrs)[state?] [$5k/job/yr (20yrs) 'Super Job Tax Credit']
• $150-$350m property tax breaks (30yrs) [City & County] ["at least $12m/yr"]
Sub-Total: $350 - $550 million
Incentives Total: $557.5 – 757.5 ($611.2 million)

2015 Volvo
South Carolina | City: Ridgeville | County: Berkely
Initial Firm Investment: $500 Million Deal Announced: May 2015 Plant operational: TBD [2018 Est.]
Up Front Incentives:
• $29m site purchase [Santee Cooper [Public Power Comp.]]
• $25m worker training [Santee Cooper]
• $5m [Berkley County]
• $120m economic development bonds
• $30m State development grants
Sub-Total: $209 Million
Tax-Based Incentives:
• Not Reported ("Multi-Millions" in Credits and PILOT)
Incentives Total: $210 million+

A few notes on Table 3.2 as presented. First, for most early cases there is little accessible documentation of the tax abatements and incentives offered (as opposed to outright expenses), meaning that the apparently low dollar value of these incentives packages must be taken in context. Likely the actual costs incurred would be higher by tens or hundreds of millions of dollars. Also, except for Kia in 2006, no reports discuss the

value of sales and use tax exemptions, though likely these are present in all cases. If estimates for the Kia deal are generalizable to other cases the value of such incentives would add around ten to twenty million dollars over a ten year period.

In the next chapter, I relate the regional and national context elaborated in this chapter to the broader trends and exigencies faced by global automotive manufacturers at the onset of the neoliberal globalization project, and how these shape locational patterns.

Chapter 4
Patterns in the Industry – Patterns in Location

Understanding Automotive Assembly Plant Locations

The industrial policy of the United States and the industrial history of the South, discussed in the previous chapter, are important contextual factors for understanding the southern drift of automotive production and changes in patterns of in industrial recruitment. But to fully understand the patterns behind the (plant locations I must first discuss the direct impact of the global economy on factors within the global auto industry that affected the decisions of the Japanese, German and the South Korean firms in placing a plant in the U.S.

As discussed above at some length, the major crises of the late 1970s ushered in an era of entrepreneurial style local and state governance that Southern states had already practiced to some degree. As the nation-state turned towards the project of managing the vicissitudes of volatile and liberalized global capital accumulation, global leaders from politics and business set about the construction of more "flexible" relations of production and capital accumulation. A major part of this project was the retrenchment of the political gains made by the working classes in the post-war years, primarily in the affluent West. With the relative disarticulation of the nation-state and global capital, regional and local governments were ostensibly imbricated in a competitive field of increasingly mobile capital investment. A major goal of this research is to elaborate how that globalization project has affected the relations between local

government and capital. But in order to do this it is important to elaborate the effect of the crisis of the 1970s on the auto industry, particularly the competitive and political pressures it created. David Harvey nicely sums up some of the most important impacts of the crisis of Fordism:

> [by the mid-1960s] the West European and Japanese recoveries [from WWII] were complete, their internal market saturated, and the drive to create export markets for their surplus output had to begin. And this occurred at the very moment when the success of Fordist rationalization meant the relative displacement of more and more workers from manufacturing…declining corporate productivity and profitability after 1966…meant the beginnings of a fiscal problem in the United States that would not go away except at the price of an acceleration of inflation, which began to undermine the role of the dollar as a stable international reserve currency…It was at about this time too that import substitution policies in many Third World countries…coupled with the first big push by multinationals into offshore manufacturing…brought a wave of competitive Fordist industrialization to entirely new environments, where the social contract with labor was either weakly enforced or non-existent. International competition thereafter intensified as Western Europe and Japan, joined by a whole host of newly industrializing countries, challenged United States hegemony within Fordism to the point where the Bretton Woods agreement cracked and the dollar was devalued. Floating and often highly volatile exchange rates thereafter replaced the fixed exchange rates of the postwar boom. (Harvey 1989:141)

Improvements in communications and transportation technologies that led to intensified global and international flows of commodity and money capital meant that automotive firms in the U.S. were now in more direct competition with Japanese and West European producers who sought to export as much as possible to the world's largest consumer market. This increasing competition was only exacerbated by the crises of the 70s and the oil shocks that drove up the prices of gas, further eating away at demand in the automotive sector. It was in this environment that Japanese automakers began to dominate global automotive markets.

The Rise of Japanese Competition

The auto industry was the paradigmatic case for the shift from Fordist to flexible production processes, which in turn reflected broader socioeconomic shifts across the world economy. Ford and other Western auto makers, including the then West-German firms, in the 1960s and 1970s tended to have long-run production platforms that allowed for little variability in design or response to consumer demands. Variability in platforms and production technology was further limited by highly entrenched labor relations, in which workers resisted major changes in manufacturing processes (Rubenstein 1992:275–80). "Fordist methods of production…[are] characterized by the deployment of machinery dedicated to single tasks, strict job demarcations with multiple skill classifications for the workforce, and clear divisions between employees responsible for mental and manual labor" (Mair et al. 1988:353). This rigidity was further exacerbated by the high degree of vertical integration of supplier firms within U.S. auto industries (and to a lesser degree the European auto industry) that lessened competition among supplier firms and is generally seen as lowering the quality of U.S. automobiles at the time (Hunker 1983:80–81; Rubenstein 1992:166–70). All of these factors are prototypical of Fordist production.

It is in this context that Japanese automakers began to gain a dominant position in the global economy and international markets, particularly in the largest global consumer market at the time, the United States (Hunker 1983:65–70; Kwon 2004:40–41; Perrucci 1994:2;23; Rubenstein 1992:154-5;166-7; Yang 1995:99). This was due to the

fact that Japanese producers had developed what came to be called "lean" production techniques and relations that in contrast to Fordist-style mass production is

> "lean" because it uses less of everything compared with mass production—half the human effort in the factory, half the manufacturing space, half the investment in tools, half the engineering hours to develop a new product in half the time. Also, it requires keeping far less than half the needed inventory on site, results in many fewer defects, and produces a greater and ever growing variety of products. (Womack, Jones, and Roos 1990:13)

The lean-ness of these production techniques also extends to firm organization and inter-firm relationships. Japanese automakers were much less vertically integrated than were their U.S. competitors, tending to farm out parts manufacturing to different "tiers" of suppliers, among whom the top tier would have access to tightly controlled technological and design information (Rubenstein 1992:170–71). This horizontal integration is argued to create higher quality through competition for contracts (Hunker 1983:80–81; Rubenstein 1992:169–70),[24] and allows for the "just in time" (JIT) system of delivering parts on a short-term, needs basis,[25] though it also requires development of strong relations of trust between manufacturers and suppliers (Yang 1995:Ch.3).

All of these factors, combined with lower labor costs meant that Japanese producers tended to create cheaper, higher quality cars than their Western European and U.S. competitors. With the increasing global flows of capital and increasing

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[24] While the quality of a commodity is difficult to analyze systematically, there was a general consensus in the early 1980s that Japanese cars were among the best made (Hunker 1983:80–81; Rubenstein 1992:165–70) while some U.S. cars, such as the Buick Lesabre, were rated among the worst (at least in the U.S. consumer markets)(Rubenstein 1992:165).

[25] The development of "just-in-time" delivery was also a product of revolutions in the means of production that emerged from the 1970s crisis, particularly the new reliance upon microprocessors. The development of computers and information and communications more broadly were critical for the just-in-time system to work (Teeple 2000:65–71). Even producers who had long supplier chains, such as Saturn, could only do so because of computer coordination.

competition among automotive manufacturers, Japanese companies became a dominant player in the global automotive market by the early 1980s. "Japanese production and customer-supplier relations were regarded as the "best practice" in comparison with American and European suppliers" (Kwon 2004:41). At the end of the day, Japanese car makers became dominant because the made better cars, and di so much more efficiently than their competition.

As already noted, saturated domestic markets had begun pushing West European and Japanese firms to export to the United States in the 1960s, and by the 1980s the Japanese vehicles' cost and performance superiority gave their manufacturers a strong edge over their Western competitors and that led to an increasingly dominant position in the U.S. market. In response to this competition, "early in 1980 the leadership of the Big Three auto firms and the United Auto Workers (UAW) began a systematic two pronged campaign pressing for restrictions on imports of foreign-made cars and urging the Japanese to open auto plants in the United States"(Perrucci 1994:2–3).[26] The newly elected Regan administration had made campaign promises to this effect,[27] and followed through by applying intense pressure on the Japanese government, which responded

> by adopting voluntary restrictions in 1981 on the number of automobiles which could be imported to the United States. The limits were originally set at 1.68 million vehicles, or 22% of the US market, and raised to 1.85 million vehicles in 1983…the Japanese Ministry of International Trade and Industry told each automaker how many vehicles could be imported to the United States…this allocation system favored Toyota, Nissan, and

[26] This two-pronged campaign is a perfect example U.S. industrial relations described in the previous chapter. That is, a segment of capital and the segment of labor form a kind of mini-corporatist relationship and attempt to influence the state thusly. It is also indicative of how this industry was not, thereby, shielded from competitive pressures of the market.

[27] The Regan administration is primarily associated with the rise of neoliberal governance in the US and globally – practices usually equated with free-market dogma and the minimization of government 'intervention' in markets. It is thus worth noting the irony that one of his first acts upon being elected was to negotiate protectionist policies for one of the largest industries in the nation.

> Honda…the purpose of the quotas was to allow US carmakers time to retool to produce cars that could compete in price, quality, and fuel efficiency with the Japanese imports. (Rubenstein 1992:162–63)

One of the immediate effects these protectionist measures was actually swelling profits for Japanese automakers, who took advantage of high demand to import their more expensive models and mark up prices (Rubenstein 1992:163). In the long term, however, these policies raised fears that import limitations would restrict sales and were one of the major factors in compelling Japanese firms to locate transplants in the United States, which was contrary to their more centrist, export-oriented international strategy (Hunker 1983:73–8; McDermott 2012; McDermott, Luethge, and Byosiere 2011; Perrucci 1994:3; Yang 1995:96–99). These fears compounded with the negative impacts on profitability and price competitiveness of Japanese cars incurred by the weakened dollar and volatile exchange rates (McDermott 2012:17; Perrucci 1994; Spindler 1994:197). The protectionist policies in the U.S. clearly were a trigger for Japanese firms warily considering plant locations outside of Japan, but to fully understand why the Japanese automakers decided to cross the Pacific we need a bit of locational theory and economic geography to tie the threads of global crisis, rhythms of capital accumulation, and firm locational decisions together.

Locational Theories: Open Windows on the South

There are a number different theories on why firms choose particular sites for fixed capital investment and development, which I will not review in detail here as these

are not the primary focus of this study (but see Rubenstein (1992:10–19).[28] Storper and Walker (1989) offer the most detailed structural analysis of the factors that affect and limit firms' locational decisions in the broader context of the capitalist mode of production and the particular way that capitalist industry produces spaces (see also Harvey 1982: Ch. 12). The authors are highly critical of neoclassical (as known as "Weberian" – though not for the sociologist Max Weber) locational theory that sees firms as tightly constrained by existing infrastructure and resources. Two interrelated factors are seen in neoclassical theory as constraining plant-choice,

> [an industry or plant has certain] **"locational specifications"** comprised of the kinds of input-output relations that are the focus of conventional approaches. These include, first of all…labor, natural resources, and consumers…these are non-ubiquitous and spatially-differentiated needs that vary in availability and cost at different sites…Locational specification becomes a more general and more difficult problem…when it is recognized that most commodity inputs and outputs pass between firms in an extensive division of labor within and between industries…"**Locational capabilities"** on the other hand, refers to the capacity of a plant, firm or industry to secure what it needs – labor, suppliers, buyers – at a given location. (Storper and Walker 1989:73 emhasis added)

From the neoclassical perspective, for major industrial projects such as an automotive assembly plant, the primary locational specifications aside from the land itself are 1) a large labor supply, 2) proximity to transportation infrastructure (highways and rail and, if export-oriented, ports and airports) with access to consumer markets, and 3) and networks of parts producers and suppliers (Klier and Rubenstein 2010; Mair et al. 1988; McDermott et al. 2011; Rubenstein 1992). I will discuss how these factors affected the particular decisions of different automakers in the next section; the point here is that

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[28] Rubenstein (1992) has unquestionably provided the most systematic geographical overview of the geography and locations of the U.S. automotive industry.

all of these factors, from the neoclassical perspective, limit the locational opportunities for new automotive plants. The problem with the neoclassical approach is that it ignores the dynamism of capitalist industry and the *rhythms* of capitalist accumulation, as different and unequally developed regions are shaped through the processes of accumulation and growth, crisis and recession, and restructuring (Gough 2003; Harvey 1982). An industry, or a part thereof, has different locational options at different points in its development, and rapidly growing industries (as well, we shall see, as radically restructuring ones) have the capacity to produce their own locational specification because their growth gives them new locational capabilities.[29]

> Fast-growing industries achieve locational freedom by locational specifications and dynamic locational capabilities. To begin with, fast-rising industries enjoy enhanced locational capabilities due to above normal profits…as important, however, is the way a dynamic sector generates its own inputs over time rather than simply competing for a stable quantity of goods and labor-power…in other words, there is ample reason to believe that leading firms in a rising industry do not face severe locational specification constraints…because innovation necessarily means solving technical problems presented by new ways of producing, [and] organizing…inputs, and labor problems…these moments of enhanced locational freedom may be called **windows of locational opportunity**. (Storper and Walker 1989:74-5 emphasis original)

The authors further note that such locational windows also present themselves to industries that are mature but face radical restructuring due to declining profitability and competitiveness, precisely because their extant form of labor relations and ways of producing, and organizing have become unprofitable or stagnant (Storper and Walker 1989:91; Mair et al. 1988). This is why the major recession and crisis of the 1970s is so important. David Harvey (1982, 2006b) and Jamie Gough (2003, 2004b) further highlight the importance of the *rhythms* of capitalist accumulation for industrial patterns of capital

[29] See also, Evans (1979).

investment and divestment, particularly in fixed capital (or plants). Locational and organizational windows are tied not only to the profitability or newness of an industry but also to cycles of boom and bust, accumulation and crises, with the latter forcing unprofitable firms or industries to rationalize and reorganize or suffer the ultimate fate of falling behind in a competitive market-based society. The crisis of the 1970s is so important because it forced a critical juncture in the restructuring of the global automotive industry (among many other effects), creating “windows of opportunity” for the Japanese, German and South Korean automakers who chose plant sites in the Midwest and South U.S – but for very different reasons. As we have already seen, the Japanese automakers were a fast-rising segment of the automotive industry, which endowed them with a degree of locational freedom and the capacity for creating their own locational capabilities to a certain degree. Thus, their rise within the global automotive industry gave Japanese automakers the *capacity* to locate plants within the U.S. outside of the existing producer-supplier networks, but it was political restrictions on exports to their major consumer market there which pressured Japanese firms to make the transnational leap, with Honda leading the way in 1980 in Ohio, followed by Nissan in Tennessee that same year.

U.S. Transplant Locational Decisions Part I: New Domestics of the 1980s

The 1980s saw four Japanese auto manufacturers locate assembly plants in the United States: two in the Southeast/Midwest (Indiana and Ohio) and two in the South (Tennessee and Kentucky). In addition to these, G.M. chose Tennessee for the location of its new Saturn plant in 1985. Because the Japanese were more concerned with

production for the U.S. market than for export, proximity to major interstates and rail lines were definite locational specifications for those firms – while proximity to major ports or airports were not necessarily as important.

For the moment, I will leave to the side the question of local and state incentives offered to firms to develop in their locality, and focus on the more generalized locational specifications Japanese firms considered in their initial plant location decisions (I will address actual *processes o*f locational decisions in more detail below in the next chapter). Two locational specifications beyond transportation requirements and labor supply that are routinely raised in accounts of locational decisions are *supplier bases* and *labor control regimes*. As discussed above, Japanese firms had developed flexible JIT production methods that require (a) a reasonable proximity to supplier bases and (b) a malleable labor force willing and able to embrace changes and adaptations in the production process (Klier and Rubenstein 2010; Rubenstein 1992:171–81). In fact, the imperative of extant or indigenous supplier networks for the initial transplants was both important and unimportant – or rather was initially a focal consideration but quickly declined in importance as quality and relationship issues with the first round of Japanese transplants led to the pursuit of alternative strategies. First of all, it should be reiterated that not all parts suppliers are treated equally in the just-in-time system; rather, parts suppliers are organized in a tiered hierarchy, with top tier or first-tier suppliers producing major components such as seats, suspensions systems, and occasionally even engines at separate plant sites and shipping to the final assembly plant as needed (Rubenstein 1992:170–1; Kwon 2004). First-tier suppliers also have closer relationships to major auto

manufacturers because they require occasional access to restricted knowledge; such suppliers also “opt for locations near their customers—the assembly plants—to minimize aggregate transportations costs” (Rubenstein 1992:171) a distance of about 100 miles or less. Rubenstein continues, “[lower]-tier suppliers may not be operating on just-in-time delivery, as is the case for most first-tier suppliers” (ibid).

Firms concluded that the importation of parts from Japan would undermine the timing and quality-control aspects of the just-in-time system (Mair et al. 1988:365). Hence, Honda’s decision in 1979 to locate in Ohio was in fact

> precisely in order to establish JIT linkages with Midwestern supplier firms. Most indigenous suppliers, however, were largely unfamiliar with JIT quality and delivery requirements. While Honda’s expectations were not very high, quality turned out to be much worse than expected…even obtaining basic items such as glass and steel proved quite problematic…as a result assembly firms have encouraged many of their Japanese suppliers to construct transplants in North America. (Mair et al. 1988:365)

A number of major auto manufacturers from Japan essentially held their first-tier supplier firms captive in relocating along with them, threatening not to continue buying from them in Japan if they did not also transplant to the U.S. (Rubenstein 1992:171–72).[30] Given that almost all of the foreign firms locating plants in the U.S. for the past 30 years brought top-tier suppliers along with them, the existing supplier base should not be considered a significant locational specification. The major locational consideration is therefore the question of labor.

The Question of Labor

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[30] For Nissan in the 1980, proximity to extant supplier bases was not a major locational specification but rather “regarded having regionally near suppliers as advantageous should it begin looking for more U.S. content” (Hülsemann 2001:228).

The questions of the importance of labor forces for firm locational considerations is a strong thread winding through critical geography and locational theory since the 1980s (Cox 1995; Gough 2012; Peck 1996). Many within the field emphasize the spatially "fixing" power of labor force requirements, such as skills and capacities, can have on a firm (Cox 1995, 2010, Jonas 1996, 2009) as these particular qualities of labor forces are typically developed *in situ*. The role of labor in Japanese and other foreign auto makers' plant decisions point to some of the limitations of the so-called regulation school of thought in critical geography – in part because such theories do not take enough account of the temporally and geographically uneven and unstable processes of industrial development and accumulation that were the impetus for locational decisions of Japanese automakers in the first place. Because they were operating within a window of locational opportunity, Japanese firms intended from the outset to cultivate their own labor forces and as such the skill capacity of the workforce was not a major concern. Indeed, "like other Japanese firms before and after, Nissan preferred to hire people without automotive, often without any industrial background" (Hülsemann 2001:228).[31]

One of the main concerns for transplant locations for Japanese firms was then the avoidance of organized labor. Multiple accounts of the locational decision process (Hülsemann 2001:228–32; McDermott et al. 2011; Rubenstein 1992:209–12) and comparative analyses of such decisions (Jacobs 2012; Miller 1997; Spindler 1994)

[31] Whether it was the ascendency of the Japanese firms in the 80s or the incentives offered by local governments to cover the cost of training that were decisive is far from clear.

reiterate the importance ascribed by foreign firms (not just the Japanese) of the avoidance of militant workforces. The precise reason why Japanese firms wished avoid unions is not wholly clear; unionization and industrial relations in Japan were at the time quite different than the in U.S. or other Western countries. Due in part to scarcity within labor markets, firms tended to promise what was basically employment for life, and had a system of advancement and promotion based on length-of-service (Kim 1995:103–32). These relations tended to produce what Kim calls "enterprise unions" or unions within the firm – in part because worker organization across different enterprises would bring no additional benefits to the worker due to coordination among employers (Kim 1995:115; Burawoy 1985:66). In the comparative development literature this sort of employment organization, characterized by "coordination among groups of companies across industries [typical] in Japan and Korea…[is categorized as] group-coordinated market economies" (Huber and Stephens 2005:612). Such relations generated a certain reciprocity between worker and firm that in part accounts for the flexibility of Japanese workers and their willingness to re-skill and re-learn in adaption to changes in the production process. Kim suggests that such an employment model is clearly incompatible in the U.S. (and indeed has declined in Japan sharply since the 1990s when the author conducted his ethnography), and that automotive firms did not seek to replicate such relations in the South. In an interview with one Japanese executive of an automotive plant in the U.S. on the subject of their anti-union sentiment, Kim argues "what the Japanese executive [suggested] was that the management cares more about the welfare of its employees than the union can" (Kim 1995:120). Given that the only attempt at

unionizing Nissan in Tennessee came about from growing concerns over work-related injury (Gelsanliter 1990:65; Hülsemann 2001:229) it seems rather more likely that the Japanese firms (like the Germans who followed) were pursuing their own version of the class project that emerged out the 1970s crisis as they crafted their global production strategies. This notion is supported by Mair et al.'s research which suggests that "Nissan considered sites in Illinois and Ohio, in the heart of…automobile supplier infrastructure. But it eventually selected Tennessee…to minimize likelihood of worker representation…while Honda chose…Ohio, it's site is in a rural area distant from any large cities" (1988:366) and unionized workforces. Thus, in addition to requiring a significant supply of labor, incoming automotive firms required what they referred to as a "quality" workforce. One site selection consultant I interviewed clarified what qualities in particular were important: "good work ethic, adaptable to manufacturing, work[ing] in a team setting, willing to take on new skills. That's for the so-called unskilled workers, and then you need to have a compliment of skilled work force, electricians, mill wrights that type of thing " (SEL01 2016). Given that UAW was formed in part to gain greater control over the changes in the production process described by this professional, the avoidance of unions was clearly imperative from the perspective incoming firms.

Perrucci's (1994) comparative analysis of Japanese transplants provides one of the lone arguments *against* the importance of labor in such locational decisions. In his review and follow-up to Perrucci's analysis, Miller notes "the class factors Perrucci uses are his shakiest data, and in fact, he discards the category in his regressions as unpredictive of location decisions" (1997:21). Miller is ultimately critical of Perrucci's

selection of variables for his regression analyses, describing the selection process as "arbitrary" (Miller 1997:22), and in his own follow-up regressions using much of the same data—though a different operationalization process—finds that low-skill, low wage non-union labor was an important factor for both Japanese and German firms (Miller 1997:42). Another problem with Perrucci's rejection of class and labor considerations is that his data are aggregated at the state level for comparison, whereas the actual selection processes by firms suggest that the city/town or county level is the unit of analysis which more accurately reflects the real decision process reflecting labor "quality."[32] Thus, in the initial round of locational decisions, concerns over competition for suitable labor were not as central as the concern for avoidance of militant workforces. This led to a pattern in which almost all of the transplant firms from the 80s on chose a relatively *rural-ish* location, small towns outside of "union country" that were nonetheless relatively close to major highways and a major metropolitan areas (Hülsemann 2001:233; Mair et al. 1988:361). "Rural workers were also viewed as having low levels of occupational and geographical mobility, thus reducing the likelihood that highly trained production workers would quit" (Mair et al. 1988:366).

To get a clearer picture of the locational decision process, it will be worth examining some cases in greater detail, to understand the complex variables considered by different firms from Japan, Germany, and South Korea. Figure 4.1 below presents a color-coordinated picture of the 17 greenfield plants detailed in Table 3.2.

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[32] This is especially the case as the agglomeration of the Southern automotive core proceeded and the population of manufacturers became more dense (McDermott, Luethge, and Byosiere 2011).

Figure 4.1 Map of Greenfield Plant Locations

Honda, Marysville, OH, 1980

The first greenfield transplant decision, Honda's choice of Maryville, Ohio is exemplary of the rural-ish approach to plant location. Honda was one of later developing auto manufacturers in Japan, meaning that it had never captured a large share of the Japanese market, "because Toyota and Nissan have a monopoly on most car dealerships" (Gelsanliter 1990:142) in Japan. "As a result, Honda from its inception was highly dependent on overseas sales. At the same time, Honda's Japanese plants were operating at full capacity in the late 1970s, while Toyota and Nissan could expand production"

(Rubenstein 1992:210). As the trailblazer, Honda tested the waters in Ohio in late 1970s by first constructing a motorcycle plant there, as “motorcycle production would test the ground for the possible manufacture of automobiles, an experiment deemed necessary because internal feasibility studies had predicted financial losses from transplant…production. Soon after the plant opened in 1979, however, Honda announced construction of a $250 million automotive assembly plant adjacent to the Marysville facility” (Mair et al. 1988:356).

The choice of Ohio is obviously outside of the South, departing from the later trend that would develop, but there are clear reasons why this is the case. As discussed above, in part because they were the trailblazer and had no experience with American parts manufacturers, Honda had initially intended to use indigenous parts suppliers located relatively close to the Detroit 3 manufacturers. Another draw was that the site itself was actually somewhat pre-developed through a stalled initiative of then governor James Rhodes, who had intended to establish an automotive research development called the Transportation Research Center (Gelsanliter 1990:22–25). Another attraction was that several major Japanese parts manufacturers, such as Mitsubishi Electric Automotive America, had also already established a presence in Ohio and nearby states with the intention of serving the Detroit Big 3 assembly plants that were increasingly outsourcing parts production. Yet the Midwest location was still some distance from Northern automotive production centers, as “Honda and Nissan were particularly concerned about the quality of North American workers […]. In order to avoid areas with traditions of labor union organization they sought rural greenfield sites” (Mair et al.

1988:366). Hence, the site filled the parameters of supplier proximity and union-distance, fitting the rural-ish pattern of later plant locations of being in a rural area that is relatively near to a major city (Columbus and Dayton) as well as two interstates and an airport. As already mentioned, Honda and other Japanese producers ultimately had major quality control issues with suppliers, and "some indigenous supplier firms…resist[ed] adopting JIT. Even by 1988, Mazda [in its joint venture with Ford]…reported that its biggest single problem remained obtaining materials of adequate quality…supplier firms preferred not to do business with Mazda rather than alter their manufacturing practices" (Mair et al. 1988:365). Given these issues, it is not surprising that later transplants intended from the start to transplant suppliers as well.

Thus, Honda's relative proximity to the Detroit Big 3 automotive core was reflective of its tentative, trailblazing status as the first of the Japanese transplants. Not being as large and profitable as Toyota, Honda did not have as wide a window of locational opportunity, compelling them to follow the locational considerations of both U.S. auto manufacturers and Japanese parts suppliers. Honda was thus both a follower and a leader in automotive assembly transplants.

Nissan, Smyrna, TN, 1980

Nissan's site consideration was somewhat different than Honda. "More strongly than Honda, Nissan sought a location distant enough from the established centers of American auto production (and the UAW) to allow it to create its own company-specific production system and workforce environment" (Hülsemann 2001:228). Indeed, Nissan

by most accounts had a very strong anti-union attitude, even preferring non-union construction workers to build the plant. Thus, the South was the primary region Nissan investigated for a plant, both because the states there had local labor control regimes that were strongly anti-union and because, as Hülsemann notes, “as recently as the 1970s there had been little change […in the] relative absence of [auto] manufacturing centers in the southeast” (2001:219). As noted above, G.M. and Ford both located parts and branch assembly plants in Southern states (many of which were closed in the major recessions of the late 1970s and late 2000s), but these plants essentially assembled by-the-numbers “knock-down kits” shipped from the Central Manufacturing Belt to regional locations in order to overcome the costs of shipping completed cars (this is why these plants were generally located near major regional population centers)(Rubenstein 1992:80–94). Hence, there had not been much way of automotive industrial agglomeration in the South.[33]

Labor control, then, was a key factor in Nissan’s choice of Smyrna, Tennessee in 1980 over contending sites in Georgia, reflecting the fact that “no *large* auto industry employer operated in the state. Thus the UAW…had no sizeable local organizations in Tennessee (as it did in Georgia with the Ford and G.M. plants)” (Hülsemann 2001:229).[34]

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[33] Contrary to such a branch-plant model, “Japanese [and the German and South Koreans since] have created integrated automobile production complexes with their transplant investments…whole production complexes are being constructed” (Mair, Florida, and Kenney 1988:359). This contradicts McDermott et al.’s 2011 assessment. Mair et al. continue “it is important to stress that whole production complexes are being constructed because there has been a widespread misconception that Japanese transplants are mere assembly platforms at the lower end of a product cycle, whose employees do little more than build knocked-down kits of components imported from Japan” (Mair et al. 1988:359). More research is required here, though I am inclined to take the view of Mair et al. over that McDermott et al.

[34] A later attempt by UAW to organize the plant in 1989 was “bitterly defeated” and marked the end of attempts to organize workers in the South until the Volkswagen plant in 2013 (Hülsemann 2001:229).

Yet, as discussed in chapter 3, there were some automotive parts manufacturers in the region and, like Honda, Nissan did initially intend to build using some American suppliers and encountered similar issues, as American parts were "rejected at least twice as often as Japanese companies'" (Gelsanliter 1990:57). There are other interesting parallels with Honda here too, including the fact that "Honda and Nissan…long had been faced with very difficult competition in a Japanese market dominated by Toyota. The eventual establishment of North American production facilities represented a competitive strategy designed to circumvent Toyota and take advantage of the relative stagnation of the North American Fordist production system" (Mair et al. 1988:355). The plant was also exploratory, "like Honda's motorcycle plant, the Smyrna plant was viewed as experimental, with the initial products to be pick-up trucks…[which] was seen as less risky" (Mair et al. 1988:356).

It is interesting to consider momentarily a comparison between the location of Nissan in 1980 and Toyota in 1985. In the early stages of the competitive recruitment of Japanese auto firms "in the late 1970s and early 1980s, Japanese companies had not yet adjusted to American-style press conferences and were still not sure that building plants in the United States was a good idea" (Rubenstein 1992:210). At this earlier point the rabid competition for automotive FDI had not kicked into high gear and the process of location consideration was not highly publicized; hence the subsidies to recruit of Honda and Nissan were relatively small relative to both the size of the overall investment by the firms themselves and to the ever-increasing incentive packages offered after the recruitment of Toyota to locate in Kentucky in 1985. The comparison is interesting

because Honda and Nissan arguably give us an (albeit brief) glimpse of the locational specifications that were decisive *before* companies began exploiting their own recruitment by opening up the incentive bidding process that Toyota and Kentucky kicked off in 1985 (Rubenstein 1992:228–29). And it is clear from this comparison that aside from transportation considerations (proximity to rail and interstate systems), and a small consideration of existing supplier bases, distance from the U.S. auto core – and its highly militant unions – was a decisive factor for firms who wished to establish their own local labor control regimes and production bases in the U.S. In other words, industrial recruitment packages are not the primary specification in locational considerations, rather industrial and labor histories are crucial. Mair et al. made such an observation almost thirty years ago, "one might have expected the substantial inducements to have a pronounced effect upon transplant geography. However...decisions on manufacturing locations were determinedly the overriding strategic desire to transfer JIT methods to North America" (1988:368)

Saturn, *Spring Hill, TN, 1985*

The next plant sited and built in the U.S. came in early 1985, when GM decided to build its new Saturn plant in Spring Hill, Tennessee. Saturn is the only non-foreign owned automotive greenfield plant located in the U.S. by the Detroit 3 after 1980 (Hülsemann 2001; Klier and Rubenstein 2010; Rubenstein 1992). The Saturn company was formed by General Motors, "and was to be America's answer to Japanese imports…[and] aimed at beating Japanese cost and quality"(Gelsanliter 1990:77). The choice of location in the

South had to do with a number of factors. When "GM formed the Saturn Corporation and officially sought a U.S. location for a new production facility [in January of 1985]…38 states made direct appeals to GM, making Saturn one of the most sought after investments in industrial history" (Milward and Newman 1989:214–16). While Nissan had also made a public announcement, the Saturn plant location was much more publicized and openly competitive than previous plant locations. While part of Saturn's decision involved consideration of the recruitment efforts of the final two states competing for the plant, Kentucky and Tennessee, there was a broader strategy involved for the firm. On the one hand, in an attempt to approximate Japanese style labor relations, the plant was unionized through an agreement with the UAW that stipulated that "first preference in hiring would go to UAW members laid off elsewhere. The UAW, in return, had agreed to eliminate most job classifications and work rules" (Gelsanliter 1990:77). Given the anti-union sentiment in Tennessee, the company ended up bringing most employees from outside the state through this arrangement (Hülsemann 2001:230). Moreover, the UAW "urged Saturn to source parts from existing GM-owned, UAW-organized suppliers. While Saturn could have relied more stonily on a local supplier based that had grown because of business from Nissan…in many cases it ended up contracting with suppliers from GM's parts plants network. Thus, Saturn's supply lines are much longer than those of Nissan, with many of its supplier partners…located in the Midwest and Great Lakes area" (Hülsemann 2001:232). Trying to compete in the JIT system, this meant the Saturn plant in Tennessee had to develop an extremely sophisticated parts and supplier management

system. Also, unlike earlier knock-down plants located in the South, the Saturn facility was a very highly integrated one with many parts manufactured on site.

But both the site choice and the agreement with the UAW had another strategic purpose for Saturn, as the company "located 30 miles Southwest of Smyrna, in part so that Nissan would be less able to resist union organizing pressures" (Gelsanliter 1990:77). Hülsemann suggests that GM saw "Tennessee [as a] 'level playing field' [as it was pitched by then governor Lamar Alexander] which would allow GM's Saturn to go head to head with the largest Japanese-owned plant. Competing directly with the Japanese exactly matched GM's conception of Saturn"(2001:230). Thus, the choice of Tennessee was part of GM's overall attempt to restructure and force American unionization on Japanese plants. The effort met with limited success for the company, "almost as soon as GM announced its [Saturn] plans, it began to scale back" (Gelsanliter 1990:77) and that the planned expansion of that plant never materialized, nor did Nissan acquiesced to unionization pressures.[35] Given that neither GM nor any other of the Detroit 3 constructed a major assembly plant in the U.S. after Saturn, the Tennessee plant is best seen as a last-ditch effort to restructure within the U.S. before pursuing other locational strategies such as Maquiladoras in Mexico.

[35] Bartik et al.'s research suggests that the "unique work environment" of Tennessee may have been important here – suggesting perhaps that the southern labor control regime had an effect on the UAW workers imported to Spring Hill (1987:32–33).

U.S. Transplant Locational Decisions Part II: Das Auto Y'all

The 1990s saw three major foreign-owned auto assembly plants built in the U.S. – all in the South. Indeed, the southern drift of auto manufacturing agglomeration in the South after the 1980s is quite distinct, as can be seen in Figure 4.1, above (see also Hülsemann 2001; Klier and Rubenstein 2010; McDermott 2012; McDermott et al. 2011). Of these plants, German firms built two (Mercedes-Benz and BMW) and Japanese built one (Honda).

The German automakers faced very different structural pressures coming out of the late 1970s recession than did the Japanese (McDermott 2012:16). While not as Fordist as Ford and other U.S. Big 3 companies, West German automakers suffered many of the same rigidities as the U.S. manufacturers in their production processes and production relations (Kwon 2004:40–41). Hence, with the crisis of the 1970s the German automakers suffered a major decline in their U.S. sales (Beaver 1992; McDermott 2011, 2013), as their price competitiveness declined relative to Japanese competition. "European producers could not compete with lean systems pioneered by Toyota and suffered an efficiency deficit of 30 percent compared to their Japanese rivals…German auto workers were the highest paid and enjoyed the shortest working week…given Germany's domestic labor relations environment it was not feasible to introduce radical changes in manufacturing processes at plants in Germany" (McDermott 2011:78). I already mentioned in passing that (West) German industrial relations were organized in a much more corporatist or "neocorporatist" fashion (Gough 2014:199; Hicks and Kenworthy 1998). This meant that negotiations between capital and labor typically took

place through peak associations (business and union organizations)[36] usually with government coordinating these relations (c.f. table 3 in Hicks and Kenworthy 1998). In some instances this high degree of institutionalization or "politicization" of class conflict can have the effect of mitigating or smoothing over what might otherwise be contentious and disruptive conflicts. However, in the case of an automotive industry that needed to radically restructure its production processes and relations (both within and between [supplier] firms) to remain competitive, these organizational structures limited the ability of German firms to respond to market pressures and the crisis of 1970s-80s (much the same problem arose in the U.S. though for very different reasons). According to Michael McDermott, who has done the most extensive primary research on the locational decisions of AAPs in the South, the German firms that transplanted in the 1990s shared with the Japanese concerns over currency exchange fluctuations following the abandonment of Bretton Woods. "The sharp depreciation of the U.S. dollar against the Deutschmark took its toll on German Exporters…BMW's U.S. sales plummeted…in the mid-1980s"(McDermott 2011:77). Thus, for the German firms it was not their fast-rising status which opened locational opportunities for them, but rather the need to radically restructure due to market *loss* to Japanese competition.

BMW, Anderson, SC, 1992

[36] "Peak" associations essentially refers to large conglomerations of business or labor actors. So business associations like ALEC or large union conglomerates like IG Metall in Germany would be examples of peak associations.

When BMW chose to locate its plant in Anderson, South Carolina in 1992 it was the first non-Japanese firm to locate in the Southeast besides Saturn and at the time the South Carolina location it chose was far-removed from other automakers who had plants in the region. As discussed, the decision to locate in South Carolina (and to produce outside of Germany) was influenced by the necessity of restructuring to become more competitive: “By late 1991, BMW decided that a radical change was required…it recognized that success required a radical departure from BMW’s traditions. It had to forge a new culture, a new mentality” (McDermott 2011:78–79). Part of this desire to restructure and become more competitive meant a “preference” for non-union labor was a distinct concern (McDermott 2011:85). Another goal was to gain greater propinquity to their American market, though at the time they were deciding to locate a greenfield plant in the U.S. and began a site search, BMW was not sure what role the plant would play in its overall global strategy – that is, whether it would be primarily geared toward domestic US production or a broader global strategy. BMW approached the Chicago-based firm PHH Fantus as its primary site consultant on the project, and the firm initially presented them with 215 possible sites. By early 1992 this had been narrowed to four potential sites in the U.S.: Anderson, South Carolina; Omaha, Nebraska; Phoenix, Arizona, and Tulsa, Oklahoma (McDermott 2011:84–85; Monk 1992). While McDermott suggests that BMW was “discrete about its site selection process…[and] did not encourage competitive bidding” (2011:89–90) the site search had leaked out in the media and encouraged a good amount of speculation. By this point in the selection process executives had already decided they wanted the U.S. plant to be a globally oriented export platform. “As soon as

BMW was clear on its preference in terms of the plants' [export platform] role, South Carolina was the preferred location. However, as long as Nebraska was regarded as a viable contender, it increased BMW's bargaining position with South Carolina"(McDermott 2011:86). This last point is an important distinction between the initial orientation of Japanese and German auto firms, given that the former intended their plants to produce primarily for the American consumer market, while the latter intended for their plants to produce for markets beyond the U.S. For BMW, proximity to costal ports was a key locational specification, and an expansion of the Spartanburg airport an important inclusion in the incentives offered by the state.

The choice of South Carolina for BMW was also informed by the attraction of agglomeration and clustering of West German investment there, which resulted from South Carolina's success in recruiting major textile firms from Northern states who had multiple West German suppliers. "By the mid-seventies…no southern state proved more successful at attracting foreign plants than South Carolina…state promoters…were proud of the fact that there was more West German industrial capital in their state than anywhere else in the world except West Germany" (Cobb 1993:189). As McDermott elaborates, this concentration of West German investment only continued through the 1980s, and "by 1989 there were 86 German plants in South Carolina, and 39 of these were in Spartanburg County…thus there was a concentration of German investments or agglomeration in Spartanburg which had the highest per capita concentration of inward investment of any county in the United States" (McDermott 2011:81). As the first major auto maker from Germany to establish a plant in the U.S., the West German cultural and

economic concentration in South Carolina was no doubt perceived as a potentially supportive network. Local firms' knowledges of the business environment and labor control regime could quite possibly have been major factors; when BMW executives first visited potential sites in South Carolina "they spent more time talking with other German firms than with state and local officials" (Monk 1992).[37] So, like Honda in 1980, BMW may have been both a follower and trailblazer, choosing proximity to extant German parts manufactures as a sort of locational safety net.

Mercedes-Benz, Vance, AL, 1993

Less than a year after BMW decided on South Carolina, Daimler AG announced its intentions to locate a plant to manufacture a new Mercedes-Benz SUV in the U.S. in April 1993. Mercedes-Benz faced similar broad-based pressures to restructure their production processes and labor relations, and these were key strategic goals in addition to a greater desire for U.S. market proximity (McDermott 2013:59–62). "After Germany, The United States was by far its largest market and it faced a growing threat from recent new entrants…such as the Japanese. Building in the United States afforded…[an opportunity] to introduce a cultural revolution within the company. The South offered locational advantages for competitively serving the domestic [U.S.] and international markets."(McDermott 2013:71). From the outset, "Mercedes wanted the ability to export to Europe…[so] it needed ready access, at low cost, to eastern ports. Proximity to the

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[37] Several major German auto parts manufacturers had already located in South Carolina, such "Michelin Tire Corporation [which] chose Greenville, South Carolina as the site for its first American plant because, with only 2 percent of its work force organized, the South Carolina Piedmont seemed the safest possible refuge from the United Rubber Workers [union]" (Cobb 1993:191)

east coast was 'very, very important'"(McDermott 2013:63). Mercedes hired the consulting firm Global Location Services and despite the clear East Coast locational preference, the firm began with 150 potential locations (Boudreaux et al. 2012:39) which was then reduced to 19 states who were sent lengthily questionnaires and asked to submit suitable potential sites. Rather quickly, the potential sites were narrowed to locations in Alabama, Georgia, Nebraska, North Carolina, South Carolina, and Tennessee; then the competition narrowed to Merbane, North Carolina; Summerville, South Carolina and Vance, Alabama (near Tuscaloosa). While I discuss the details of the recruitment in the following chapter, one new consideration for Mercedes-Benz was the proximity to its West German competitor. One site selection professional I spoke to told me "I worked very close [*sic*] to the consultants who were with Mercedes and in the end, one of the most important final decisions for Mercedes was—what we had suspect in South Carolina at the beginning—[…] they did not want to follow BMW and they didn't want the world to see them following BMW…in the end that was a major part of the decision" (SEL02 2016). Ultimately, Mercedes decided on a site near Tuscaloosa, Alabama that provided the desired proximity to the East coast as well as distance from a perceived rival in BMW (McDermott 2013:63–64); "unlike BMW, agglomeration was not an important factor in the Mercedes decision" (McDermott 2013:57). The large incentives package offered by the state of Alabama was an added benefit.

Into the 2000s: Korean Manufacturers and Agglomeration Effects

After Mercedes-Benz opened its plant in Alabama in the early 90s there were no new automotive assembly plants opened in the Southeast (or anywhere else) in the U.S.

until 1999. Much of the Western world and Japan were in recession (the 1990s is often referred to as the "lost decade" in Japan, despite the surge in excellent films being produced at the time). At the same time, economies in a number of smaller East-Asian countries began to thrive, including that of South Korea (Evans 1995); these so-called "Asian Tiger" economies briefly challenged the neoliberal orthodoxy in economic theory before they too fell into recession in 1997, with South Korea hit the hardest.[38] The 1990s also intensified capital flight from many Southern states, particularly in the textile and furniture industries previously dominant there, industries whose low-skill labor requirements could be more effectively and profitably taken advantage of in China and other semi-peripheral countries (Jacobs 2012:201–5).

The next round of automotive FDI in the South begin in 1999 when Honda announced it was going to invest $450 million to open an assembly plant in the small town of Lincoln, Alabama and between 1999 and 2008 five more foreign owned automotive assembly plants would be announced in the South, and one in the Midwest. These third round of assembly plants were primarily Japanese producers already in the country again seeking to meet growing domestic demand, with two South Korean firms (actually a joint-company) and a new German firm (Volkswagen) opening plants as well. The longest gap between announcement of plant locations after 1999 was four years.

Hyundai, Montgomery, AL 2002 and *Kia, West Point, GA 2006*

[38] Orthodox economists proclaimed the successes of the Asian Tigers until 1997 crisis. It seems such economists have an existential incapacity to perceive the cyclical nature of capitalist accumulation. Nonetheless, state involvement in the South Korean economy remains comparatively high to this day.

The South Korean firms had many of the same goals and faced similar pressures as Japanese firms in locating plants in the U.S., but faced a different set of difficulties. In fact, Hyundai, Kia and the German Volkswagen all located plants in the U.S. in part to circumvent ever fluctuating exchange rates, and all three corporations were, like the Japanese, intending to produce primarily for the U.S. or North American market (McDermott 2012; Seetharaman 2011). Also like the both German and Japanese automakers (respectively) "South Korean plants saw their competitiveness erode due to rising labor costs, and the appreciation of the Won" (McDermott 2012:14). The Korean automakers also had their own distinct challenges in the global automotive market; they were not nearly as large or as old as the more mature German and Japanese automotive industries – indeed, Hyundai and Kia between them make up the bulk of South Korean automotive production. The firms also struggled with quality or quality perception issues, especially in the U.S. (McDermott 2012:14–15).

McDermott (2012:14–15) and Chung (2009:5) both suggest that quality and productivity issues were what doomed Hyundai's first attempt at locating a plant in North America, which was built in Bromont, Quebec in Canada in 1989. There are some interesting parallels here with Volkswagen, who had also opened a plant in the late 1970s in Pennsylvania, and that plant also closed due to competitiveness and quality issues. In both cases, low productivity still produced excess capacity as quality (and design for VW) issues stultified demand (Beaver 1992; McDermott 2012). The Bromont plant closed just four years after it opened in 1993, while the VW plant lasted longer, closing in 1987. I discuss the failed VW plant in more detail below.

Global economic changes pushed Hyundai to again look to American production. As McDermott elaborates “a sharp depreciation of the Won in 1997 due to the Asian economic crisis restored cost competitiveness of Korean auto exports…however, the company’s brand image [of poor quality] remained a major barrier…in 1998 exports to the United States amounted to just 90,217.” Hyundai still managed to acquire Kia that year, and as the century turned over they managed to turn around their quality/image issues such that by 2001 exports to the U.S. had “soared” to 350,000 (McDermott 2012:15). Interestingly, at this point in the early 2000s the U.S. government began to express similar concerns over trade deficits with Korea as they did with Japan twenty years earlier. Such export limitation pressures had a similar effect on the Koreans, and Hyundai chose to build a plant in Montgomery, Alabama in 2002, with its sister company Kia following up with a plant just across the Georgia border in 2006.

In the decade of the 2000s a clear pattern of agglomeration of automotive manufacturing was taking place in the South, a pattern that is indicated by the further location of three Japanese companies who already had assembly plants and supplier networks in the region as well as the new South Korean manufacturers. While Kia and Hyundai were fast-rising within the auto industry, the failure of Hyundai’s 1989 plant in Canada and the postponement of their next plant until 2002 is indicative of the fact that they did not have the same size and strength as Japanese and German firms. Hence, in addition to the locational windows opened by their rapid growth, the Korean films were also drawn to the South in part by the advantages gained from extant networks of suppliers and, more importantly, the learned knowledges and relationships that come

with experience and history with an industry. The smaller Korean firms had more to gain from technology and process-knowledge spillovers from their rivals, hence when Hyundai located in Alabama in 2002 it chose a state that already had two FOAAPs up and running, and Kia located very close to the Alabama border, drawing on the established Korean supplier network (Jacobs 2012:212; McDermott 2012:18–19,25). Kia, like Mercedes-Benz, also did not want to be seen as following its predecessor. As one official who worked on recruiting Kia told me, "they wanted that site because it was on the edge of Alabama but it wasn't *in* Alabama…they wanted Hyundai to have the Alabama identification, but they wanted one of the surrounding states…but they also wanted to be close to where there were existing suppliers" (EDP03 2015).

There is less extensive research on the plants established throughout the mid to late 2000s, likely because except for Volkswagen all were new plants constructed by manufacturers already in the South or Midwest and thus much of the same regional considerations and locational specifications apply. McDermott et al. (2011) suggest that these plants were also intended to target primarily the American market. Volkswagen was likely concerned with keeping pace in the American market with its German competitors, and according to one official who recruited the car maker to Tennessee, well before the official search economic development officials "kept hearing that Volkswagen was thinking about a U.S. manufacturing site, a greenfield U.S. manufacturing site" (EDP06 2016). I discuss the recruitment of Volkswagen in greater detail in the following chapter, but it is fair to say that by the late 2000s agglomeration effects constituted the strongest locational consideration for incoming firms, in addition

to the locational specifications (especially labor) that were important in the detailed cases discussed above, and recruitment efforts detailed in the next chapter.

Cases Omitted: Brownfields, Joint-Ventures, and a Curious Failure

Volkswagen missteps

If one were to refer back to Table 3.1 in the previous chapter, they might note that Honda was not the first foreign automaker to attempt a transplant in the United States. That distinction lies with Volkswagen, who crossed the Atlantic in 1978 and located a new plant in Westmoreland, Pennsylvania in an "unfinished Chrysler plant 35 miles south of Pittsburgh" (Beaver 1992:21). The plant was beset with problems from the start and ultimately closed just as the Japanese boom of the 1980s was in full swing in 1987, but the process of siting and recruiting the plant is strikingly similar to the pattern of the 1980s. Pressures on the company were similar to other German and Japanese manufactures: there was "fear of a wave of protectionist legislation," issues with currency fluctuation and "the rise of the deutsche mark, along with the higher costs of production in Germany, made Volkswagens increasingly expensive in the United states," and as with American and other German manufacturers "Japanese were beginning to offer cars that were judged to be higher quality…and at a lower price" (Beaver 1992:19). Upon announcement in 1976, "a bidding war began in which incentive packages were offered by different states with hopes of landing the assembly plant. The *Wall Street Journal* called it 'the greatest industrial courtship of all time'" (Beaver 1992:21). The WSJ superlatives, one might note, are strikingly similar to what was said of GM's Saturn a

decade later. And like later recruitment and site selection efforts, the company examined five sites, and narrowed it ultimately to Westmoreland, and was offered $63 million dollars in incentives.

Other aspects are quite distinct. VW did not attempt to alter labor relations, as one official noted “our philosophy is to bend and adjust to the American system” (*quoted in* Beaver 1992:21). Quality issues and labor disputes were common in Westmoreland, with one worker (ironically perhaps?) quoted as saying of the moderately lower wages VW offered “if VW thought they could pay slave wages they should have gone south” (*quoted in* Beaver 1992:22). What is interesting is that there is very little mentioned of the plant in the development or business literature (academic or professional publications), or geographical analyses concerning the geographical impact or effects on economic development. It seems in the world of economic developers, the early VW failure faded from collective memory, but that does not mean it had no impact at all. Gelsanliter notes that Japanese firms took note of the failure, as “Volkswagen was much admired by Japanese…the fact…that Volkswagen…could establish a major American manufacturing presence, build cars here for nine years...and then fail had given the Japanese much cause for concern” (1990:141). Unquestionably, the failure of VW had an impact on the Japanese firms, though the extent of that impact is unclear. Likely, the tentative nature of the Japanese expansion into the U.S.– through the experimental plants mentioned above and joint-ventures with U.S. manufacturers in the mid-1980s—was in part influenced by reflection on the VW misstep. It may also have pushed Japanese and German manufacturers to have an even stronger anti-union attitude, given

that some of problems of the Westmoreland plant were chalked up to difficulties with labor, along with quality and design issues (Beaver 1992).The ultimate failure of the plant itself, arguably, arose from the fact that the firm was *not* adapting to competitive pressures of the neoliberal age, and established a Fordist plant at the crux of Fordism's decline.

Joint Ventures

The three joint venture plants established in the mid-1980s follow a very different pattern than single-ownership plants. Unlike the rural-ish pattern of locations for single-ownership plants, the joint ventures "have located plants in metropolitan areas with strong traditions of labor union activism" (Mair et al. 1988:367) and Mair et al. suggest that the U.S. partners pushed for the use of union labor. Finally, all joint venture plants located in areas that had previous production facilities located by the Detroit Big 3, which is unsurprising given the joint nature of the enterprises. While the spree joint venture assembly plants established in the mid-1980s fall well outside the Southeastern trend of later decades, the plants did play an important role in those later decisions. Of particular importance is the New United Motors Manufacturing Incorporated (NUMMI) joint venture between Toyota, the largest of the Japanese manufacturers, and General Motors announced in 1984. For Toyota, NUMMI was an exploratory venture, taken to ensure that they could successfully establish Japanese work relations, and to test the waters with indigenous suppliers and JIT methods (Gelsanliter 1990; Mair et al. 1988). The plant itself was completely refurbished to resemble Toyota's Takata plant and was by most

accounts quite successful, only shuttering in 2010. All of the joint ventures were eventually unionized by the UAW, but Japanese firms usually controlled factory management and blended U.S. and Japanese style labor relations. Yet it is also telling that Toyota built three more plants in the U.S. and all were located in the Southeast, suggesting that locating *outside* the South was largely a result of the joint-venture status of the NUMMI plant GM's influence.

The other joint ventures, Mazda-Ford and Mitsubishi-Chrysler (Diamond-Star Motors) followed from the smaller size of the Japanese firms who had "trouble projecting the…annual sales needed in North America to justify construction of an assembly plant" (Rubenstein 1992:164). Mazda "openly, if apprehensively, welcomed UAW organizing…[though] the firm was apparently pressured to recognize the UAW by Ford…to 'level the competitive playing field'"(Mair et al. 1988:367); Ford owned a 25% stake in Mazda, and the site ultimately chosen was a former Ford plant and the two firms shared production knowledge in their venture. Diamond-Star follows a similar pattern, where the U.S. partner owned 25% of Mitsubishi, though unlike the Mazda joint venture Diamond Star was more of a tentative stepping stone for Mitsubishi which took full stakes in the plant in 1991.

The Fuji-Isuzu plant announced in Indiana in 1986 was also a joint venture, though between two Japanese manufacturers (Pastor 1986). There is very little research into the location process of this plant, though like previous Japanese transplants the two firms were looking to expand their position in the American market (Milward and Newman 1989:218), but it is unclear if there was similar pressure to unionize the plant (almost

40% of Isuzu stock was owned by GM) or if the plant unionized. Certainly, Indiana was an aggressive recruiter which may have been a deciding factor, as I discuss in the following chapter.

Hamtramck and Texas

The Texas pickup truck factory Toyota established near San Antonio in 2003, while falling within all of the parameters of the comparative criteria for this study, is tied more directly to Toyota's contingent of parts-suppliers in Mexico and the large consumer base for pickup trucks in the Texas region. Thus, while technically within the former confederate South, agglomeration effects in the southeastern automotive core are not as critical as the Texas market and proximity to agglomeration in Mexico (Lyne 2003).

I talk a bit more about the GM investment in Hamtramck in 1980 in the following chapter, as it falls outside of the comparative case framework in a number of ways, including being an established U.S. company investing in a brownfield site in the Northern automotive core. It was, perhaps, important for the changing field of industrial recruitment and economic development, and thus more relevant to the subject matter to follow.

A Few Generalizations

The major shifts that began in the global economy after World War II led to a major restructuring of the global automotive industry in the late 1970s and early 1980s,

in which car makers in Japan began to overshadow Western automakers. This competition opened up windows of locational opportunities for car manufacturers in Japan (and later South Korea) and Western Germany, the former due to their rapid industrial growth, for the latter due to the need for radical restructuring. While German firms began locating some of their plants in Mexico and the U.S., the Big 3 automakers in the U.S. closed myriad plants and opened no new solo ventures in America, including the closures of plants in Atlanta and Doraville (in Georgia) in 2006 and 2008 (Jacobs 2012; Klier and Rubenstein 2010).

The plants built in the 1990s by Mercedes-Benz and BMW were from their outset intended to service both the U.S. and global markets, and today Mercedes exports around 60% of its total product, BMW around 70% (McDermott 2011, 2013). The different strategic role of the plants for these firms stems from the constellation of forces that informed their decisions to produce in the U.S. In other words, locations in the U.S. (and elsewhere) were as much about getting *out* of Germany and restructuring their organizations as they were about getting closer to the U.S. market (Miller notes that the German firms did not face the same export limitations that Asian firms did (1997:47)). For Volkswagen in 2008 the goal seems to have been primarily to locate closer to the U.S. market and to cut labor costs (Ramsey 2011; Seetharaman 2011), though research here is limited as the plant has yet to reach full capacity and is already undergoing expansion. The Japanese expansions through the 2000s all were directed towards meeting the demand of the North American market (primarily the U.S.), though Toyota has begun to shift some of its production towards exports (McDermott et al. 2011). Volvo's recent

selection the port city of Charleston, SC in 2015 suggests an export orientation, but may also reflect a desire to import parts. Indeed, some authors have speculated that the comparatively low investment in the Volvo plant (around $250 million) suggests it will be a “knock-down” plant.

In this chapter I have focused primarily on the locational considerations of particular firms in the context of the pressures they faced due to national origin, size and competitiveness within national and global markets. I have deliberately avoided in-depth discussion of the recruitment process itself or incentives because I wanted to clarify that incentives, while in many ways the focus of this study, are not the crucial factors leading to locational considerations. As should be clear from the above accounts, there are numerous factors beyond recruitment that led companies to locate where they chose to in the United States. This makes the competitive escalation of recruitment efforts all the more puzzling given the refrain of capital mobility offered by development officials. In the next chapter, I cover the process of recruiting automotive firms and constructing incentives agreements in detail, and discuss how they have changed since Honda started building motorcycles in Ohio in 1978. This will show the other side of this location process, the highly competitive recruitment efforts among localities for automotive assembly plants. And as we will see, along with the various strategies of automotive producers, localities themselves are key actors in the growth of competitive efforts.

Chapter 5
The Industrial Recruitment of Automotive Assembly Plants in the South

At first glance, it is not immediately clear that the strategies that localities in the United States use to retain and recruit businesses and investment have changed much over the last 35 years, or indeed over the last 90 years since Mississippi began attempting to "balance agriculture with industry" in the mid 1930s (Cobb 1993:6–12; Hülsemann 2001:223–24). Hence, as journalists periodically raise the alarm about a "race to the bottom" among states competing for investment, professionals in the field of economic development say this is just "business as usual" and what has really changed is the overall structure of the global economy.

In this chapter I present a close analysis of the core elements of the process of industrial recruitment, painting a picture of the complex efforts through which localities find and recruit inward investment. I then show how the process of industrial recruitment has changed over the past 35 years of neoliberal globalization, arguing that while these changes are in part reflective of broader shifts in the global economy and local history, there are deeper changes in the process and outcome of industrial recruitment that are not reducible to quantitative extensions of earlier historical efforts to recruit industry. In the next chapter, I shift focus from the process and outcome of industrial recruitment to the relations between businesses and localities, and how these have changed, and in Chapter 7 I tie the findings of my research together with theoretical and historical framework laid out in the preceding chapters.

Who Recruits? Key Entities Involved

In order to get a general sense of how industrial recruitment efforts have changed in the last 37 years, a good starting point will be to examine what industrial recruitment looks like today, beginning with who recruits businesses, what makes up incentives packages, and what the recruitment process looks like more generally. However, we should note at the outset that the only pure generalization that one can make about the process of industrial recruitment in the United States is that it is a highly-decentralized process whose shape is contingent upon both case- and locality-specific factors. Hence, as one economic development professional recited an oft repeated disclaimer, “every deal is different” (EDP01 2015).   Thus, the generalizations that follow should be taken with the appropriate circumspection.

Public Agencies and Authorities

State Development Authorities

State Development Authorities are typically the central point of contact for major industrial projects looking to locate a new plant or expansion within a state. State development authorities are the largest publically funded organizations that will engage in business recruitment activities, and differ widely in their size, complexity and character. Development authorities, such as the Georgia Department of Economic Development (GDEcD) or the Alabama Department of Commerce, are established through state legislation and have leadership appointed by the governor of the state and their ultimate authority typically rests with governor herself. These authorities will engage in a wide variety of activities designed to increase economic activity within a

state, of which business recruitment is one subset. These activities include helping local communities enhance their development efforts, working to develop and market the state workforce (through university systems, for example), providing funding and grants to businesses and communities, coordinating economic incentives, and other activities broadly designed to be a "marketing and sales" effort for the state.[39] State development authorities thus do much more than simply recruit or retain business, but they will always have a staff dedicated to recruitment efforts, though the size of this staff depends on the particular state and the current administration.

In the section on recruitment activities below I outline the typical types of incentives that states and other recruiting actors offer to businesses, but we can make a few limited generalizations about the role of state development authorities in recruitment efforts. In the case of major location projects—such as an automotive plant and business headquarters—the state development authority, more specifically its lead recruiter or executive, is the "lead" or the primary point of contact and communication between governments involved and the corporation looking to site a project. The reasons for this are fairly straightforward. First, major corporate investments typically pit states against each other in competition, and it is more expedient to deal directly with state rather than local level officials. As one city development official put it "usually…the bigger guys…will come through the state…every [company] is different but, typically we're competing for [the larger projects] with other states, and so, since the company doesn't

[39] In the following chapter I will discuss the importance of conceptualizing place as a product and governance as marketing.

want to have to deal with all the little guys, or the individual cities, they'll just deal with the state" (EDP02 2015). Another state development official echoed this reasoning, saying "because a lot of these large companies…want to look at multiple sites in a state they will come through the state agency to begin the process" (EDP08 2016). The second reason the state typically leads a major recruitment is simply that the state has a much broader array of resources and incentives, can float larger bonds etc. While all major projects will involve incentives from different levels of government and different entities, states are the only level of government with a tax base that can support the large incentives packages required to win hundred million dollar investments.

Beyond these broad generalizations state development authorities differ widely in their scope and organization, reflecting the idiosyncrasies of state legislation and regulations. In Georgia, for example, some community development activities are housed in the Georgia Department of Community Affairs (DCA), which also plays a role in providing funds for some incentives negotiations such as what are known as "deal-closing funds" or grants. Some states split their recruitment activities off into a public-private partnership (PPP), which I will discuss further below.

County Governments & Development Authorities

County governments and development authorities often play a critical role in recruiting businesses, in part because county governments typically administer school districts as well as property taxes, and thus play an important role in provision of tax-based incentives. The scope and scale of efforts that county development agencies

undertake is again locality specific, and often dependent upon what they are enabled to do through state based legislation. In Mississippi for example, Pontotoc, Union, and Lee counties formed the PUL Alliance to develop a site specifically to lure automotive production, while in Georgia the Development Authority of Fulton County, which includes Atlanta, only offers a standardized bond-financing package and Payment In Lieu of Taxes (PILOT) agreements.

County Governments and development authorities are always involved in major recruitment efforts, but will typically follow the direction of state-level officials negotiating the site selection. County governments are also usually brought into negotiations after the site-selection process has been narrowed to a few particular sites within different states, at which point local governments must be involved in order to secure ownership of the land options. As one county development official in Georgia put it, “we don’t get involved…sometimes early on, but we’re more on the back end” (EDP01 2015) of the recruitment process. However, this aspect is changing as sites are increasingly optioned and prepared prior to firms announcing a project, as I discuss below in the section on how industrial recruitment has changed.

Local (City and Community) Development Authorities

Today, most cities and local communities will also have at least one official who works on local economic development, though not every locality will actively work to recruit businesses. Major global cities like Atlanta or Chattanooga have large, well-funded and staffed development authorities such as Invest Atlanta (formerly Atlanta

Development Authority), while smaller towns such as Huntsville, Alabama or Blue Ridge, Georgia may have only one official who works on development. Smaller towns may also rely on county development authorities that possess broader tax bases and can commit more manpower and money toward development efforts. Both city and county development authorities typically have a governing board made up of elected officials – mayors, county commissioners, and local elected officials – who appoint the executive leadership of the authority. The key difference from county offices is that city development authorities will limit their activities to the city limits and citizens thereof; as one city development officer told me emphatically, "we typically do not offer…we, not typically, we *never* offer our incentives outside of the city boundaries" (EDP02 2015).

As with counties, the scope and power that local development authorities possess in terms of incentives varies widely, and is dependent upon the wealth of the locality and the laws that constitute it. Cities can also control a number of locally-specific taxes and ordinances that make them crucial to the recruitment process and the provision of tax and property-related incentives. As one development official summed up "The city and the county on big projects have to participate both because of the resources necessary and because of the need to negotiate PILOT agreements and other things" (EDP06 2016).

Private and Other Actors Involved in Recruitment

Public-Private Partnerships (PPPs)

A number of states such as Indiana (Indiana Economic Development Corporation), Missouri (Missouri Partnership), North Carolina (Economic Development Partnership of

North Carolina) and Florida (Enterprise Florida) have split off their recruitment activities in public-private partnerships (PPPs). I will discuss the impetus behind forming a PPP in depth in the section below on changes in industrial recruitment as well as the following chapter, but speaking very generally a public-private partnership can potentially increase the operational flexibility of recruitment efforts, as PPPs operate with a different set of restrictions and parameters than do purely public authorities. Said a former Commerce secretary of North Carolina, who helped develop their PPP, “it simply allows that entity to move a bit more quickly…have some flexibility in terms of travel and all those kinds of things that’s so tightly regulated by the state” (EDP04 2015).

Utility Providers

Utility providers, particularly gas and electrical corporations, are major pseudo private actors involved in economic development and especially industrial recruitment efforts. Most major utility providers are publically regulated corporations – though the southeast is also home to the Tennessee Valley Authority, a federally owned corporation that services areas of multiple southeastern states. The role played by these utility providers varies for each state, they can offer financial incentives or discounted rates – a major cost consideration for large industrial projects. Georgia Power, for example, runs the Georgia Resource Center, which collects data relevant to site selection projects; the publicly owned Santee Cooper in South Carolina simply offered up about $50 million in financial incentives to Volvo (Cope 2015).

Chambers of Commerce, Local & Regional Business Alliances

Local businesses also stand to benefit from a major industrial project raising the profile and consumer and spending base in their region, and private business development organizations usually play an important role in the recruitment of industry. The role played by chambers of commerce and regional or city-wide business alliances do, of course, vary for each case. In some cases chambers of commerce play the role of "convene-ers – convening…the business center and industry, convening them with the local government to talk about issues" (BDP02 2016). When Honda, came to Alabama in 1999, the firm's initial contact was a regional business association – the Metropolitan Development Board (MDB). One official who worked with that business association at the time noted, "I won't say it's unusual [to be the initial contact]. It's not the norm – it's not rare. Because locals like MDB, which is one of the larger local organizations at the time, they're out recruiting, and they're out making contacts" (EDP08 2016)

Both utility providers and private business organizations can provide an important bridge when the prospect of a change in government leadership at the state level creates uncertainty in the recruitment process. As one official at the TVA put it "one of the advantages of TVA is we're probably the only consistent economic development agency out there. I don't mean that critically. What I mean is, when we have a new governor, we don't leave, we're still here. Typically, when a state hires a new governor, well guess what? He hires a new economic development commissioner, they typically hire their new staff. Right? They have a lot of turnover, we don't have the turnover." (BDP01 2016).

Any major recruitment project will involve an admixture of the agencies, associations and actors outlined above, whose importance for a given project is case-specific – though the state development agency will always close the deal. Beyond the specific role each actor plays in a given project – a common thread I have found is that companies like to see cooperation and alignment between the local and state, and public and private entities involved. Cooperation among local businesses, and between them and the government serves to signal both that the locality is eager for the project, and to demonstrate the overall business climate in the area.

The Incentives Packages: What do they get?

Incentives are a very important part of site selection and recruitment, but they are far from the only consideration a business and site consultant analyze. Rather, incentives become more important at the end of the site selection process, when businesses have several strong but relatively similar candidates. One site selection consultant I spoke to reviewed the other considerations industrial projects need to take into account:

> How I view it is, the number one factor, 85% of the time is going to be human capital – the quality and cost of that human capital in a marketplace. And then taxes, real estate, those types of issues. And when we get down to say the final three locations that are under consideration, then yes that's when the discussion starts about incentives. Because…those three finalist locations are all going to look fairly similar from a cost and quality standpoint – so the incentives then can be the tipping point, right at the end, where if a location can be a little more aggressive or they can be more flexible in how the incentives are structured to offset project and operating costs – that's when it really makes a difference. (SEL03 2016)

Another site selection professional said much the same thing, that "all the incentives in the world can't make a bad location good…now that's not to say incentives

aren't important, it's just when in the process they become important…by the end of the project everybody cares about it, and we tend to spend a lot of time on it…[so] incentives become more important as you move through the project, they become critically important in the final phases of the project" (SEL02 2016). In the previous chapter I outlined the unique industrial relations and labor regime of the Southeast, and the locational capabilities that were critical to automotive firms coming into the region, and those aspects are most important in the early phases of the site selection. Incentives packages take center stage in the final phases of the process – below I detail what incentives different agencies and governments offer in a typical recruitment today, and then discuss what the process of recruitment itself looks like. In each section I denote tax-focused incentives and those focused on up-front costs of an industrial project.

Federal Government Incentives and Recruitment

The only involvement from the Federal government in automotive plant location and recruitment is the designation of a plant area as a "foreign trade zone" (or FTZ) or "subzone" status that designates particular areas as being outside the territory of U.S. customs and as such exempting goods in the FTZ from tariffs. This is not properly considered an "incentive" in the sense that local government have no direct control over FTZ designation, it rather depends on the automaker applying to the federal government. Such zones were originally intended to apply to ports and airports (and surrounding areas) to stimulate international trade, but starting with the ill-fated VW Westmoreland plant, foreign plants began applying for–and being approved as–foreign trade

zone/subzone status. "Japanese-owned and joint venture assembly plants subsequently built in the United States routinely asked for foreign trade subzone designation during construction…US-owned producers realized…[FTZ designation] could benefit them as well…a flood of applications hit from the Big Three producers between 1983 and 1985" (Rubenstein 1992:217). Again, while this is not an incentive that state or local governments can offer, it does offer a glimpse of the one of only ways in which the federal government is involved in the plant location process.

State Development Authorities' Incentives

State development authorities can offer a broad array of incentives to businesses looking to locate in their state – though the particular scale and scope of these incentives is again dependent upon state-specific legislation and case specific factors. As is perhaps obvious, state based tax incentives refer to state-levied taxes, and typical tax incentives are as follows:

- County Specific Jobs-Based Tax Credit

  Most states rank each county based on income and employment as a tiered system, and offer tax credits based on the tier of the county in which a company is investing and hiring. E.G. If Toyota Motors Manufacturing locates in a "Tier 3" County – that has low mean income or high unemployment – they qualify for a higher tax credit per-job created.

- Job-based Tax Credits (usually applied against corporate income taxes)

  States typically have several levels of jobs-based tax credits offered to employers depending on the number of jobs they create. For example, Tennessee offers a "Super Jobs Tax Credit" of $5,000/job for companies creating at least 100 jobs and investing $100 million.

- Industry- or activity-focused Tax Credits

Many States offer industry or activity specific tax credits. Indiana and Georgia offer Research and Development based tax credits, many states offer "skill-enhancing" or retraining tax credits. The specific form these credits take (e.g. sales tax credit, transferable tax credit) depends upon the state.

• Sales and Use tax exemptions
Full or partial exemptions from the sale and use of particular types of machinery involved in industrial production are a typical feature of packages.

• Port or Freeport Tax Exemptions on inventory stocks
Full or partial tax exemptions are often offered at ports and airports, and relieve taxes on inventory and storage of materials involved in production and commerce.

State government and agencies also typically take on large share of the up-front costs in incentives packages, which typically target infrastructure: roads, utilities and sewer connections, the actual site and its development. These incentives also cover training of workers. Typical incentives offered by the state:

• Training Expenses
Every automotive project sited since the 1980s has included state funds for worker training of some kind. The extent and nature of this training varies – in some cases it involves trips to Japan or Germany so workers get a sense of how work is done in the "home country".

• Training Center
Many projects include the cost of constructing a training center, which will have class rooms and mock assembly lines for training workers.

• Site Purchase and Preparation
All cases since the mid 1980s the state – or local governments – have purchased the actual land and site, and pass it on to the manufacturer at nominal or no cost. The site is also usually prepared for the plant by state or local governments, meaning the site is cleared and graded and ready for construction.

• Road Improvements and Connection
In all cases since the 1980s, states have paid for the enhancement of roads near the site, in order take the increase in traffic, especially trucks that have industrial loads. States also pay for connecting roads to major interstates and highways – though federal money from the Department of Transportation may be used here.

• Rail Connection

As with roads, states also pay for rail spurs – or connections to local freight lines. Rail is the major mode auto manufacturers use to transport materials and products to and from the site.

•Utility & Sewer Connection

States have also typically paid for utility based infrastructure, including the costs of water, power, gas, and sewer lines. The extent of these expenses is dependent upon the site, and the environmental factors and impacts.

• Various Financial and Non-Financial Incentives

States and local governments will typically offer special incentives that are relative to the specific project – which can include advertising revenue, welcome centers, naming rights to stadiums or local attractions, etc. Sometimes, the state simply offers money in the form of "deal closing funds."

• One critically important incentive typical of packages are agreements to streamline regulation and permitting. These agreements stipulate timelines (e.g. 30 days) for the issuing of permits, and agreement by parties indicated in the contract to expedite the permitting and regulatory process.

Local Government Recruiting Incentives

As with state level government, county and city governments will usually offer tax-incentives relative to the particular taxes they levy:

• Property Tax Abatement, Exemption, or PILOT Agreements

In every project the local governments have agree to modify the property tax arrangements for a given period (10-25 years), either through a reduction of the tax rate, a full or partial exemption from property taxes, or a Payment In Lieu of Taxes or PILOT arrangement. Full property tax exemption is not very common.

**NOTE: Local governments typically levy taxes for school districts – in most cases these taxes are not included in the tax reduction agreements.*

Local governments also offer incentives against the up-front costs of the industrial site – and will usually contribute to those incentives outlined above that the state will cover. The particular role of local governments is project-dependent, but can include:

• Full or partial site purchase
• Site Preparation

- Training Funds
- Miscellaneous financial incentives

Non-Government Actors

Non-governmental actors such as utility corporations and business associations can also offer incentives, and can play an important role in recruiting a large project. Major incentives can include:

- Reduction of rail rates by railroad companies
- Allowing non-exclusive access to rail lines
- Reduction of utility rates
- Cash incentives by business associations or by local/regional chambers of commerce
- Contribution to Site/Utility Preparation
- Training by local/regional chambers of commerce

In every project a mix of state, local, and private entities offer incentives to corporations. The state will almost always take the lead on packaging incentives from various entities together, and will also usually take on the largest financial burden. While table 3.2 offers an overview of the incentives packages offered to automotive manufacturers, in as much detail as possible, it will help to review a few particular cases to see how different levels of government incentives are entwined in a particular deal, the kinds of perks that are often thrown in, and the complexities of accurately estimating the total value of the package. Given that extensive research has been conducted into the recruitment of- and incentives given to- BMW and Mercedes-Benz, these cases as well as others will be used for elaboration throughout this chapter, as the data and accounts are the most reliable.

BMW

The deal between BMW and South Carolina was struck on June 24, 1992. The final reported incentive package totaled $130 million dollars (not counting the interest payments incurred by new state debt). The Port Authority of South Carolina acquired the site for a reported $36.6 million dollars (the state contributing the bulk at $31.6 million, with the county contributing about $5 million); it is unclear if this reported cost includes the expense of removing the 250 homeowners, which would raise the amount substantially. The state then leased the site to BMW for $1 a year for 30 years with an option to renew, effectively giving them the site for free, a maneuver typical of states that have laws against the government making outright gifts to private corporations. Site prep was undertaken by state and local governments, including the provision and improvement of infrastructure such as water and sewer lines, highway connections and improvements, expansion of airport runways (for which unspecified amounts of federal DOT funding was secured). Employee training was also covered by the state, including both pre-employment training and on-the-job training, both of which were overseen by BMW and included the costs of flying engineers to Germany for training there. Goode reports that these infrastructural and training incentives added up to around $22.5 million (1992). Further incentives involved the construction of a multi-county industrial park at the site, which was designated as solely part of Union County so that BMW could receive the largest per-job tax credit available in the state, which amounted to a $1,500/job credit. The state also passed a bill allowing the firm to pay a “fee in lieu of tax” (or payment in lieu of tax or PILOT) of 6% as opposed the 10.5% charged most companies (Monk 1992), and gave the firm an exemption on sales and use tax of heavy

equipment and production machinery, and industrial electricity. These tax-based incentives reportedly add up to roughly $70.7 million, rounding the initial package out at $129.7 million, though given that the complexity of the deal included things such as discounts for employees at the local YMCA, it is not wholly clear if this is the complete figure.

The plant came online in 1994, ahead of schedule, initially producing the X5 sport utility. It has since expanded a total of six times: in 1998 the company invested $600 million dollars in a new expansion for a new SUV model, and while details are sketchy, a new incentives package was negotiated with per-job tax credits extended to new employees and a further $6- $9 million offered by the state for training (Meadows 1998). In 2000 and again in 2002 the plant expanded to meet increased demand, for a total of $800 million in new investment and an unclear amount of incentives (DuPlessis 2002). Further expansions costing $500 million and $750 million were undertaken in 2008 and 2012, though again incentives by state or local governments are unclear (DuPlessis 2008; Schaffer 2012). The point of elaborating these later developments is that with each expansion the original set of tax abatements is re-negotiated and extended such that, in addition to new incentives, supposed sunset clauses (expiry dates) attached to some tax incentives become effectively meaningless.

Mercedes-Benz

Many of the features of the Mercedes-Benz deal with Alabama deal are familiar from the BMW deal a year earlier. The overall investment by Mercedes was initially about

$300 million; the reported incentives from Alabama and local governments were incorrectly reported to be around $250- $300 million, much larger than the package reported for BMW. This is perhaps why there has been a great deal of research on the Mercedes-Benz recruitment and whether Alabama got a "good deal" given that they invested as much as or more than the firm itself (Boudreaux et al. 2012; Jacobs 2012; Kebede and Ngandu 1999; McDermott 2013; Spindler 1994).

The city of Tuscaloosa, Jefferson county and nearby Birmingham city all contributed to the purchase of the 1000 acre site for $30 - $35 million and its leveling and development, and the site was later transferred to Mercedes-Benz for the nominal fee of $100 dollars (Cooper and Ruggenbach 1993; Spindler 1994:198). The state also contributed by constructing the worker training facility (estimated at $35 million) and paid not only for the cost of providing training to workers, but also paid the workers' salaries during training for an estimated $45 million. The state also spent $5 million constructing a new welcome center, and the publicly-owned Alabama Power contributed another $11 million (in addition to reducing utility taxes by an unspecified amount); these up-front costs alone amount to $126 million – or near to the total value of the BMW Spartanburg package.

While initial reports suggested that the total package was worth around $300 million, more careful analysis reveals that the tax breaks alone are worth around that much (Cooper and Ruggenbach 1993; Spindler 1994:198). Alabama extended a 25-year corporate (income) tax holiday and added a unique caveat to that proposal; incorporated into the "so-called Mercedes-Benz bill passed by the Alabama legislature…companies

which invest at least $5 Million and create at least 50 jobs that pay a minimum of $8 an hour are allowed to use their state income tax to pay off debt. In addition, they can use the state income tax deducted from their employee wages to pay for land, equipment, and their new plant." (Spindler 1994:198; Patterson 1993). This tax holiday, and the agreement that essentially allows Mercedes (and all companies after it who fit the bill) to tax their own employees to pay off fixed capital costs, amounted to an expected value of $280 million in itself. In addition to this break, the city government agreed to an exemption of property taxes amounting to an estimated $9 million per year (Spindler 1994:198); if we assume the property tax agreement is extended for a minimum of 10 years (the lowest year limit of any tax-based agreement I have researched) this would amount to $90 million dollars, not accounting for increases in value of the land after development. If the property tax agreement were part of the overall 25-year deal (as Spindlier suggest it may be) this would amount to around $225 million in local tax breaks alone.

Given the above figures we can offer a low estimate of the value of the initial package offered to Mercedes-Benz at around $496 million dollars.[40] It is worth keeping in mind that there were aspects of the deal which were not quantified here: the University of Alabama agreed to offer German cultural and language courses; if Alabama truly wanted to be competitive with the BMW deal, sales and use taxes would be exempt for most machinery; there is no estimation on the costs of borrowing on bonds; the governor

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[40] At the high end this would amount to more than $800 million. Such a number may seem high, but this would be in line with the estimates of Toyota's incentives in Canton, MS amounting to over a billion (Mattera and Tarczynska 2013).

tacitly included in the agreement a change in the fleet of utility vehicles for the state the new model being produced over a 5 year period – amounting to 100 vehicles per year at an estimated $30,000 dollars each (Patterson 1993) which would amount to a further $15 million expenditure. This last agreement created public outrage, and the Governor had to walk back this part of the agreement, asserting that Mercedes would have to bid for the contract like any other company.

These accounts offer insight into the complexity of the final incentives packages created by state, county, and city/town governments, and how each package is both similar to others but has distinct elements. Having built an understanding of the entities involved in recruitment and what different actors provide specific incentives in a package, it will be useful to review what a typical recruitment and site selection might look like today. Doing so will allow us to clarify how industrial recruitment and incentives today have changed in a number significant ways from the beginning of the southern drift of automotive production in the 1980s.

The Process of Industrial Recruitment

Once a business decides it needs a new location for any of the reasons outlined in previous chapters, the first step in the process today is to hire a professional site selection consultant to direct and manage the process and negotiate the incentives deal. The growth of the field of site selection firms is itself of importance, but for the moment it will suffice to say that on major projects (at least in the tens of millions of dollars) companies hire these major site selection firms, such as Fantus, Jones, Lang, Lassalle (JLL), Deloyte, MaCallum-Sweeny, to guide them through the process of finding a

location, and the site selectors are the primary contact for governments and localities involved in the selection process. For these firms, part of the process of site selection is negotiating the "best incentives deal" with local governments they can, though professionals in the field stressed that this is only a part of what matters, as I was often reminded that "incentives cannot make a bad site good" (EDP08 2016).

The first part of the process involves determining the needs of the particular project, including physical requirements, functional inputs and business goals. As one site selection professional told me, "we have some basic automotive criteria, but every company will be a little different. So the final criteria that goes out with the project is ultimately reflective of *that* company's particular needs" (SEL02 2016). The general region in which a new project is sited will depend on the goals of the organization – for example, if it is a Japanese or German manufacturer seeking closer proximity to the U.S. market, or a U.S. firm seeking to produce in a Central American location close enough to export to the United States. Proximity to final market is probably the greatest driver in deciding on a general region (Rubenstein 1992:182–98), though as noted in previous chapters it may also reflect a firm or industry pursuing a new or larger production line and marketing strategy (McDermott 2013) or shifting the balance of class relations within their industry.

Other primary considerations for large producers like automotive manufacturers are land, labor and infrastructural needs.

> The number one factor of whether a serious industry will site a facility somewhere is the availability of a sufficient supply of quality labor…they've got to believe 'we can hire plenty of sufficient supply of labor that can be taught to run our facility'…and the second thing is logistics. …to bring in raw material and to ship out finished product. (GOV01 2016)

As noted in previous chapters, there are particular considerations that distinguish large industrial projects from other major site selections such as regional or national business headquarters. An automotive assembly plant typically has between one and two thousand employees when it begins operation, and this number will typically grow if the plant expands over its lifetime: the sprawling BMW complex in Spartanburg, South Carolina now employs around 8,000 workers (BMW Group 2017). As one site selection professional elaborated – physical and infrastructural demands and needs for a large "quality" labor pool are both crucial locational specifications for an auto plant:

> There's three areas of consideration – the way we approach things – for location. Physical factors, which are primarily site infrastructure. Operating factors, which include recovering costs, labor dominating that category but [also] utilities, taxes. And then living factors, quality of life factors. So every project has criteria in all three of those areas…for automotive the physical site and infrastructure demands are so intense that…our approach to siting automotive is, there's no point in looking at a place that has good quality of life, or apparently a lot of available labor, if they don't have the property and infrastructure…so do you say that is *the* most important thing? …Depending on who you talk to…labor is the most important thing, because labor is ultimately critical. (SEL02 2016)

In the first phase of the site selection process, the specific needs of the project are used as inputs into a computer based or "desktop" analysis, and typically hundreds of locations are considered. As McDermott summarizes "normally the process begins by identifying a very large number of possible locations in the United States (e.g. more than 200 sites) and this is quickly (i.e. within six months) reduced to perhaps 20 sites…this process of elimination is conducted by the appointed site selection consultants, and is a highly analytical and rational process." (2012:15–16). Today, desktop analyses will usually take place with little actual contact with localities or even states and, indeed, that is often the point of bringing in professional site selectors:

> [Site Selectors used to] come in and look at 50 sites…well now they can do desktop analysis, eliminate forty of those and only come in and look at 10. (BDP01 2016)

> That's why companies use consultants because our job is to immediately screen out– first of all establish the minimum criteria and what and when, and if they [the site] can't demonstrate they meet it then they don't even get a visit. (SEL02 2016)

The active recruitment begins in the second phase of the site selection when the firms looking to site their project contact state officials at the 10-20 localities on the shortlist, often going directly to the governor of the state. "[Automotive assembly plant] projects are big enough that they're usually starting off at the state level. Probably their first phone call is to the capital, the governor's office, because they're such high stakes opportunities…they're not bashful about reaching to the very top state executive with kind of an invitation to bid" (EDP05 2015).

This initial contact, or "lead," might come through other channels such as a state chamber of commerce or the top state development official, often depending on whether there are extant business connections. "Leads come in from…the state, from the [power company], from the chamber, they'll come in sometimes through lawyers…through other contacts that we've known, so they'll come in through word-of-mouth. Now what's interesting is that usually the big ones that I've seen have come through the state…the chamber [of commerce] does both really" (EDP02 2015). One former lead recruiter of an automotive plant—at the time head of the economic development agency—described how the lead came into his office: "I get a call in my office, early in the evening, from someone – I don't know how he got my number but – you know, with a voice that I neither knew nor recognized…and basically he said 'would the state of Georgia be interested in a billion and half dollar investment?'" (EDP03 2015).

This exchange also illustrates the confidentiality that characterizes the early phases of negotiations between states and firms siting projects. “What happens is, at some point the consultant will pick up the phone, and they’ll *typically* call the state. And say ‘hey, I have a corporate headquarters deal’ – and when they talk to the state it’s very confidentially, and they won’t tell them the name of the company, but they’ll give them the parameters. And so the state person will say ‘based on these criteria these are probably some of the general locations’” (EDP01 2015). Businesses demand confidentiality in negotiations with public development agencies and governments in the same way they might in the negotiation of private business transactions. Corporations generally prefer to avoid release of information on a potential new location, out of concerns about workforce and stock prices, though competition is a primary consideration in maintaining confidentiality, as competitors might be able to use it to their advantage; “there’s nobody I’ve ever worked with in a negotiation that wants news of their intentions, or potential intention announced prematurely” (EDP03 2015). One site selector offered a bit more detail, “when something has been leaked out when [a] company is looking to do something in a geographic area…one of their largest competitors may try and beat them to that marketplace…and given the nature of competition in different industry sectors that can be problematic” (SEL03 2016). Limiting concerns among employees and stockholders who might be affected by a new project are also important factors driving a corporation’s desire for secrecy throughout the process of negotiations.

In this second phase of the site selection and recruitment process, the state typically takes on the role of project manager, and organizes the complex process of crafting a recruitment pitch to the interested corporation. At some point, the county and city governments where the physical site is located are brought into the picture, as the state attempts to secure land options and craft the final incentives package with the inputs of those governments. When exactly local governments are brought in and precisely who speaks to whom is case specific, but the at the local level usually only top development officials and government leaders are involved, in part to ensure the maintenance of secrecy. One of the state leads on the Kia plant in Georgia describes,

> The first phase of the negotiation was finding the site…once that was done it was 'alright, how do we engage the right people?' So the city of West Point, the city of LaGrange, Troup County…so at the same time you're negotiating with Kia, on the property – and moving forward, you're beginning to have some discussion with some local entities. And having the discussion with local entities is about, first and foremost, confidentiality. And they – the economic development professionals get that...but…you're dealing with elected officials, with *appointees* of elected officials (EDP03 2015).

One of the important changes I will discuss in the next section is that today it is not uncommon for local governments or development authorities have potential sites for major projects designated prior to any contact for a specific project. For example, the aforementioned alliance in Mississippi of the Pontotoc, Union, and Lee counties was undertaken precisely to lure in an automotive manufacturer; in that instance, according to one local official involved, "we actually got Toyota to visit before the state knew anything about it, when it was still 27, 28 states in the hunt" (EDP07 2106). The Tennessee Valley Authority runs a "Megasite" program specifically to evaluate and designate sites that will meet the needs of major industrial projects – a designation sought and won by the PUL alliance. Volkswagen also located at an official Megasite, and

as lead recruiter clarified on that project "the local community, who owned the site, had pursued the Megasite designation" (EDP06 2016) as well. For the moment, it will suffice to say that securing the options to the site and gaining official designation serves to take some of the guesswork out of the process of recruitment and site selection.

In the last phase of the site selection and recruitment, the candidate sites are narrowed to two or three locations and the competition breaks wide open, anonymity and confidentiality fall by the wayside as finalists aggressively recruit the project and the firm and its consultant play finalists off each other to ratchet up incentives packages. The dynamics of this stage of the process are, again, case specific, but a lead recruiter that brought Volkswagen to Chattanooga, Tennessee offers a fairly typical account of how it played out in the Mid-2000s

> So when we were notified that they had a project and were going to make a visit, they had self-selected down to eight sites that the team was going to visit. They considered many more sites, and had gone through…their desktop analysis and narrowed it down to seven…so in March, they visited, they ultimately narrowed that seven down to three, and they returned for additional visits in April or May, and then narrowed it down to two sites and we had meetings in Washington with the VW team in June.
>
> And it was extremely competitive, in the end it became between us and Alabama…that meeting that took place in Washington…we were the second group to meet with them…and the Alabama team came out. They were very excited…you could tell they felt celebratory…usually they would put the other group in a room so you didn't interact with each other but they had not done that here. We went in and it was a very cool reception. And ultimately, I – as the one leading the state's efforts – asked the VW team "what's more important to you? Is it dollars at the bottom line, or is it zeroes in your cost model? Because depending on which is more important to you depends on how you address how we're capable of addressing your needs."
>
> And there was a gentlemen who was from Germany who was on the finance side, who said "it's the zeroes in our cost model"…and we started talking individually about how our program could do certain things, or we couldn't do something. Because Alabama had offered pretty much a blank check, and Tennessee can't do that…And that discussion lasted well over two hours. And at the end of it, they asked if we could have that written up and submitted to them by five o'clock the next afternoon…so we got on the state plane, went back to Chattanooga, dropped off the two mayors and the gentlemen from the chamber, and…when we were in Chattanooga, I called the [state] troopers for the governor and said "I'm going to need to have the governor available as soon as we land. And [the commissioner of finance] and I…called the governor and explained what we had done, because it was

> significantly different form what we had been discussing…the governor said… "I support y'all." We went and had it written up soon after. (EDP06 2016)

This account is indicative of many of the typical elements that characterize the final aspects of the negotiation process that Tennessee ultimately won. First, as the competition increases with the elimination of candidates, the incentives package takes on a more central role in the recruitment and selection, as mentioned above. The governor of the state will almost always be closely involved throughout the entire process, and is the person who ultimately has to sign off on the final deal offered by the state, but in the final phases local leaders and chambers of commerce must also be closely involved as they make up large parts of the final package. The comment about Alabama offering a blank check is also indicative of the fact that states competing for these projects have to do so while navigating the peculiarities of state laws that govern spending. Tennessee, for example, cannot simply offer public monies to private corporations, while Alabama and Georgia can; thus, in this instance, Tennessee had use infrastructure programs and other vehicles to craft a competitive incentive package.

The intense competition also is typical of very large projects. In the final phases, confidentiality is dropped and the last contenders will have a back and forth process with the firm and its consultants, as the firm tests the limits of what localities and states will offer – within reasonable limits (e.g. specific to the needs of the project). For example, in the last chapter I discussed how the recruitment of BMW to South Carolina eventually came down to a competition between that state and a site near Omaha, Nebraska. Given BMW's decision to pursue an export-oriented strategy, I also noted that the site in

Nebraska was not a viable site, yet the company kept this knowledge to itself and used the competition as leverage to negotiate with South Carolina.

When they reached the final stages of recruitment, BMW executives began negotiating intensely with South Carolina (primarily with then Governor Carroll), using the supposedly open site selection process as a negotiation lever. Executives decided the sites offered were not sufficient to meet their desire for airport and interstate proximity and the high visibility afforded by both. BMW executives were persuaded to consider a 1,200 acre site near Spartanburg, SC – and even as the firm was still negotiating, the state began buying options on the site and had to relocate more than 250 homes located there (McDermott 2011:86; Monk 1992). Reports do not mention use of eminent domain. In his report on the location decision in *The State* newspaper, Monk notes that several times throughout the negotiations officials with the firm said outright that “South Carolina’s incentive package was inadequate” – and used these claims to add to the package details like expansions of the Greenville-Spartanburg airport to handle their large 747 cargo jets. Even smaller minute details such as the cost of power supplied to the plant were negotiated, which was one aspect where South Carolina could not be competitive because the electric company was not state-owned but investor owned; one executive told reporters “they made it quite clear that we had to be very competitive with Nebraska” (Monk 1992). From the numerous accounts given there was clear and calculated use of the competitive process by BMW to shape the incentive package to their needs and desires. While several authors note that BMW did not go with the largest incentives offered (Nebraska reportedly came back with an offer amounting to $180

million) – given their desire for proximity to ports on the east coast, it is fair to say that the firm got the largest package they could at a site they desired, and clearly manipulated the competitive process to that end.

When Mercedes-Benz began its site selection process, as mentioned in chapter 4, the company sent out a large package of questionnaires to potential states. The cover letter of these packages indicated clearly "'that incentives must be attractive initially to be considered further'"(McDermott 2013:63). Thus, even at the very outset of the process, incentives were clearly indicated as an expectation – and such incentives had to be competitive with previously comparable packages. According to then Secretary of State for Alabama, Billy Jo Camp, potential states were informed that "Mercedes would be seeking incentives that were at least comparable to BMW. In fact, [they] suggested that Mercedes regarded itself as a much more attractive investment than BMW, and the implication was clear" (McDermott 2013:67). Mercedes went through a similarly competitive narrowing process, pitting North Carolina and Alabama against each other, and the former state apparently lost when it balked at the notion of paying employee salaries during training.

As the site selection consultant quoted earlier in this chapter noted, the final sites are relatively equivalent in the cost and quality – so the last phase of the competition is where firms can get a sense of how much a location "wants" them and offers localities an opportunity to show the firms they will be willing and active partners. Incentives play a major part in this, but it also involves a more nebulous sense of the feeling corporation gets for the place and the atmosphere. Briefly described by one site

selector, “you met with [local officials], ask questions. You know, you just get a feel” (SEL01 2016). While this last phase is fairly predictable in many respects, it remains the least rationalized part of the site selection process. Another former development professional, who at the time operated his own site consulting firm, tried to put this aspect into words “There’s something more than what’s on paper. And it is about— I use the word ‘atmospheric’ effect…it’s really about comfort level. You know… ‘do I like this?’…Now, that’s not the *core* of it, but that’s the piece that tends to close things” (EDP03 2015). Once the final incentive package is agreed upon, the state and the firm will sign a Memorandum of Understanding, that details all of the incentives and agreements made between the various parties involved. Once passed through the legislature and signed, a public announcement is made – with much fanfare – and the details of the recruitment are typically covered in journalistic accounts in an exciting and triumphalist manner.

Changes & Developments in Industrial Recruitment

Having clarified the key actors, elements and incentives that go into recruitment, and given an account of what the process looks like today, we can return to the question of whether this process looks qualitatively different than it did in 1980. I argue that there are important differences in the process today that reflect a deeper shift in industrial relations at the local government level. To address these changes, I will follow the pattern of the previous section by looking first at the actors involved, the incentives used

in recruitment, and lastly the process of recruitment itself.

Changes in the Actors Involved in Recruitment

One major difference from the pursuit of Saturn and Toyota in 1985 is the prevalence of development officials at the local level mentioned above. Indeed, the development of the professional field of knowledge around local economic development over the last 35 years is probably the most important change that has taken place, and I devote the next chapter to analysis of this development. One outcome of the growth of this field is that even small localities, such as small rural towns, will have someone familiar with the processes and nuances of local economic development and recruitment activities. As one business development professional noted, "in the last 20 years, there was really no pervasive knowledge of economic development…just the understanding of the term, and more general concept of that has led to more people entering the field which raises the game for being more professional. Some very rural locations, a decade ago, literally it could have been a secretary at a desk, and that was the 'economic development' person" (BDP03 2016). Site selectors, on the other side of this process of recruitment, echo this observation: "communities are much more knowledgeable…more prepared when they go in and…generally speaking, particularly when it comes to automotive, the locations are more knowledgeable, more professional and more prepared than they were 15 years ago" (SEL02 2016). Simply put, the norms or expectations have changed, such that all levels of government are expected to have development professionals capable of dealing with site selection projects on hand. "The

expectation of businesses that interact with these [development] organizations is to have someone that is knowledgeable, competent and has been educated in the right skills to be able to facilitate the kind of transaction that they're …looking for"(EDP06 2016).

Another way in which the actors involved have changed is the formation of a field of professional site selection consultants. In the 1980s, firms like GM had their own in-house site selectors who managed the site selection for new projects, but since that time firms like Deloitte, JLL and other real estate firms have developed specialized services in site selection consulting. An official from North Carolina remarked, "keep in mind, thirty or forty years ago you…didn't have this sizable cottage industry of third-party advisors that you have today, who are guiding corporate site selection decisions as well as incentives negotiations" (EDP05 2015). Another state development professional echoed these words almost exactly, saying "Now more and more the large projects are really involving site selection consultants. You know, 30-40 years ago, you would go call 'em and talk to the vice president in charge of development or real estate or whatever it might be. So large projects, international projects, usually will employ a consultant of some sort" (EDP09 2016). The growth of this industry in part reflects the influx of foreign firms who do not have a foothold in the United States. Perhaps more importantly, out-sourcing the site selection reflects a form of risk-management and process-control; "few companies do this [large scale site location] often enough to get it down to a precise science. There's always going to be a bit of an art, and always going to be a bit of a leap of faith…and if a company is on the wrong side of that [site selection], then they risk having put a bunch of money in the ground and not getting the return…that's why there's

companies [that pursue] professionalization of the industry…There's a lot of pressure on the company to do it right, and it's no surprise you now have this cottage industry of third party consultants and advisors – I think that just takes some stress off the internal company"(EDP05 2015).

The changes in the actors involved in industrial recruitment both drive and are driven by changes in the incentives offered and the process of recruitment, as will become clear as I elaborate the changes in these aspects of recruitment.

Changes in the Incentivization of Industrial Recruitment

The incentives packages that states and their localities use to woo corporations into locating in their prospective sites have grown and changed in important ways over the last 35 years. The value of incentives packages, relative to the amount of private investment, have grown steadily over the last 37 years, though not in a strictly linear fashion. When Honda sited its $750 million plant in Marysville, Ohio in 1980 the state and local governments combined paid only about $22 million dollars "in new highways, site improvements, and tax abatements, a commitment considered by many at the time as excessive" (Rubenstein 1992:209). By the time Volvo announced it would site its new plant outside Charleston, South Carolina in May, 2015, a conservative estimate of incentives offered by the state and local governments would put the package around $300, including unspecified tax abatements, for a $500 million investment. The actual dollar value of the incentives package, as Table 3.2 shows, is not necessarily a clear or easily estimated thing. Most reports do not consider the interest incurred on bonds

floated by the state, and many do not consider the annulment of sales and use taxes by state governments. Moreover, the value of benchmark tax abatements, such as jobs-based tax credits, are dependent upon employment figures, that fluctuate over time and can be inflated.

The growth in the value of incentives packages between 1980 and 2015 can seem astonishing, but a cursory examination of Tables 3.1 and 3.2 shows that the growth is neither steady nor linear. The average value jumps in 1985 around the Saturn and Toyota plant sitings to over $100 million, and never again slips below that value, but after this point incentives packages range from around $250 million to low estimates of around $400 million and high estimates around the billion-dollar mark. We cannot explain this pattern by simply assuming each frim comes into its locational considerations demanding a dollar amount equivalent to the previous proximate plant announcement.

The first thing to consider is the variation in cost of what the incentives are intended to cover; while two plants may have the same initial investment and both require connecting roads, the cost of building those roads may be much higher at one location than the other. For example, when Honda came into Lincoln, AL the combined cost of utility connections and road improvements and connections was $20 million, but in Canton, MS the cost of road improvements alone was almost $60 million, with utility connections adding an additional $33 million to the package. As one person involved in recruiting both Mercedes-Benz and Honda to Alabama recalled, “The overall total package was somewhat smaller than Mercedes, although not significantly smaller, and most of that was in terms of the training facility that would be constructed. That was the

biggest difference. And the lay of the land, how much work was required, what kind of roads would have to be [put] in, certainly played into it also" (EDP09 2016).[41] One official from Mississippi who worked to recruit Toyota noted the lay of land required a good deal of work, "we were virtually showing Toyota hills n' hollers – so they had to be convinced" (EDP07 2016). It is also important to consider the relative size of the plants that are intended to be constructed and the number of people they project to employ, as these affect the cost of land, utilities and materials, as well as the dollar value of jobs-based tax incentives.

Probably more important than dollar values of incentives packages, is consideration of how the incentives offered have changed in their quality over the past 35 years. In the early 1980s, when GM and other firms began constructing plants in the South, states would offer to cover the construction of connecting roads, make improvements to the chosen site, cover some of the cost of training workers, and offer some abatements on taxes. Beginning in the 1985, however, incentives offered to prospective firms began to ratchet up, especially in terms of growth on up-front incentives paid for by state and local authorities. When Toyota came to Kentucky, several new incentives were offered that became standard features of later incentives packages offered by other states

- Purchase of the site
- Site preparation
- Construction of worker training center
- Covering cost of utility connection to site

[41] In fact, a training center was constructed for Honda in 2001, that reports place between ten and thirty million dollars.

Following 1985 these became standard features of incentives packages offered to automotive firms, and so packages became more tailored to the specific needs of each incoming investment. After Toyota, states began offering a number of perks and incentives for each new plant, specific to each project. Mercedes-Benz was offered the opportunity to essentially tax its employees, Kia was offered state funded advertising, education programs beyond training for employee families or executives are not uncommon. All the perks are outcomes of the competitive process of recruitment, as states try to sweeten the deal to land the plant.

The most important change after the 1980s came in the mid-2000s, when localities and states began to designate, certify, and even purchase and prepare sites before any deal was finalized. This strategy was first pursued by the counties of Pontotoc, Union, and Lee in Mississippi, who formed the PUL Alliance and the Three Rivers Planning and Development District (TRPDD) specifically to prepare a site for a major automotive plant. The alliance purchased options on 24 parcels of land, and sought out TVA Megasite designation, which involved the TVA bringing "in a big engineering site consulting firm that was well known, they had to approve [our] engineering design, your soil tests, your infrastructure, the whole works – and you have to have at least 1000 acres under public control. And so that's basically when we were marketing it…your site had relevance, it met all the requirements set aside for an automotive manufacturing facility…it gave our site legitimacy, not just a thousand acres out in the boondocks" (EDP07 2016). The governor of Mississippi at the time, who also served as the lead negotiator in recruiting Toyota, at one point confirmed that the Blue Springs site was the preferred site in the

state and “to make sure there wasn’t some site they thought was better…one of the reasons it was better – it was the best site – was, we controlled the land already…three counties had gone together and bought the site” (GOV01 2016).

One site selection consultant from McCullum-Sweeny, who worked on the siting of Nissan in the Canton, MS, suggested that that particular project set the standard for site pre-certification. “Pretty quickly after Nissan it developed – if you got an RFP [Request for Proposal] for an automotive project and you had to go out and put together a property to show, it was too late…even if you knew a piece of property, if you hadn’t done the research on it and had a lot of uncertainty about it, you probably wouldn’t stay in [competition]” (SEL02 2016). Another development professional also remarked on this change, “there are now things called ‘certified cites’ – Honda [in 1999] and Mercedes [in 1993] were virgin sites, were not certified…so back then that was a little bit different, that’s one change” (EDP08 2016). In two of the most recent plant locations, the sites were not only certified prior to any potential project, but preparation work on the site began before the recruiters knew they had a deal. In the middle of the negotiations for the Mississippi site, Toyota conveyed “concern” about the site readiness (see above comment on “hills n’ hollers”), prompting the counties to display “good faith” effort and move 77 truckloads of dirt before the next site visit. A very similar story is told by one of the lead recruiters of the next plant sited in the U.S., Volkswagen:

> At the meeting…the head of site selection…he pulled me aside, and he had this same conversation with the mayors. And he said “we’re bringing our leadership and board members in two to three weeks, and if they come and see a forest…in Germany, you don’t build an auto plant in the forest…this location needs to look like an industrial site.”
>
> So after he had that conversation with the two mayors the three of us huddled…and discussed what needed to be done…I committed $750,000 and ultimately raised that…recognizing that this was a sort of low-risk strategy because if Volkswagen did not

> come, that site still needed to be prepped for future use…they put [an unmarked police car] up on top of a hill, the chamber put a camera and laptop computer in it, and we set up a website that…they could see what was going on in real time…by the time they made their visit – 1200 acres had been cleared and grubbed and actually even some dirt had been moved around to level parts of it. That was a massive undertaking that showed our ability to accomplish difficult things when we needed to. (EDP06 2016)

Others involved in the recruitment, including Tennessee Senator Bob Corker, did feel that the preemptory clearing was "risky," according to newspaper accounts of the recruitment (Wang et al. 2008). Accounts of Volvo's recruitment to South Carolina does not indicate the company demanded such "shows of faith" or site pre-preparation, thus it is not clear that such practices have become expected, though site certification clearly is. However, the discussions below on the question of achieving shorter time to market suggest that pre-development of sites has indeed become an expectation of firms. As one development official with the TVA put it, when asked if pre-preparation of sites had become more important, "yes, it has absolutely. Think about it – there's less land right? It's just tough to find sites. I'm talking about marketable sites. What communities and people like TVA are having to do is invest more dollars in getting those sites ready. And the competition is now the bar, I mean once we did that Megasite Program – everyone's doing it now, so…the bar has risen…everybody's expecting that now. So if you're not in the product development game you're behind" (BDP01 2016). The emphasis placed on "product development" from development officials in public and private sectors does suggest a growing trend toward site pre-preparation as becoming normalized. As one business development official observed of the Volkswagen case "the difference was between the states [of Alabama and Tennessee] and I'll just tell you that the Chattanooga site was advanced, it was market-ready. They'd done a lot of work, and the Sewell site

down in Alabama just wasn't quite as ready, and that's really what at the end of the day [made a difference]." (BDP01 2016)

A site selection professional suggested that the growth of incentives, and the shift towards investment and preparation of the site by localities, marks a growth in incentives from just targeting the ongoing *operational costs* (through reduction of taxes) to also mitigating up-front costs – the fixed capital sunk into the investment:

> Used to be almost every incentive that was out there and available would only impact ongoing operating costs – so you might be able to redo some of your property taxes, or you may be able to reduce ongoing utility costs…what the South figured out…was that a lot of these automotive projects, but also other kinds of heavy industry…figured out how many tens or hundreds of millions of dollars companies would have of invest up front – and how long it would take for them to recover that…so communities and states both said "OK we also do some things that also help offset those upfront costs…so the company is not having to do that when they already have to build an expensive building and put a lot of very expensive equipment and technology in it." (SEL03 2016)

Thus, the broader shift in the pattern and nature of incentives offered to major industrial projects can be characterized as increasing the overall size of incentives packages offered in order to offer more up-front funding of fixed capital resources to offset those costs to firms, in addition to incentives that affect ongoing costs such as tax credits.

Changes in the Process of Recruitment

Changes in the professionals and packages are part and parcel of important changes in the overall process of industrial recruitment that have occurred over the past 35 years. The general proliferation of development professionals at all levels has had a number of important impacts I discuss in depth in the next chapter, but one effect has been to streamline and to some extent routinize the overall process of recruiting a

project. One site selection professional noted when asked about governments becoming more professional on development, "Yeah, I'm sure you can track it but staff has increased, resources, there's just more sophistication of staff and that type of thing" (SEL01 2016). In the earlier cases of siting automotive assembly plants, the state – and specifically the governor or top commerce official – lead the project and pull together incentives almost entirely on their own. The account given above of the recruitment of Volkswagen, while rather dramatic, is much more streamlined than accounts given of BMW's recruitment to Spartanburg, South Carolina. In that recruitment, "From December until […the location] announcement, [Governor Carroll] Campbell was involved in every decision to guide BMW to South Carolina" (Monk 1992), and he relied on personal connections throughout the process to craft the incentives package. In response to a question on the professionalization of the process since the 1980s, one economic development official observed "there's no question that [1n 1980 in Tennessee] the state was almost exclusively – and governor [Lamar] Alexander was…the key negotiator, and Tennessee the state almost drove the deal…it has become more professional…and in the earlier projects the state had pretty much packaged it together" (EDP09 2016). When Toyota decided to locate in Georgetown, KY, local government officials were not even notified of the project until just prior to the announcement (Gelsanliter 1990:79), and Rubenstein ties the increasing professionalization of development to the Toyota-Saturn recruitments of 1985, arguing that this period marked "a turning point in the behavior of government officials…[some recruitment efforts] certainly began prior to the Saturn competition, but awareness of the need for industrial development policies was less

widespread and recruitment…highly dependent on the behavior of local officials"(Rubenstein 1992:208). Governors are still critical participants in the process of recruitment, and still lead recruitment efforts in some cases, but with development professionals at all levels and "site selection becom[ing] more sophisticated over the years" (SEL01 2016) the overall recruitment process has become less haphazard, if not strictly routine or standardized. "When I started in the late 90s, you would hear people talk about how deals used to be consummated between state and companies and it was a lot less formalized of a process. I mean it really was…I don't want to simplify it to the point of saying it was a handshake…on the golf course, but there was a lot less discipline to the way in which companies conducted that [process]" (EDP05 2015).

The time frame for the overall process of site selection has also compressed significantly in the past 37 years. This is in part driven by the aforementioned increase of professional site consultants and the use of databases and desktop analysis. Said one such consultant, "I've seen this certainly evolve over time. So, you go back even 10, 15 years ago, whether it's the site selection firm like ours or a company doing a search on their own, they would reach out to 15 or 20 communities right at the beginning of the process. In today's world, with so much information being available publicly…our firm we have our own database, and we also pay to subscribe to information from different databases…to help us with that process…until we're down to six or fewer communities" (SEL03 2016). A number of development professionals echoed this observation, stating that "the internet has been the biggest change [in economic development]…because the speed at which people can get information…now they can do desktop analysis" (BDP01

2016) and that "there's a lot more information, and quantifiable, that's driving the process now, than was the case a quarter century ago" (EDP05 2015).

This compression of time for site selection and start-up is also driven by the firms themselves, seeking to keep up with- or gain competitive advantage- in socially necessary turnover time (SNTT). Harvey defines SNTT as "the 'average time taken to turn over a given quantity of capital within a particular sector, under the normal conditions of production and circulation prevalent at the time.' Firms with shorter than necessary turnover times will receive excess profits…there will likely be, therefore, a competitive struggle to accelerate turnover times" (Harvey 1982:186). In other words, firms compete to turnover investments and realize profits more quickly, thereby shortening "time to market" (in the language of development professionals themselves) and realizing excess profits over slower competitors. As the competition catches up, this changes the average time to turnover investments within that sector (E.g. automotive production), thus compressing the socially necessary turnover time. One professional site selector describes how the siting of the Nissan plant in Mississippi raised the level of competition in siting projects and getting them up and running:

> If anything has changed dramatically [since the 1990s] it's the amount of time that companies give themselves to make a location decision, and…get product to market. We did the Nissan site search, we had our first meeting in the middle of May of 2000, and we gave them a final recommendation with incentives packages done at the end of October, basically slightly under five months. The typical project – Hyundai, Kia – before that were a year and a half, two year projects. And subsequent to that, the time frame on these automotive projects stayed pretty tight…the biggest change is the time frame that companies have to make these decisions, and to get the project up and running…that is a big influence on the location and the properties you're looking at, because it's no longer "what do you have in terms of size and capacity?" it's "when can you have it ready?" (SEL02 2016).

As this consultant makes clear, the compression of SNTT in siting industrial projects and getting them up and running is one of the key factors driving localities to certify and develop potential sites before a site search is underway. A former North Carolina commerce secretary said that state's pursuit of Megasite designation "was about being able to get to market faster. One of our observations in the decisions that we had lost in previous years…in some cases was that another state could offer a site better prepared than ours were, so that a company could come in and get to market faster than in North Carolina where we had not had prepared sites…we needed sites that were better prepared so that a company could get in and get to work faster" (EDP04 2015). The plant recruiter from Tennessee said much the same, that "the lead time for companies from decision to production has been cut so…that companies want to know that the pre-development activities that can take an additional six to twelve months have been taken care of and that the site is shovel ready" (EDP06 2016).[42] In other words, the shift in incentives packages towards covering up-front costs and even pre-developing sites is partly driven by the changes in the recruitment process, and in selection and start up times. A development official who had worked on several automotive projects in Alabama confirmed that "when I started out it was more about…cash incentives and what you're going to do from that standpoint, I think it has dramatically shifted to where the driver in my opinion is 'do you have a site? Do you have a product? Are you ready for a project to come there?'" (EDP08 2016).

[42] Note that this suggests that despite the Volvo case, this sort of actual pre-development of sites has become a normal expectation in the development process.

The need to have a ready-made product or site, and the compression of the selection time through increasingly sophisticated desktop analysis, has in turn been a major factor in local communities professionalizing their development activities. The TVA's community development efforts, for example, are spurred on by this compression as companies are "doing a lot of desktop analysis. You know because they can get demographic information, they can get labor information. So, one of our things [at TVA] we offer our communities is making sure their websites are up to date. Because if they're not they may get overlooked just because of the accuracy of the information" (BDP01 2016). In other words, as firms develop more sophisticated analyses, localities have to become more sophisticated in their "marketing" of their "product" – by maintaining accurate websites, gathering data, and making connections with site selection firms through certification programs. "So, you've got to have the product…so much now is data driven, so much is elimination driven, these professional site consultants are people who do this – they go through a process of looking through a lot of good communities and they're going to eliminate down from 30, to 25, to three or four. And your objective is you've got to be competitive enough to stay in the game" (EDP08 2016). Otherwise, as one official already quoted put it, they will not even get a look.

A Race to the Bottom?

With all of the interconnected changes in the process of industrial recruitment described above, we can return to the question of "is this something new and different – or just more of the same old smokestack chasing?" In other words, has the open

competition for investment amongst local governments since the 1980s really changed how recruitment is done, and relations between governments and private industry? As my research and interviews have shown, there have been major changes in industrial recruitment, as governments have increasingly taken up the costs of fixed capital investments, and developed a more professional and methodical approach to recruiting and retaining businesses, and businesses and site consultants become more sophisticated in negotiating incentives deals. Generally speaking, these changes have been driven by increasing competition among localities to lure prospective investment and competition among firms for excess profits, but this competition has not been driven solely by the businesses locating projects.

The first and perhaps most important change took place in the recruitment of Toyota to Georgetown, Kentucky. A number of aspects suggest that this recruitment and incentives deal was an critical juncture, a point at which the role governments could play in the siting of private investment shifted. As Table 3.2 shows, this was the first instance in which the state purchased and prepared the site for the factory itself, an incentive that became standardized afterwards. In the two previous plant location deals, Honda in Marysville and Nissan to Smyrna, TN in 1980, the governors decided that such a purchase was not legal. Governor James Rhodes had actually purchased and developed the site ultimately chosen by Honda in his first term in a move somewhat similar to contemporary site pre-development. Ultimately, the state sold the site, termed the Transportation Research Center, to Honda for $30 million – though it is unclear if Rhodes ever considered trying to simply give the site away (Gelsanliter 1990:33–35). In the case of the

Nissan plant, then-governor Lamar Alexander put a team together to pursue the project, and specifically directed legal advisors to find "how can I justify spending money on this" land for the plant site – but ultimately they decided they could not justify purchasing the site to taxpayers. Alexander did decide that the government could extend utilities to the plant, but only up to the property line of the eventual site (Gelsanliter 1990:49).

A number of other factors were changing in the period of the early 1980s. Perhaps because they led the way for Japanese manufacturers – even predating most joint-ventures – Honda never made an announcement of its intentions and "didn't want attention" drawn to its project (Gelsanliter 1990:15; Rubenstein 1992:210). Nissan did not follow suit, and publicly announced its intentions to build a plant in the US with the intention of creating a "big splash" – and creating intense competition among finalists for the site: Georgia, South Carolina and Tennessee (Perrucci 1994:54). While this competition may account for the greater expenditure on incentives by Tennessee, the incentives themselves were still limited to roads and infrastructure, and some training.

Saturn and Toyota both had very public, competitive, and at times chaotic site selections in 1985. "If Nissan's arrival generated fanfares, that furor was nothing in comparison to Saturn. GM's nationwide search for a plant, conducted in spring and summer 1985, prompted 'the largest site selection bidding war of all time.' 'Saturn Mania' swept the country, and thirty-eight states and dozens of communities expressed their interest in hosting the plant"(Hülsemann 2001:229–30). Rubenstein continues this account,

> instead of discretely planning for the new product, GM chairman Roger Smith chose to shower lavish publicity on Saturn at a preliminary stage…by announcing that Saturn would be built…at a new plant, Smith unleashed a fierce battle among localities to attract the facility. Smith may have deliberately encouraged the competition in order to secure higher concessions, but it was probably unwittingly. (Rubenstein 1992:208)

Indeed, Rubenstein suggests that the competition for the Saturn plant was important for setting the lead role of state level governments in major recruitment efforts we see today:

> The Saturn site selection process demonstrated that leadership in attracting and retaining large projects, such as automobile plants, must reside at the level of the governments of the fifty states. Overwhelmed by requests from hundreds of communities, General Motors turned to states to bring order to the selection process. States were asked to coordinate the flow of material from individual communities to GM. (Rubenstein 1992:212).

As with Nissan five years previous, the incentives package for Saturn was quite large for the day – at around $80 million dollars – but still was limited to road connections and improvements, training funds and tax abatements. The Saturn company paid for the site itself and the full cost of the utilities (Gilbert 1994; Milward and Newman 1989). The proximity of the Toyota site selection to the Saturn plant seems to have had an important impact. Toyota already had entered the US with the NUMMI joint venture with GM in 1980, apparently to test the waters of instituting Japanese-style labor relations with a US workforce (Gelsanliter 1990; Mair et al. 1988). At first Toyota followed the selection pattern of Nissan and Honda, "apparently… generat[ing] a short list of sites, including Kansas City, Kansas and Lebanon, Tennessee, a northern suburb of Nashville" (Rubenstein 1992:228), localities whom they had been in contact with since their early 80s research into possible plant locations. But in the summer of 1985, after the highly publicized recruitment of GM's Saturn plant in January of that year, "Toyota backed off

from Kansas City and Nashville and decided to throw open the choice to the highest bidder…thirty communities responded" (Rubenstein 1992:229).

One of the professionals I spoke to worked with Tennessee in recruiting Nissan, Saturn and Toyota to the state (though the latter project they did not win), and he suggested that while both Saturn and Toyota were quite public and generated intense competition – Saturn shifted the norm on competition but it was the Toyota site selection that shifted the norm on incentives.

> It was a different world. Obviously [Saturn] was an American and the other was a Japanese company. The Saturn folks came out and announced directly – the Chairman Smith of GM – came on television [and said] "well, we're going to build a new car and it's going to be super gas efficient…named Saturn" and then the bidding wars were just wide open…I mean it was just amazing, it was very competitive. I would go to Detroit I…remember the Akron High School Band marched down the street in front of General Motors and had them deliver a petition with 50,000 signatures…said they were inundated with hams. It was a different world. Saturn was unlike anything we'd ever seen, because most folks like to keep what they're going to do and how they're going to do it quite confidential. (EDP09 2016)

When prompted about whether the recruitment and incentives requests were changing in the same mid-1980's time frame, he responded:

> Exactly. The world changed dramatically in terms of support—incentives—because governor Collins, Martha Layne Collins, was the governor of Kentucky and no question, she and her administration really stepped up…when governor Collins stepped up, their total package was one hundred and thirty, forty million dollars. So Nissan [in Tennessee] was forty million dollars, most all of that was training. Then, the bidding wars went crazy for the big plants, but the one that really did break it was Toyota. No question. (EDP09 2016)

The Toyota package was not only the largest to date, valued at $147 million without tax abatements, it also is the first case to include site purchase, preparation and utility provision by the state, as well as perks tailored to the company, such as money set aside for education of Japanese families who would transplant to Georgetown (Gelsanliter 1990:87; Perrucci 1994:7). Both Toyota and the Kentucky governor seem to

have been critical to pushing the envelope on incentives; governor Richard Celeste of Ohio suggested Toyota essentially demanded blank check, and "I had already offered $105 million. It was as high as I could go, perhaps already higher than I should have gone. To have offered more couldn't have been justified to a comparable American Company" (*quoted in* Gelsanliter 1990:79). There is striking echo here of Lamar Alexander, five years earlier, struggling to justify the purchase of the Nissan site and failing to do so – and this echo is indicative of the norms governors faced in the day. Rubenstein also observes that the Saturn-Toyota selections shifted norms on recruitment: "local government officials learned from the Saturn [and Toyota] experience that aggressive marketing practices to attract or retain industries were not only acceptable behavior, they had become expected. Overseas trips by politicians, once considered thinly-veiled holiday junkets, became a necessary undertaking to attracting investors…secret deals were replaced by highly publicized signing ceremonies" (1992:208–9). Many accounts suggest that Governor Collins was also instrumental in pushing the incentives package along. As the development official who worked for Tennessee observed "when [Nissan] selected Tennessee, I think Martha Layne got pretty red-faced, and anyhow she said 'we won't let that happen again'"(EDP09 2016). Gelsanliter also suggests that Collins felt she had "lost" Saturn and feared losing the Toyota project to Indiana; "Kentucky won out, it appears, because of the aggressive wooing of its governor" Collins, who made a number of "last-minute" concessions to the company to seal the deal (1990:76).

The 1985 Toyota case not only challenged norms around recruitment but also laws governing state spending on private entities. Amidst negative press coverage and

general unpopularity of the incentives package, activist Ralph Nader took the Collins administration to court, challenging state expenditures of money on the Toyota incentives on constitutional grounds. The case went to the state Supreme Court, and "in June [1986] the Kentucky Supreme Court ruled 4-3 that the Collins incentive package was constitutional. At issue had been whether the state had the power to raise and spend money for the benefit of a private business. Proponents argued that the purchase and transfer of 1,600 acres, along with the other inducements, were not a gift…Kentucky would eventually receive fair market value through new tax revenue…[and] the potential benefits to be derived were so great that the constitution must be judicially amended" (Gelsanliter 1990:128; Perrucci 1994). In December of that year, Fuji-Isuzu would announce a $500 million plant to locate in Lafayette, Indiana and receive incentives valued between $260 million and $346 million, including purchase of land and its development, and funds set aside for Japanese families' transitions.[43]

Thus, the 1985 recruitment of Toyota shifted the scales, "changed the world dramatically," but it was not just the Toyota corporation pitting states in open competition and demanding unprecedented concessions – it was also the governor who aggressively recruited them and was willing to push the legal and normative limits of what the state would offer driving the changes. In the decades to follow, competitive pursuit of large and industrial projects would tend to ratchet up incentives in smaller, but

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[43] In many ways, the Toyota recruitment is prototypical of the recruitment process we see today, in part because Toyota struck the balance of competition and confidentiality we see today. "The Saturn project it was just huge, they were- every state virtually in the country made some kind of an effort for it. And Toyota was a more typical Japanese, more very low key, not wanting to let the world know all what was happening with them" (EDP09 2016).

important ways. “With each automotive project, starting in the 90’s, the incentives sort of stepped up to some degree with each project. You know a company would know about what the prior company got, and there’d be a lot of pressure of the competing locations to do *at least* that, if not better than that” (SEL02 2016).

The rise of site selection consultants itself has also played an important role in the growth and changes in incentives, as the professional consultants have both a professional imperative and professional reputation at stake in the incentives negotiations process. One development professional, who later worked in site selection, put the matter starkly: “Depending on who your client is, you want to get the best deal for your client…if the law allows, then you should take advantage of everything that’s possible. Plain and simple” (EDP03 2015). Others in the field repeated this idea that “how we advise our clients is, yes we’re always going to try and go and get the very best deal we can for our client” (SEL03 2016), and that “site selectors, who broker an opportunity for companies to be in locations, serve across many different industries, so they have this knowledge of the incentives process and how to maximize that…so they’re fairly agnostic about maximizing opportunity” (BDP03 2016). Another site consultant who had worked for the state of Georgia as well pointed out that the “site consultant can, occasionally, get paid on what kind of a great deal they can get. So, that changes the equation a little bit” (EDP03 2015). An individual working with development partnership in North Carolina elaborated the impact these consulting firms have had:

> 30-40 years ago, you…didn’t have this sizable cottage industry of third-party advisors […]. I mean, now you have this very specialized intermediary party that typically represents about half the potential deals out there, and their job is to extract the very best offer they can for their clients. And that’s often times one of the chief filters for which they’re evaluating

> [prospects] so of course, that's going to put a much greater emphasis on incentives than there has been before. And if the state hasn't stepped up its game…in the short term that could really cost the state some chances to win deals. (EDP05 2015)

The inclusion of site selection professionals may have begun with Toyota in 1985, but was a typical feature of site selection after the 1990s, when BMW and Mercedes-Benz came to the Southeast – and another important change takes place in this period. While competition for Toyota in 1985 was fierce, there was not the open "back and forth" negotiation process that is reported in the news today. When I asked on official who had worked on the Toyota project, as well as the Mercedes-Benz project in 1993, he noted that "no, there was not [a bidding up at the end of the Toyota project]…Toyota when they came they were very, very detailed…they had questionnaires that we directed from their contractors, from their accountants…and I'm sure they compared the answers…I don't know that much about BMW but I do know that Mercedes-Benz narrowed down to three finalists, North Carolina, South Carolina, and of course Vance, Alabama, those were the three final sites. Yes they did go back and forth – I think a very competitive situation as you can guess."(EDP09 2016). This sort of competitive bidding up, as described in the BMW, Mercedes, and Volkswagen deals above, is likely an important factor contributing to the rise in up-front incentives, which today range from $100 million to almost $400 million.

Coda: the curious cases of Westmoreland and Hamtramck

There are two interesting early cases of plant location, recruitment, and incentives I have not discussed in this chapter, but deserve some mention here. As laid

out in the previous chapter, the first foreign transplant to the U.S. was actually the Volkswagen plant that after a similar recruitment to that elaborated in this chapter, located in Westmoreland, PA in 1978. And I also noted that in 1980, GM located a new (brownfield) plant in a suburb of Detroit called Hamtramck, and while there was not a similar competitive recruitment the company did secure a massive amount of incentives, around $350 million. The question arises as to why these cases did not seem to create the same effect as Saturn and Toyota in 1985 – that is, why did the "world not change" with Hamtramck? Why did BMW not look at Hamtramck as precedent? It is worth looking at the cases in a bit more depth.

In 1980 the U.S. auto industry was in crisis, and Chrysler had just been bailed out by the federal government to the tune of $1.2 billion. In return for the loan Chrysler closed a number of plants across the U.S. and by 1980 had laid off %40 of its workforce. Many of Chrysler's closures, and those of other Detroit 3 firms, hit Michigan the hardest, especially the city of Detroit – long known as the home of U.S. automotive production. "Between 1970 and 1977 Detroit lost 47,000 jobs, more than 9 percent of its workforce. Between 1970 and 1980 the city's population had declined by approximately 20 percent…property values declined by 1.5 percent…GM had also just announced that it was closing two aging plants in Detroit, threatening the jobs of another 15,000 workers" (Luger 2000:109).

These were the dire straits in which the city of Detroit and the state of Michigan found themselves when GM approached the city in 1980 to find a location for a new consolidated assembly plant for its largest cars – Cadillac and Oldsmobile (Luger

2000:109; Rubenstein 1992:204). At GM's suggestion, a site was found that met their requirements in an old abandoned Dodge plant, a 53-hectare site in a Detroit enclave called Hamtramck; after Dodge donated the plant to the city and it was demolished, there was only one problem remaining – the site was too small by far. "Anxious not to lose the…plant, the cities of Detroit and Hamtramck together offered to assemble 188 hectares by expanding the site to the south into Detroit" (Rubenstein 1992:204–5), GM would get the most of the site, while the rest would be an industrial park and railyard.[44] "Sitting in the way, however, was a racially integrated working-class neighborhood known as Poletown" (Luger 2000:109).[45]

Rubenstein elaborates, "in order to present GM with a cleared parcel of land, complete with utilities, roads, and rail sidings, the two cities [of Detroit and Hamtramck] had to acquire 1,675 structures and relocate 150 business and 1,500 households. While General Motors could not compel people to sell their property, the local governments could, under eminent domain, as long as…compulsory purchases were shown to be for a legitimate public purpose" (1992:205). The residents of the Poletown neighborhood brought the plant site acquisition into the national spotlight as they battled bitterly to save their neighborhood, a mix of well-maintained homes and condemned shells.[46] The neighborhood council sought a court injunction, and in 1980 a Circuit Court ruled that

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[44] The formation of "industrial parks" by state and local governments, which then lease or give land to private firms on the cheap, is one among a number key strategies local governments use today to reduce infrastructure and fixed-capital costs for private firms.
[45] The degree of "racial integration" might be overstated, as Rubenstein notes that Poletown's image was tarnished in the media by racial issues (Rubenstein 1992:206–7).
[46] Hamtramck, interestingly, was also the site of an earlier Chrysler plant closure – notable for its particularly militant unions.

"the uncertain promise that the plant would employ 6,000 people" (Luger 2000:109) and enhance the tax base was a legitimate "public purpose."

I return to a discussion of this legal reasoning and its importance in chapter 7, but what is interesting here is that the overall cost of these government efforts was enormous, but also that it involved features—such as site purchase and preparation—that would not become typical until after 1985 with Toyota's recruitment. And indeed, local officials in Tennessee in 1980 and 1985 with Saturn, could not justify the public expenditure on the land *even though it had just been done in Michigan*. When I asked an official who worked on those recruitments whether they had considered the deal with GM in Detroit, he told me "I don't think so…are you talking about the Hamtramck project?...No, I don't think we gave too much [thought]…I don't remember that being any kind of discussion" (EDP09 2016).

There are two points I would make here. First, it is worth pointing out that GM was the parent company of Saturn that, as noted, was distinct in the fanfare and competition among governments its site selection spurred. Given the company's experience with eager governments in their plant location in Poletown, it is certainly possible that their later open competition strategy with Saturn was informed by this experience. The second point is that the lack of consideration given to the Volkswagen recruitment in 1978 and the incentives offered to GM in 1980 by local development officials in the mid 1980s is indicative of the fact that the professional field of knowledge of local development had not yet taken shape. Thus, the omission of these cases by development officials in 1985 reflects a lack of a field of professionals with knowledge of

prior cases, and of how to approach recruitment, or what states had offered in previous deals. This ignorance of the early cases is also likely reflective of the fact that firms themselves had not yet established the norms and expectations of site selection and recruitment typical of later cases, norms perhaps set by BMW and Mercedes-Benz in the early 90s when they hired major global firms and made explicitly clear expectations of incentives packages. Thus, despite their seeming similarity to later cases, and the impact that VW's failure had on later Japanese transplants, these early cases fell outside the canon of knowledge of the economic development profession precisely because that canon developed over the process of recruiting plants in the mid-1980s and early 1990s.

Conclusions

The findings presented in this chapter suggest that the narrative surrounding the growth of incentives for recruitment efforts that frames it simply as a "race to the bottom" by hapless governments desperate for jobs is not quite correct. Certainly, Toyota and Mercedes-Benz were very tough negotiators and pushed the government officials they were working with to be "creative" in their recruitment efforts. But Governors and recruiters on the state side have also pushed the envelope, stretching beyond precedent and challenging the legal and normative limits of government spending. And professional consultants – pushing to get everything legally possible for their client (while maintaining a healthy partnership) – also played a role in expanding and tailoring incentives to their client's needs.

In this chapter, I have elaborated the processes of industrial recruitment of major automotive plants, the incentives offered and by whom, and how this process and the actors involved have changed over the past 35 years. It is worth reiterating that many of the particular details discussed are unique to greenfield or new industrial sites (as opposed to appropriated old factory sites); and note well that major industrial projects are uncommon in terms of the scope and scale of the investment and the employment they entail. It is further worth pointing out that the above elaboration has taken place from largely *within* the perspective of the government and private actors involved in industrial recruitment efforts. What is striking is the number of topics that did *not* emerge from my interviews: there were almost no mentions of officials or the public more generally objecting to any plant in a locality; resistance to incentives was not treated with any legitimate concern in the few instances in which it was discussed at all (I discuss this further in the next chapter); labor, as anything more than a workforce (as opposed to a political force) was scarcely mentioned. In other words, the theoretical considerations of class power, globalized competition, and the conjunction of economic and political power framed in earlier chapters, are considered *de facto* realities and not remarked upon in and of themselves.

As will become clear in the following two chapters, these remarkable omissions are part and parcel of the professional knowledge and perspective of the individuals interviewed here, what I call the “partnership” perspective. In the following chapter (6) I show that beneath the changing size and shape of incentives, the relationships between governments and business have also begun to change. As economic development and

industrial recruitment become increasingly routinized and professionalized, the way in which governments and firms relate to each other, and see each other's role in business has changed. In the next chapter I elaborate this professional field of knowledge in local economic development and its attendant perspective, and show that the omissions above are constitutive of this field. In chapter 7, I show that this partnership perspective is not a neutral standpoint but a reconfiguration of power relations, that diminishes the political space of local actors and workers by eroding the legitimacy of the discursive landscape on which they stand. This discursive shift is part and parcel of a political shift in class relations driven by neoliberal ideology and the interests of global capital. But first, we need to apprehend the partnership perspective itself, and this is the task to which I turn in the proceeding chapter.

Chapter 6
The Business of Partnerships

Introduction: Partnerships

"Nobody's going to put a plant in your state as a favor. This is all a business"
State Governor, Interviewed in 2016

In the previous chapter, we saw that the process of industrial recruitment that is familiar today began to develop in the mid-1980s, when governors and state commerce officials and their counterparts in private industry were negotiating the new legal and normative terrain that defined the scope and scale of what governments could do for businesses. In the early phases, the process of putting together an incentives package for a company was a more chaotic process, typically spearheaded by the governor herself. As noted, governors have remained central figures in industrial recruitment, but in the earlier days of the 1980s governors had to secure agreements from multiple agencies, call in personal favors, and had very little institutional infrastructure to rely upon in the process. For example, Governor Collins in Kentucky was not even aware of some of the incentives offered to Toyota to close the deal, and some incentives offered later fell through because localities had not been included in incentives discussions (Gelsanliter 1990:127–28). In his account of the recruitment of BMW to South Carolina, Monk notes that as concerns around lengthening runways at the airport developed, the chairman of the airport commission, and a friend of Governor Carroll became involved, as did the State Superintendent of Education when comparisons to Nebraska were made, while "for their part, Spartanburg county officials played follow-the-Governor" (Monk 1992). These

ad-hoc developments to the process of recruitment are indicative of the less rationalized approach to recruitment typical of the earlier plant locations. As the norms and legalities of recruitment and incentives developed, communities and states developed professional roles and institutional positions and knowledge to adapt to the new focus on the southeast, and keep up with the increasing sophistication of professional site selection consultants. Indeed, one of the professionals I spoke to was in the process of starting a development academy at a university in Alabama, because in his words "we need to have the best prepared professionals" (EDP08 2016). A number of respondents noted that the professional field of economic development had come into its own since the 1980s:

> Thirty-six years ago, the economic development profession— I don't think it was seen as a profession. So the economic development over the years…people are starting to acknowledge this as a true profession. (BDP01 2016)

> I think it has put more pressure on units of government at the local or state level, knowing that you have a high level…or higher level of professionalism and more people in the industry today than in the past. (SEL03 2016)

As discussed in the previous chapter, state and local governments have increased and professionalized economic development staff such that by the early 2000s state level officials could expect experienced and knowledgeable professionals to be working even in relatively small southern towns. "You know today you have courses, that are taught at some colleges and graduate schools on economic development, you have organizations that certify *and* I think the…expectation of businesses that interact with these organizations is to have someone that is knowledgeable, competent, and has been educated in the right skills to be able to facilitate the kind of transaction that they're kind of looking for" (EDP06 2016). But what does it mean to have professional knowledge of economic development? In this chapter, I explore the growing professional field of local

economic development and its overlapping specialization with site selection consultants, with the aim of demonstrating how this shared field of knowledge constitutes a particular approach to governance and the relations between governments and corporations in the era of neoliberal capitalism.

Economic development officials at different levels will often perform very different activities, and as with most aspects of recruitment and development different states and even localities will have distinct approaches to local development. However, as became clear in the course of my interviews, site selection consultants and development professionals draw on a field of shared language and specialized knowledge of expectations and best practices for businesses and governments in the process of development and recruitment. Indeed, many professionals who I spoke to had worked both for governments as economic development professionals and as site consultants for private firms locating projects, and shifting between sides was fairly routine. While such professional intermingling is not necessarily unusual, it is reflective of the fact that this professional field is articulated through a perspective that distinctly reflects the reality of private business. What this means is that as the field of local economic development grew, what took shape was an arm of local governments that acted *as* businesses; that dealt with private firms on their own terms, and from a shared perspective. This, I will argue, is a manifestation of what Harvey has called “entrepreneurial governance” – this is not simply government adapting to mobile capital, but government behaving *as* capital. The underlying theme that guides this chapter, and the actual entrepreneurialization of governance, is that of “partnership” – a concept that defines the way in which localities

and businesses see the appropriate function of government in private development and growth.

The discourse of partnership reconfigures the role of subnational governments in relation to business from one of managers and regulators to that of the amenable business partner, whose potential benefit from job creation and economic growth makes them an equal partner in new capital investment ventures. This view of governance is different from government as "manager" of a locality, to use Harvey's term, which saw the role of local government as essentially "wards of the federal government and rely[ing] fundamentally on redistributions for survival" (Harvey 2006a:348). While this view of managerialism does not describe the more active role southern states have historically had in business development efforts, even that more activist role was confined to creating an alluring tax structure and basically managing local ordinances to make it cheap to do business in the South. But the partnership approach to entrepreneurial governance is different. In this view, governments are a distinctive kind of partner, one with a unique capacity to enhance a firm's locational capabilities (the ability of a firm to secure resources it needs) and reduce up-front and operational costs through public provision of incentives and infrastructure (Storper and Walker 1989:73). Thus, as we will see, the changes and growth in incentives for business in the last 37 years and the growth of the economic development profession reflect a qualitative shift in the relations between local governments and private firms, from one of manager to one of business partner and fellow entrepreneur. The practice and discourse of partnership ties together three intertwined, but distinct, themes that emerged in the

course of my interviews and coding: (1) the customer service experience, (2) place as product (development and marketing), and (3) government as businessperson. Together, these themes constitute the partnership perspective and are the basis of shared knowledge that is formative of the economic development profession. Below I elaborate these three themes in order to add flesh to the bones of the partnership perspective, and then return to the theory of entrepreneurial governance and discuss how it frames contemporary governmental relations.

1. The Customer Service Experience (CSE)

Throughout my discussions with development professionals one clear theme that emerged was that businesses increasingly expect states to roll out the "customer service experience." The customer service experience (CSE) has both overt and subtle aspects, both of which can be reasonably compared to a luxury or boutique customer service experience. Overt aspects of the CSE include recruitment authorities treating the prospective firm and project as a distinct individual with particular needs, and tailoring the incentives and site to meet those needs – much like a tailor fitting a suit. Note there are two interrelated aspects here, getting to know the needs, and the tailoring of the final product: for major industrial or headquarters projects, off-the-rack incentives simply will not do, no matter their scope. The subtler aspects of the CSE involves the overall tonality of the recruitment process, and the need for governments to impart the sense that they are *genuinely* invested and interested in the prospective client, inculcating a

feeling by the firm that they are really wanted.[47] Together, these two aspects of the customer service experience serve to demonstrate the kind of partner the local and state governments will be, an unquantifiable but nonetheless critical aspect of business recruitment.

Ascertaining the needs of the particular project was a recurrent theme in discussions of successful recruitment efforts. As one city development officer put it, "the key to successful negotiation, in my opinion, is understanding what the company needs. It's not *all* about money. It could be marketing, it could be presence, it could be visibility, it could be workforce training…that is added value, that is money you don't spend - it's money I save you - so it's almost the same thing. [Q: *so basically taking a kind of…customer service approach?*] You *have* to. To me, the most successful programs, that's what they do" (EDP02 2015). A development official with the Georgia Department of Economic Development (GDEcD) who worked to bring Kia to Georgia echoed this sentiment almost verbatim, "the most important thing I can do…in any negotiation…is develop a relationship…I have to know what you really want – what you really need…it doesn't sound like a lot, but it begins to create a bridge, and it says that 'you're acknowledging me – you're paying attention to me'" (EDP03 2015). This aspect of meeting the "customer's" particular needs was also central in the account of the VW recruiter in the previous chapter, who suggested that his tactic of saying "it would be

[47] During interviews, I was recalled of my experience as "team member" at Whole Foods Market, in which employees are trained not simply in tasks or skills, but also in appropriate demeanor and tone. As a high-end grocery store, we were instructed, people want to feel we are really invested in making their experience the best possible.

more effective for us [the state] if we were able to know what you need…to see if we're in a position of being able to support what you need" (EDP06 2016) was what shifted the scales in winning the project over the "blank check" approach of the Alabama team. This strategy of addressing the specific needs of the incoming project is found throughout the cases I studied, and leads to several important outcomes, one obviously being that companies end up with incentives packages tailored to their project. Hence, in addition to common elements among incentives packages (site purchase, rail connections, etc.), there are typically perks and small gestures: states may increase the visibility of a plant through landscaping around the connecting highway, free advertising, stadia and streets are renamed, college education is provided for executives' children. There are larger individual elements for each package as well that reflect the tailoring of incentives, such as the Welcome Center constructed for Mercedes-Benz, or allowing the same company to absorb 5% of employee's incomes – the amount forgone by the state forfeiting payroll taxes – to pay for plant construction costs. Toyota in Blue Springs, MS received $30 million to encourage supplier relocation, and Georgia promised not only to construct a training center for Kia, but also to maintain the center for five years at an estimated cost of $5.5 million. Thus, central to the CSE is the process of getting to know the needs of the projects and using the tools available (jobs programs, extant legislation, and new provisions) in the particular state and localities to meet those needs as best possible

Beyond the incentives packages themselves, companies are also looking for the appropriate mindset or attitude from governments, one that "pays attention" and demonstrates consideration of the uniqueness of the firm and its needs. Being creative in

constructing incentives packages is a key aspect of the CSE not only because it meets relevant needs, but because it demonstrates the tone of relationships that companies like to see – namely one in which they are made to feel special. Said one state official who had worked on recruiting Mercedes-Benz of their incentives package "I think we demonstrated we were really hungry for this [project], and would be the kind of partner Mercedes-Benz was looking for" (EDP08 2016). A similar sentiment was expressed directly to the lead Tennessee recruiter by the VW executive working on the project, "Stephan Jacoby…[who] said to us 'one of the biggest and most impressive things you did was clear that site before you even had a project – that was impactful to VW because it sent the message you're going to be a good partner'" (EDP06 2016). As should be clear from these examples, the sentiment of specialness conveyed by the CSE is essential to perceiving/conveying the government *as* a partner. Conversely, a former Commerce secretary from North Carolina observed that the state's cool tonality may have impacted its competitiveness on some projects, "I used to say 'we're good enough not to have to be really good at economic development'…I think it was the tenor that I discovered [at the Department of Commerce], and it wasn't that we weren't working hard and we didn't have people engaged and recruiting, it's that we felt didn't have to be on the cutting edge of initiatives for recruitment…the hunger was not there, like it was in other places" (EDP04 2015). Part of the goal of this Secretary of Commerce was to change North Carolina's approach and reputation, because "states have reputations as being aggressive recruiters, very active with incentives, very aggressive in that regard – and North Carolina is seen as being a bit reticent, slower to act. So…I wanted to change some of that"

(EDP04 2015). Thus, the importance of the CSE is not simply in approach and package, but in making the company feel special – as frivolous or adolescent as that might sound. Indeed, as early as Saturn's pursuit of its southern site, tenor and tonality were critical, as the professional who worked on that project for Tennessee recounted "[the] first choice for Saturn was around in the Lexington [Kentucky] area, and they came on down to Knoxville next. And I asked them later, 'well, why didn't you guys kind of get up in Kentucky?' They [Ed Dilworth and George Fox, with GM] both told me 'well, we just didn't feel like we were— like this was something they really wanted up in their bluegrass. They didn't want smokestacks and whatever'"(EDP09 2016). This same professional worked on the recruitment of Mercedes-Benz years later, and related a telling story, "governor Campbell, Carrol Campbell, who was an excellent economic development governor in South Carolina, I believe late at night that [the head of the Mercedes Benz team] said that Governor looked at him and said, 'look, let's put it this way, whatever they're giving you, we will match it in South Carolina' and I think that— his comment was 'well, that's nice, but that's not very creative.' I don't think that went over all that well. It was an interesting comment" (EDP09 2016).

The importance of the CSE helps us explain not only the individualized perks attached to each project, but also why incentives packages do not grow in a simply linear fashion in terms of dollar value. One former Alabama official explained why the incentives offered to Honda appeared somewhat smaller compared to previous and subsequent packages,

> Honda approached this in negotiating, and incentive package, that [*sic*] they felt was appropriate, and what they needed for their project. And that was the approach they

> took…the discussions we that had with them it was 'here's what we need, here's why we need it' and then Alabama responded and said 'here's what we can do, and here's how we will go about doing it.'…So that was the business approach that I remember us going through…the incentives are not always the driver that wins or loses projects, in my opinion, it's a lot more than that. It's the partnership. (EDP08 2016)

This sentiment is echoed by site consultants, one of whom put it succinctly, "the way we manage the process, incentives don't drive the project, the project drives incentives" (SEL02 2016), suggesting that it is the character and not simply the size of incentives packages that are decisive. Indeed, the importance of the CSE is in part driven by site consultants, who bring the focus on their client's needs to the forefront of the negotiation. When I asked one site selection consultant on whether states were driving the shift in incentives towards offsetting up-front costs, he replied "I think partly, in the negotiation process. But I think it's incumbent on site selection firms, you know, corporate decision makers themselves saying 'okay, here's what's important to us – here's why these three issues are pain points for us, and why we need you to partner with us on that'" (SEL03 2016). He later continued, discussing the negotiation process in particular, effectively summing up the importance of the CSE to the partnership perspective,

> most communities and most states view it as a collaboration or a partnership. There's a lot of good interactions to say 'ok, well here's the tools we have – here are some ideas and ways we can deploy those tools to help your project, now tell us what's most meaningful to you.' And our job [as site consultants] is to quarterback that process…again, one, it helps support our clients need for the project, but at the same time it results in a structure where the city, the state, and our client feel like it's a positive outcome and everybody's equally invested and protected. (SEL03 2016)

2.1 Place as Product I: The Fundamental Product

A key element of the economic development perspective then, is that governments engaging in recruitment and development activities should be "partners"

for businesses and provide them with a true customer service experience. Yet there is another important element of this development perspective and the partnership relation that goes beyond the CSE. This was articulated clearly by an official with the Economic Development Partnership of North Carolina (EDPNC), in discussing the different experience of working with a public-private partnership (PPP) – an issue I discuss later in this chapter:

> I don't think [spinning off recruitment functions of the Commerce Dept. into the EDPNC] matters that much to the business community out there. A company out there that's getting ready to deal with North Carolina, they really don't care whether they're getting ready to deal with a private non-profit like us, or if they're dealing with the Department of Commerce. What they want is a customer service experience, that gives them the information they need in a timely fashion, and with discretion on anything that's confidential…what we can control [as a development and recruitment agency] is that customer service experience that a company has…what's not within our control is how the state is perceived as a business location…[which] is a function of tax policy, regulatory climate, workforce statistics and even [overall attractiveness]. (EDP05 2015)

While this official clearly points to the centrality of the CSE, he also points out the second aspect of the development perspective and partnership discourse – place as product. Throughout my work, professionals with states and private firms repeatedly referred to the fundamental product – the thing that incentives could not necessarily change – the locality. This perception of "place as product" is the second key aspect of the development perspective, in which the government as partner has a responsibility to craft and sell and fundamentally sound product – the place itself. But as with the CSE there are several levels to crafting a good product, one concerning the broader business climate of the state, the other concerning the development and preparation of a particular site. As will also become clear, from the development perspective local

governments must take on several different roles – both business partner and service provider, though this latter role is subsumed under the partnership discourse.

As the developer with EDPNC phrased this notion of the fundamental product, "keep in mind, I think a lot of the success of any economic development network – whether that's local, regional, or state – has to do with how your product is perceived" (EDP05 2015). Throughout my interviews with experts in the field there were typically efforts to downplay the role of incentives, and this discussion typically revolved around the product: "workforce and education, is now in my opinion – in addition to sites – the biggest driver [of site selection]. If you ask site consultants they will tell you that incentives are way down the list…incentives can make a good site better, but they can't make a bad site good. So you've got to have the product, and you've got to have the workforce and the ability to train that workforce" (EDP08 2016). On one level, then, the "product" refers to overall business climate a state offers, including regulatory climate and tort reform laws, tax profile, and the labor force. One site selector noted that this level of the place as product features in the early phases of site selection in which many localities are filtered out:

> Some of those earlier screens…you know, right-to-work is a screen that comes up pretty early, especially with industrial projects. Looking at the tax structure, I mean, no longer is the–and this has been a change is last 10, 15 years as well—no longer is the least expensive location the best, because you know, you have to have quality. So people want to look for things that look like a fair, and [a] manageable tax structure, and also where there's good human capital, good infrastructure. It's more about how…tax money is being invested than it is the lowest tax rate that's out there. Again, how I view it is the number one factor, 85% of the time is going to be human capital; the quality and cost of that human capital in a marketplace. And then taxes, real estate, those types of issues. (SEL03 2016)

From the development perspective, state governments are encouraged to develop their product in the form of educational provision, workforce training initiatives,

minimization of regulations on business, and constructing business friendly tax codes. The latter can include lowering or abolishing corporate income taxes, but also building tax abatements and credits into the tax structure. One official working in government relations showed what this complex picture might look like:

> From a policy perspective [as opposed to development perspective] you see what some other states [than Georgia] have done – I mean, look at North Carolina, a few years ago…they eliminated a number of their incentives and they reformed their income tax, raised the sales tax rate. Basically they took the Tax Foundation model…the Tax Foundation does business climate rankings and… they rely heavily on ranking states based on whether you have an income tax or not…so you're going to have a better rating if you have a lower income tax, or no income tax.
>
> You'll see Georgia in the mid-30s. You used to see North Carolina near us until a few years ago, they dropped their income tax down to like, 5.75 or something but eliminated a number of their incentives – and that's another thing the Tax Foundation doesn't like – they don't like incentives. They're "disruptors" in the system. As soon as they did that there was a big push, especially in the cities, to put back in place the historic preservation tax credit [which they did]…and they eliminated a Film Tax Credit, or greatly reduced it, and so Georgia has greatly benefited from that. Film is now a $6 billion industry in Georgia…that's a good example of an incentive working, and putting permanent infrastructure in place. (BDP04 2016)

This account makes clear that what makes for a favorable business atmosphere is in some ways project specific, even where questions of tax environment are an important consideration. In fact, most of the tax-based incentives discussed in the previous chapter largely mitigate differences in overall tax structure, and as noted in the previous discussion of the southeastern industrial policy region, the overall policy approach is fairly similar across states in the South. But what is most important here is the perspective and the language invoked from both the government authorities and site consultants constructing the state as a product, something that has to be attractive and desirable in order to be sold to discerning investors. As the site selector clearly stated, labor laws and labor relations, and business regulations are understood – at least in the context of development – not as a complex set of local management and regulatory

relations but as dimensions of a product under the consideration of investors. Consider the words of the governor I spoke to, who wanted to improve the product in his state:

> I always say industries don't pick a state so much as they pick a location and community in order to site their facility…my first year as governor in the Spring, I went by the Toyota office in New York while I was up there on other business. I had read an article by Dennis Cuneo – in one of the economic development publications – about how important lawsuit abuse was to companies when it comes to siting facilities…and I was working very hard on tort reform in [my state]. And I wanted to see, based on what he'd written in this magazine, if he'd want to make a statement or make it plain that lawsuit abuse was a real problem if you're trying to recruit good industries. But the other reason I wanted to be there was I wanted to get our name on the list when they did build their next North American assembly plant…
>
> Well I told him why I thought [my state] was an ideal location for him, and also we talked about tort reform and in fact he wrote a letter to the speaker of the…house, to me and to the president of the senate…explaining why tort reform was really important if you were a site selection officer for a big company. We passed, not long after that, what the Wall Street Journal called "the most comprehensive tort reform bill any state had passed" (GOV01 2016)

Aggressive marketing on behalf of Governors as depicted in this account is typical of entrepreneurial governance and the economic development perspective, as I discuss later in this chapter. What is important here is that the Governor is seeking advice and guidance on what is "really important if you were a site selection officer for a big company" in drafting and pushing through legislation. Clearly, such an approach is not common to every piece of legislation adopted – but it is telling that the governor seeks to present a letter from a site selector as a means of convincing the legislature of the importance of regulations limiting lawsuits against corporations in the state. From the perspective of place as product, state politicians need to be seen as taking the interests of corporations and site selectors to heart when considering legislation that affects those entities.

2.2 Place as Product II: Product Development

On another level, though, place as product involves the actual development and marketing of sites for the purpose of luring a prospective project. As noted above, one of the major shifts in the early-to-mid 2000s in industrial recruitment was the shift towards per-preparation of potential sites before a deal was signed, and I argue this trend is demonstrative of the intersection of the customer service experience and the place as product mindset. For example, one of the key architects of the Tennessee Valley Authority's Megasite Designation Program elaborated how the public corporation came up with the idea, saying "if we're going to be successful [in recruitment] let's talk to some people who know something about [the auto] industry. So, we jumped on a plane and talked to a couple automotive manufacturers and said 'if we did this [Megasite designation] what would it look like?' And they go 'well this is what you need to do.' Guess what? That's what we did" (BDP01 2016). As the place as product perspective has developed along the CSE, it is no longer enough for states and communities to simply possess the land and infrastructure that could *potentially* be a profitable greenfield site for a prospective corporation. Rather, as one official put it, "the world is changing and it's a matter of competition. The first time that somebody comes, they're looking for product, and it's something you either have or you don't. The question is going to be: "alright…what sites? Or what kind of buildings do you have that will meet my needs?"…That's a must…more and more that you have to have prepared sites, makes the whole sell a lot easier" (EDP09 2016). It is worth noting that the business development professional quoted in the previous chapter echoed this view almost exactly, saying of the increasing importance of site pre-development "yes, it has absolutely

[increased]…what communities and people like the TVA are having to do is [*sic*] investing more dollars in getting those sites ready. And…everyone's doing it now…everybody's expecting that now. So, if you're not in the product development game, you're behind." (BDP01 2016).

But what goes into developing place as product? Primarily, this means ascertaining the relevant information for prospective buyers such as environmental data, engineering data, workforce statistics within traveling radius, and other considerations a site consultant might need to take into account. It also will usually involve securing actual land options, permits and extending infrastructure, as well as possibly clearing and grading the land for construction. One business development professional elaborated, "there's a difference between land and a site…a site you actually have a plan as well as infrastructure, as well as everything else. So, government entities – beyond owning things – put investment into those properties, on a speculative basis many times, infrastructure, due diligence…so it just goes to show economic development is very competitive." (BDP03 2016). In the words of a state official, product development means that "companies want to know that the pre-development activities, that can take an additional six to twelve months, have been taken care of and that the site is shovel-ready, so that you can come in and begin true construction activities in two, three, four months" (EDP06 2016).

2.3 Place as Product III: Marketing and Sales

"There's a lot of communities throughout different states, whether they're small or large, that have some product so to speak, that works…most states across the country listen to the site selector…or corporate client and very specifically around their criteria for the project put their best options forward" (SEL03 2016).

The shift towards site certification and preparation, even without a prospective client on the line, has become a central part of the CSE and the partnership perspective. In doing so, it has become canon to the professional knowledge in the development field. But in addition to developing place as a product, local and state governments also have to engage in marketing and sales of place as product: "[there has] got to be a good balance of strong product as well as strong promoting effort" (EDP06 2016). At the state level, this has been the case since the early 1980s, when governors would take impromptu tours of automotive companies overseas to hawk the values of locating in their state. One of the common factors among almost all the cases I have studied is that governors are very proactive in the recruitment of potential prospects. For example, upon hearing reports that a Japanese auto company could potentially locate a new plant in the U.S., then governor James Rhodes flew to Japan to court different firms – unsure which ones might be the actual prospect (if any) (Gelsanliter 1990:17–18), and Martha Layne Collins made eight trips to Japan in pursuit of Toyota (Gelsanliter 1990:77). In addition to his trip to the New York office for Toyota mentioned above, the governor I spoke to mentioned that he "went to Japan in 2005 and visited Toyota, [and] met with the chairman of the board at Toyota City. The trip was designed to coincide with

the…kind of like the World's Fair – but we had a Mississippi exhibit and we put on a Mississippi Day, and then I went over and visited…the chairman of the board. I went back in 2006 and spoke at their Third Annual Science and Technology Exposition, put on by the Japanese government" (GOV01 2016). Such trips abroad are ubiquitous in my interviews and other accounts of automotive recruitment, and are indicative of the understanding that the state *as* a product must be marketed and sold; it is not enough to simply have a good product/location. Such marketing activities are not restricted to governors, it is worth noting, but extend to most top development officials at the state level. As the development professional who worked on recruiting Volkswagen told me, "long before they publicly announced they were having a site selection, I drafted a letter that governor Bredesen sent to Volkswagen…asking for the opportunity to meet to just present information on Tennessee, in the event that they were to have a project now or in the future" (EDP06 2016).

Thus, part of the development professional field involves not only treating place as a product to be developed but also to be marketed. Beyond simply hawking a state or locality – marketing place as product also entails gathering and publishing good "consumer" information on locality. As mentioned in the previous chapter – a key aspect of this is having a slick website with up-to-date information; some smaller communities such as Albany, GA may rely on private development coalitions for such marketing (such as the Albany-Dougherty County Economic Development Commission) – but states and cities typically publish their own websites and yearly development reports. The Alabama Department of Commerce website – madeinalabama.com – is exemplary of such high

production value sites, and the links at the top of the page reflect the primary concerns of the development field: Enterprise, Workforce, Infrastructure, etc. In another example, the Georgia Department of Economic Development has clearly spent money on branding, and one can find their Peach logo at the end of many a film made in the state. Thus states need to show that they understand the expectations of site selectors and businesses to be a good partner by demonstrating that they have to skill and place the interest in market and selling themselves as product.

Having good information is not simply a marketing ploy, but is an important part of getting a state or locality in the picture for site selectors, and also helps states during negotiations with firms. When I asked a state official who had worked to bring Kia to Georgia in 2006 about the research that goes into getting information on all the local communities involved, he noted "it was not only our team [at GDEcD], but we have to give an enormous amount of credit to Georgia Power company, because they have the Georgia Resource Center, which is located on the ground floor of the same building where the Georgia Department of Economic Development is. And that served as our negotiating meeting room…because they have access to *gobs* of statistical information that is right there…that's an *enormous* plus when you're negotiating." (EDP03 2015). Thus, as again discussed in the previous chapter, for localities marketing and publishing of product information is necessary to get on the map of site selectors; when I asked another professional if localities have to be competitive before you know you are even in the running he confirmed "that's exactly right, if you don't get on their radar…we may

never know they were looking at us" (EDP08 2016). Even for "some very rural locations…[if] you don't do things at the next level, you won't win" (BDP03 2016).

3. Government as Businessperson

The final aspect of the epistemology of the development field is the conceptualization of the state as businessperson – rounding out the partnership approach to governance. In addition to providing potential firms with a customer service experience, and treating place and locality as products to be marketed and sold, the partnership perspective understands governments and their development agencies as another kind of business entity – and the deals negotiated between governments and private firms simply as a kind of business deal. This is the case for both the private firms and the public actors as both sides perceive their role—their relationship to one-another and to the market—in terms of a business' needs and business decisions. This is fundamental to the economic development profession and the partnership perspective: that governments as partners not only understand the pressures and vicissitudes faced by businesses, but share their concerns and act as partner in addressing them. In some instances, this can take on a bizarre role reversal, such as the episode discussed in the introduction in Tennessee when the state government was vehemently opposed to a unionization vote of which Volkswagen—a company familiar with corporatist bargaining—was actually supportive. The state itself had taken on the perspective of business potentially locating in their state, and treated the notion of unionization accordingly. I develop this notion further in the following chapter, but here it is worth

noting that this episode is also indicative of the state understanding their place as product, since having a union shop in the state would hurt their image and brand with other prospective clients; hence, it was the state and not the firm that was most opposed to unionization.

Typically, the expectation that the local or state government behave like- and adopt the perspective of- business was expressed in the limitations that some developers ran into when trying to close or seal a deal. This came across most clearly when I spoke with a former commerce secretary of North Carolina about the decision to spin recruitment efforts off into a public-private partnership (PPP):

> Privatizing…allows for a little nimbleness…things like being able to take a trip privately to visit with a company or firm, the way public reporting is of expenses, that's immediately known. Where privatizing it, when that happens all that information will be disclosed…but it gives you some flexibility to manage through that process without concern for public scrutiny. Public accountability, for sure, but not so much visibility to what's happening…
>
> So part of it was that, and part of it was speed. Even booking…the process the state required for booking flights were just–it took forever, so it just allows them [at the PPP] to operate as a more *professional* sales and marketing organization, as private enterprise would do. (EDP04 2015)

Note here that the term "professional" is equated with the operation of private enterprise - indicating that a key aspect of professionalizing economic development is precisely adopting the state as businessperson concept. The notion of operating as a "professional" private enterprise was common in my interviews, but typically expressed more subtly, in that public officials simply spoke of concerns about the market and labor as though they were a private business. One official who worked in both Alabama and Tennessee cautioned me when I asked whether information technologies had replaced the fundamental aspect of business relations that "relationships are still important. Don't misread me, it's great to send out information…but there is no substitute for having

those face-to-face discussions, and still, in selling your product you've got to make sure the people are looking and paying attention to you." (EDP09 2016). This language of relationships – business relationships – is common in my interviews, such as one official who had worked on the Kia deal noting "my training had been from Georgia Power company, working as head of Government Affairs, and [*sic*] with an understanding that in order to get things done that you need – in the external world – you have to find…what they really want, but you have to be up front with people, and you have to develop relationships" (EDP03 2015). The language here is telling: "getting things done" in the "external world" – e.g. the world outside of government – requires developing business relationships and delivering the customer service experience. From the partnership perspective, the relative transparency of government activity and the limited speed of action within a democratic and bureaucratic structure are seen as limitations on effective action by government, rather than constitutive of its nature as a public entity. From this view, then, states and local officials need to communicate and demonstrate that they are not delimited by their technically public nature, that they are able to "get things done." Again, *professional* behavior is that associated with acting as a private enterprise. This is further reflected in two accounts of the moment in the Volkswagen recruitment, when Chattanooga officials set up the webcam for VW executives to view site predevelopment in real time: "that said a lot of things – that said, first of all, the locals can get stuff done quickly. Which is important to companies. You know, 'am I going to have the leadership that's going to have the capability to get things done?'" (BDP01 2016). This language, from a development official at the TVA, is echoed in the account by the state recruiter

who pointed out that "that was a massive undertaking, that showed our ability to get things done" (EDP06 2016). Thus, the state as businessperson is contrasted to a slow, bureaucratic structure; the government as businessperson is nimble enough *to get things done*, to deliver the customer service experience, and has leadership (governors and mayors) who understand their role as private partner in economic development.

The professionalization of the economic development field over the past 37 plus years has seen the partnership perspective institutionalized throughout the southeastern states and the growing field of professional site consultants. The shared basis of knowledge for government development officials and site selectors is this partnership view of government – one in which private prospects are treated to a customer service experience, in which states and localities develop and market their place as a product, and in which the governments understand their role as business partner and business person in entrepreneurial investment. This change is summed up by one Alabama official, "I remember the ThyssenKrupp project…it was down to us [Alabama] and Louisiana. They offered more incentives than we did, but [ThyssenKrupp] picked us because they felt that we…had the best track record in terms of working with global companies like them and would become the kind of partner that they wanted to have in the United States" (EDP08 2016). Thus, the growth and changes in incentives and industrial recruitment are an important aspect of how economic development has changed in the past 37 years – but incentives are one aspect of deeper, perhaps more problematic shift I discuss in rest of this chapter and in the chapter that follows.

Entrepreneurial Governance: Contradictions and Contingencies

In the professional view of the development specialists I interviewed – the partnership perspective is unproblematic and self-evident. That is, the understanding that state and local governments should be active and amenable partners to private businesses is simply obvious, almost without needing to be stated.

I argue that the growth of the development profession and partnership perspective in southeastern states is precisely reflective of the turn from managerial governance to entrepreneurial governance (Harvey 2006a), the impetus for which is the broader shift towards the neoliberal globalization project. Writing specifically about a turn in urban governance, Harvey notes "put simply, the 'managerial' approach so typical of the 1960s has steadily given way to initiatory and 'entrepreneurial' forms of action in the 1970s and 1980s. In recent years, in particular, there seems to be a general consensus emerging throughout the advanced capitalist world that positive benefits are to be had by cities taking an entrepreneurial stance to economic development. What is remarkable, is that this consensus seems to hold across national boundaries and even across political parties and ideologies"(Harvey 2006a:347).

Harvey's concern is primarily confined to inter-urban competition, but my research shows that inter-locality competition extends beyond cities to state or provincial level governments and government policy. On a more fundamental level, however, I argue that the shift to entrepreneurial governance marks a shift in what local governments *are* and *do*. The professional field of knowledge shared among site selectors and local economic developers is founded in the partnership perspective, and thus while

this professional field of practice contains prescriptions for rationalizing the process of negotiating development deals, it is more essentially a shared view of governance as business partnership. The growth of the professional field and the centrality of the partnership perspective are mutually constitutive of this movement from managerialism to entrepreneurialism, and of government as "private" entrepreneur. Hence, the shift to entrepreneurialism is not simply a shift towards a more superficial if spectacular approach to economic development, but a shift *from* government *to* entrepreneur.

Local and state governments are increasingly occupying a contradictory terrain, as governors and development professionals push beyond norms and laws that served to regulate the behavior of public office. The terrain is contradictory because it constitutes a liminal space between public office and private business – as becomes clear when the dictates of business recruitment come into tension with necessities of public governance. These contradictions become apparent when the most public aspects of governance conflict with the private business model; specifically, when transparency conflicts with confidentiality and when the contentious and changing nature of electoral politics conflicts with the need for predictability in business (Ritzer 2012).

Confidentiality, as has been noted, is central to the process of industrial recruitment and retention. While the final phase of negotiations becomes very public – at a point when competitors cannot take advantage of the knowledge of the site consideration – much of the negotiations process takes place under a cloud of confidentiality so thick that states and localities do not know the identity of their prospective client. While doing a deal in confidence may seem straightforward, there is a

clear conflict with the requirements governments have for openness and transparency. “Companies like to maintain– keep their search confidential. Some states you know, have open records laws etc. and sometimes some states might be taken out early in the process because companies don’t want to disclose what they’re doing”(SEL01 2016). A city development official from Atlanta said much the same thing, referencing the process of requesting Urban Enterprise Zone designation, “some business will not want to go through it because it’s very public and very open, but we won’t go through it unless it’s big enough” (EDP02 2015). A development professional with Fulton county in Georgia showed that the county government was well aware of the concern for confidentiality, saying “there’s a lot of secretive— you don’t want to blow it— if some company…we’ve actually had some companies that left, I mean that were coming here and decided ‘you can’t keep a secret and we’re leaving.’ At least that’s what they said” (EDP01 2015). These examples show that companies will use their leverage to force confidentiality and secrecy on local officials.

The conflict around confidentiality is probably most apparent in the case of North Carolina, where “sunshine” laws permitted publication of communications before the completion of negotiations on incentives deals. As the former commerce secretary noted

> it used to be that it was required legislatively in North Carolina that if you did not get a recruit but you were in conversation with a recruit you had to disclose that once the deal was determined. So, let’s say we were recruiting Land Rover – they didn’t choose to come to North Carolina – prior to legislation that we had enacted, we would have had to disclose *all* of the conversations. And that was problematic for us because it put all of our cards— made all of our cards public. And now you don’t have to do that unless you win the deal…if you don’t win the deal then there’s nothing gained by making that public, and there’s a lot lost because other companies looking at you know you’re willing to offer and they may conclude, ‘you know, we don’t have any interest in going with them’ or vice versa. (EDP04 2015)

As is clear, confidentiality is important to all actors in the incentives negotiation, as states and localities are acting *as* business partners, they also need confidentiality – in this sense from *themselves as* governments – to keep their hand hidden. The disjuncture here is telling: the conflict within the government of North Carolina is between the Commerce Department and the legislature, or between the representative body and the arm of the government trying to market and sell the state as a product. One of the leaders of the Economic Development Partnership of North Carolina made it clear that this transparency went both ways, and was an important aspect of forming the PPP – noting:

> Previously the Commerce Department had to turn over all correspondence under open-records rules, whether they wanted a deal or not. And that could be really…have a bit of a chilling effect on candid discussion between a company and the state, if they knew that win or lose that company would have its information put out in the open, because of the state's open records law. When they set up our organization…they modified those provisions of open records law, basically saying – if we lose the deal then there's a very narrow category of communication that are subject to open-records rules…narrow enough where it wouldn't really wrap up any of the conversations that the company itself was having …at the state level. (EDP05 2015)

The need for confidentiality in negotiations is, from the perspective of businesses and economic development professionals, common sense. And indeed, the underlying attitude regarding the conflict between transparency and confidentiality from the partnership perspective is one of bemusement at folks who do not understand how to get things done in the external world. It is worth pointing out that this common sense only makes sense if we accept the premise that governments *should* behave more like private organizations to begin with: this is the fundamental axiom of the development profession, the partnership perspective, and the shift towards entrepreneurial governance. Put differently, it makes perfect sense for businesses to maintain

confidentiality through negotiations, but governments are not, or have not been, businesses. Setting aside the question of whether the deal is a good one or not, local and state governments operate with tax-based income and taxpayers pay off debts incurred (or suffer the consequences of bankruptcy). From a governmental/managerial perspective then, it makes sense to call for public referenda on such massive investments, but this is antithetical to the professional development view. And this is precisely because as governments and businesses draw closer together through the development of the professional field and practice of local development, the government increasingly takes on the attitude of a private business - the partnership perspective.

The issue of confidentiality is emblematic of a deeper contradiction manifest between the professional development activities and the public managerial functions of government. More accurately, the problems arising from confidentiality represent conflicting views of the role and function of government, and its relation to private business. Consider, for example, the words of the former commerce secretary: “when it comes to those incentives…North Carolina just has a hard time, our legislative colleagues have just had a hard time letting loose of that control. And again, it goes back to this fundamental difference in understanding how this works…there’s a limit to what can be offered without additional legislative action” (EDP04 2015). As she points out, the point of contention is a “fundamental difference in understanding” of how this—governance—works, and I would note this observation was offered with a certain exasperated and even patronizing befuddlement – the legislature “just don’t get it.” What they are failing to grasp is the partnership perspective itself and what they are failing to embrace is the

view of professional businesses. The Atlanta development official made this perspective quite clear, saying “the company doesn’t want the headache of ‘look, I don’t know what your politics are’ – and they don’t care, and they shouldn’t have to” (EDP02 2015). The practice of politics, the mediation of different interest groups and community concerns, is constructed as antipathetic to the practice of good partnership and entrepreneurialism. “Companies want to…see a political environment – especially at the local level – where the entities of government are working together, because the last thing they want to do is come into a place where there’s chaos and conflict” (EDP06 2016).

This view of government as ideally non-conflictual extends to a conception of what constitutes strong leadership: a leader who is not embroiled in the vicissitudes of party politics and understands the imperatives of economic development. One site selector marked out this shift temporally, telling me,

> I think what’s been good about economic development, generally speaking, across the US, is that it’s a pretty bipartisan issue…generally speaking everybody recognizes that economic growth…is a good thing for an area…We don’t see— I would say, generally, back fifteen years ago you would see the potential for bigger swings if you were from one political party to another, but I think the gaps have narrowed between those two groups, except on the fringes on both sides, you don’t see any dramatic swings that generally take place in public policy…in a lot of states, there’s not, when it comes to fiscal and economic development-type issues, huge gulfs of differences between political parties. (SEL03 2016)

Another site selector referenced the importance of these “fringes” of the parties and the effects they had on development, noting that “some states – South Carolina, Alabama, Mississippi – are consistently aggressive, but even a state like South Carolina lost a little bit of edge when Mr. [Mark] Sanford was governor. He was much more- he was Republican by name but he was a hardcore libertarian – and he wasn’t interested in

government participation in anything. Now they still won projects and such but they weren't as competitive for a little while as they used to be"(SEL02 2016). Transmitting these notions of leadership, and the partnership perspective more generally, is one of core aspects of the Tennessee Valley Authority's development training program for local communities. As one TVA official told me, this training "it's everything you would…need to be successful from an economic development standpoint. For example, do you have the right leadership? Do you have the right leadership at the table when a prospect comes? Do you have a mayor that really understands how this economic development process works, and can check his ego at the door? Do you have the right people there that can answer all your infrastructure needs?" (BDP01 2016). The reference to "egos" is more or less code for the differing agendas and interests of communities involved, differences that from the business partnership perspective should be side-tracked in order to meet the needs of the private company. This is clear in one development official's statement that "egos get involved…and people try to, out-ego each other…it is just, you know, they have different agendas, different tax bases, different constituents and so everybody is trying to…[get] a better deal" (EDP03 2015). Hence, showing leadership means discouraging contention and downplaying communities' disparate political imperatives in order to demonstrate one's quality as an amenable partner. As the former Mississippi governor emphasized, regarding the delay in breaking ground on Toyota's plant following the great recession, "one of the interesting things about [the Toyota delay in Mississippi], it's surprising in hindsight, not one legislator or state official ever complained about Toyota's delay or ever questioned whether or not they would

keep their end of the deal. That's a pretty good partner" (GOV01 2016). Another official with a local chamber made it clear that it was comprehension of the partnership role, rather than party affiliation, that constituted strong leadership, elaborating that the "climate and aggressiveness for economic development projects – incentives, marketing, you know, all these things – vary greatly with leadership…so the political side of the spectrum is interesting but I don't know that it weighs as much…as the current factors in play, even more so than party" (BDP03 2016).

Given the importance of leadership in establishing the partnership role, it is unsurprising that the cyclical electoral changes in leadership and governance are understood as problematic for effective economic development efforts. One official who worked with the Metropolitan Development Board (a business alliance in the Birmingham area) said that "between changing administrations…what's going to change is whoever's over at that agency is going to change…and the governor is going to change, and some of the legislature. So you do want to have some continuity" (EDP08 2016). This perspective was fairly common among development officials working in joint public-private or fully private development organizations: that a benefit of such a position was that it provided a stability for businesses amidst the electoral cycle. Said the leading official at the EDPNC,

> when you consider the fact that often the governing boards of these non-profits [development agencies] tend to be appointed by elected officials, there's always going to be some degree of politics that's taken into account. The idea that, in the public sector you have a change of administration every four to eight years… you have a change is who's in the Governor's Mansion. Even during administrations you have changes…and with those changes comes a lot of potential disruptions…I think it disrupts the continuity that any executive marketing and sales campaign needs to have over the longer term. The hope is that you can buffer yourself [in a PPP] from these periodic changes of administration…you have a better shot at that sort of continuity…that is very beneficial for the marketing and business development efforts that states are trying to accomplish. (EDP05 2015)

This sentiment is echoed by an official working with the TVA, itself a public corporation, who pointed out "one of the advantages of the TVA is we're probably the only consistent economic development agency out there…when we have a new governor, we don't leave, we're still here…we don't have the turnover…so we're very consistent." (BDP01 2016). Thus, from the perspective of pseudo-private organizations, their partial status as a private agency is a boon because it allows them to engage in development and recruitment without the constricting pace and transparency that may burden local government officials. Thus, things such as spending money on flights for business recruitment or wining and dining interested executives—expected practices in business, but ones that might raise eyebrows when conducted with public funds—can be conducted without the same level of scrutiny. Again, the former North Carolina commerce secretary put the matter clearly,

> Privatizing it allows for a little nimbleness – but, let me give you an example. Things like being able to take a trip privately to visit with a company or a firm, the way public reporting is of expenses that's immediately known. Where privatizing it, when it happens all that information will be disclosed, or disclosable, but it gives them a bit of flexibility to manage through that process without concern about public scrutiny. Public accountability for sure, but not so much visibility to what's happening…the whole issue of confidentiality, the ability to be able to meet and to have dialogue with these folks without public visibility – that's really important. (EDP04 2015).

These words were echoed verbatim by a development official with a multi-county chamber, who clearly ties together the threads of confidentiality and operating as pseudo-private organization:

> [as a private organization] we have an opportunity to interact with clients in a confidential way and they can tell us things that they would not normally be able to tell a governmental entity. You know – their viewpoint on the state's public policy, let's say HB2 [House Bill 2, the so called bathroom bill in North Carolina]…so "I will come for HB2" or "I will not come for

> HB2"…So those are perceptions of public policy that have affected their business decision. They can tell us those things in a confidential way without having their personal or company politics splayed across the front page. So [being private] allows you to have a closer relationship – and to understand what they're doing much better. It also allows you as a private entity to do the normal business development things, under less scrutiny by people saying that [it is] their dollars going into that. So, for example, if I wanted to go and buy a steak dinner for the CEO of this company. Great. You know if that's 'gonna get the deal done, great. Versus people saying well "why did you pay 5$ for that steak and not 3$?" So it allows you to have the broader vision for what needs to be done in order to catalyze and accomplish the deal.
>
> Let me give you one more example… the CEO of GE Aviation "said hey…come to Paris with me, I'm going to announce ground breaking for this …technology in Asheville." We said… "we'll be there." Quite a hubbub around travel to Paris, but as a private entity, that's our prerogative…with just purely public dollars …everybody scrutinizes those actions. So, it allows us to be more nimble. (BDP03 2016)

The relative freedom of states to engage in business deals without oversight is dependent upon each state's laws – with North Carolina having more stringent transparency requirement pushing development officials in that state to form a PPP, 85% of who's funding still comes from the commerce department. But in this push to outsource recruitment is apparent a deeper contradiction in the imperatives that dictate the pace and propriety of government and businesses processes and behaviors, a contradiction essential to the partnership approach to governance. The core assumption here is that pace and prescriptions of private business activity are fundamentally correct and appropriate – even for the sphere of democratic public life and government. But this assumption also contains problematic propositions – such as the technocratic assumption that professionals know what is best for communities, and that the unpredictable nature of pluralistic participation should suborned and sublimated to emulate the corporate ethos of partnership. I develop the implications of these propositions, and the contradictions outlined above, in the following chapter.

Conclusions

The development of the economic development profession has expanded as the entrepreneurial approach to local governance spreads and becomes more normalized, though this process is contradictory and uneven – particularly in the U.S. where industrial policy is largely a matter of local legislation. Because states and local governments command relatively large budgets and can take on large sums of debt, these entities are crucial players in the new landscape in which public actors are supposed to play the role of entrepreneurial partner in new industrial greenfield projects. Indeed, this logic has extended well beyond industrial projects alone, and is typical even of small development projects – though the scale of incentives and effort government agencies show towards smaller projects is not the same. And some site selectors suggest that governments have become more savvy in pursuing businesses most relevant to the "product" their locality has to offer, as one noted "I think in the last 10 years in particular, you've seen cities, regions, states, become more sophisticated, but also wisely say 'hey, we have the assets, whether it's people or infrastructure, real estate – for *these* types of industry sectors, we're really well positioned for these five to seven industry sectors. So let's not go out a chase something that we don't have the assets for'" (SEL03 2016). In other words, states and cities have become more informed business operators. Having outlined the partnership perspective in this chapter, I will in the next chapter take a further step back from the perspective itself, and critically evaluate the growth of the local development field and its professionals and epistemology in light of the theory and global political economic context laid out in chapter 2.

Before moving on to discuss the theoretical implications of these findings, it is worth noting that the partnership perspective is not wholly one-sided, though it does perforce imply more changes for government actors and perspectives than businesses. Partnerships, after all, go two ways: “We want to make sure we’re doing an investment and that it’s paying off…at the end it’s taxpayer money, and I’m not just gonna’ give away taxpayer money, where at the end we get horrible returns. I mean…would a business person do that?”(EDP02 2015). A number of officials noted that cost-benefit analyses were central to getting a good deal for their locality or state, one recruiter saying that “the press and public don’t actually believe this but…on large projects be they headquarters, be they automotive plants…whatever it may be that we’re chasing, we would do economic impact analysis. We’d want to have a pretty good idea of, ‘what’s the value of this to the state of Tennessee?’ And then we would back up from that and say ‘Okay, how much sales tax and other tax revenues are created from the construction of this project?’…And then we would look at ‘Okay, what’s reasonable to invest to get that?’” (EDP06 2016). Moreover, to some extent the partnership perspective might mitigate some aspects of the “race to the bottom” in that, in a real partnership, “you can’t have a situation where the company feels like they’ve won and a local state or community feel like they’ve lost. It really has to be a partnerships and really viewed as [such by] both entities investing in a project” (SEL03 2016). But while the partnership view may lessen the speed of a race to the bottom, is does not mitigate its essential contradictions: the shift from managerialism to entrepreneurial governance, and the

treatment of territory and people within it as inputs for the process of production. These are the themes I explore in the following chapter.

Chapter 7
The Political and Economic in Partnership

Some governors understood their role in economic development…others did not (executive from BMW *quoted in* McDermott 2011:86)

In the last two chapters I outlined the primary empirical findings of my research, demonstrating qualitative changes in industrial recruitment and economic development strategies at the local governance level in the southeast, and how that shift is undergirded by deeper changes in the practice and perception of local governance as partnership – a perspective situated in the burgeoning professional field of local economic development. In this chapter, I situate my findings in the broader theoretical and historical context laid out at the beginning of this work. I argue that the form of entrepreneurial governance that has taken shape in my case studies is part of the broader shift in the world political economy I call the neoliberal globalization project discussed in chapter 2, but stress that this particular form of entrepreneurial governance is in many ways shaped by the history of Southern states pursing an expanded role in industrial and economic development and political relations discussed in chapter 3. Furthermore, returning to the perspective of critical geography and the "political Marxism" of Ellen Wood among others, I argue that the economic development profession and the partnership perspective are a part of this larger project to change the geographic scale of class dynamics and perforce political relations. This argument concerns several propositions about the implications of the findings laid out in the previous chapters: the immediate implication is that even as public institutions are more

involved in the costs and risks of private enterprise, the partnership view of governance partly reorients the tasks/processes of local governance away from local issues towards the needs of transnational capital and global corporations (Brenner 1999a; McMichael 2000, 2012; Scholte 1997). While this is in part a continuation of the historical tendency of Southern states to pursue an expanded role in industrial relations (Cobb 1993; Hülsemann 2001), I argue this reorientation alters the fundamental relationship of firms to place and space, and has a direct effect on the practice and policy of local governance, such that local and regional considerations are muted, transmuted or suborned where they (could) threaten partnership. Similarly, I argue that the Southern labor control regime's (LCR) distinctly repressive character has shaped the economic development perspective such that there is a peculiar erasure of labor as a legitimate political actor from the discourse of governance. It is not that labor or class conflict are nonexistent or politically irrelevant, but that the partnership perspective and approach to governance embraces the neoliberal orthodoxy of the appropriateness of market rule, such that in the context of the Southern labor control regime this view minimizes the legitimacy of claims made by organized labor vis-à-vis capital. Finally, Following Wood (1981) I argue that the local turn outward toward global capital and the shift towards a partnerships approach to governance mark a deeper reconfiguration of relations of production. As local governments in the South treat investment by transnational firms as a public service and public good, there is an important shift in the powers and obligations that delineate public (political) power and private (economic) power – one which skews decidedly in the direction of businesses.

<u>The Class Project</u>

In Chapter 3 I outlined the conceptual framework of a neoliberal globalization project as a hegemonic class project intended to rearticulate class relations on both global and local levels, transcending the entrenched national framework for mediating class antagonisms (Gough 2004a; McMichael 2000; Peck 1996). This scalar shift in production and accumulation processes enhanced the importance of supra- and sub-national territorial frameworks for increasingly global capital flows. The ideology behind this project that is used to justify and explain its current realities, is neoliberalism: "globalization as a political project, concerns the attempt to institutionalize the neoliberal agenda of market reform by removing public constraints on economies. The premise is an ideological assertion that markets are 'self-regulating' and that the visible hand of the state is a recipe for inefficiency" (McMichael 2000:110). Hence, the neoliberal "globalization project is a movement to institute market rule by a powerful global managerial class" (McMichael 2000:113) or hegemonic bloc.

As noted previously, in light of the increasing mobility of capital, and what we might think of as a dominant narrative establishing, emphasizing and exaggerating that mobility, local governments felt pressured to engage in more entrepreneurial strategies to attract inward investment. This pressure was enhanced by reoriented national government agendas (Scholte 1997:444), but also driven by the localities and development professionals themselves, as my findings have shown. The past 37 years have seen an increasing competition among localities, and "underpinning this

acceleration [of competition] is the politics of neoliberalism. Local strategies—aimed particularly at securing mobile (public and private) investment…are in fact about selling the local to the global" (Peck and Tickell 1994:318).

It is worth reiterating the contextual features that distinguish the Southeastern region under analysis. In chapter 3, noted a particularly repressive labor control regime that has resulted in negative attitudes towards labor organization among both workers and elites (Cobb 1993:1–4; Hülsemann 2001:224; Jacobs 2012:201–2; Rueschemeyer et al. 1992:121), as well as a history of local governments and officials that, while remaining generally conservative on social issues, have practiced an enlarged role of government in industrial development (Cobb 1993:4; Hülsemann 2001). Indeed, a number of my respondents noted that while the field of economic development had changed in the last 37 years, Southern states had a history of pursuing industries. One site selector, when asked if corporations and governments had really changed their approach in the mid-1980s, rejected the notion, noting "there was stuff going back to the 1930s, when the Southern states were trying to industrialize. So I don't necessarily agree with that generalization [that corporations and governments shifted their approach in the mid-1980s]" (SEL01 2016). The governor I spoke to also noted that long history of recruitment, but was less circumspect about the recent changes that had taken place,

> You know Mississippi was the first state in the country to give economic development incentives in 1935, Mississippi passed BAWI – Balance Industry with Agriculture – which was the program during the depression to give incentives – including money, like bond-issued money – to companies to locate or expand in Mississippi. So, we've been doing this for 80 years. But the idea that you would be trying preserve facilities even though they're going to

> have fewer employees would've been considered lunacy not too many years ago. (GOV01 2016)[48]

While I have established that there were indeed important changes in Southeastern industrial recruitment and development in the mid-1980s, these changes are part of a larger regional legacy of aggressive pursuit of industry. "The South Atlantic, the Southeast – which is where this idea of economic development and recruitment took hold…still tend to be the most aggressive states, and by many measures the most pro-business states in terms of overall government policy" (SEL02 2016). Nevertheless, these changes in industrial recruitment and local governance are pronounced. On most industrial projects, and to a lesser degree other business locational decisions, states are becoming major investors, actual partners in the development of private capitalist enterprise. Local and state governments expect- and are expected- to cover a significant portion of the costs of fixed capital, by securing land options and prepping sites or industrial parks, covering the costs of extending utilities to the site and sometimes the cost of utilities themselves. In some instances, such as in Alabama with Mercedes, where states allow the corporations the right to essentially tax employee incomes, the entirety of the cost of new fixed-capital – the plant – is covered by taxpayers and employees.

If we step back from the normative logic of the partnership perspective, recent efforts by local and state governments to develop as well as pre-certify and pre-develop sites show that it is not simply costs that are being shifted to local governments but also

[48] While this statement is technically accurate, the actual economic impact of these bonding programs was quite different than today's incentives though similar incentives are still offered. Financing plants with industrial revenue bonds simply transferred the municipality's borrowing advantages to private industry" (Cobb 1993:37).

risk. This is because investment in fixed capital is among the riskiest aspects of most business endeavors. As Harvey notes, fixed capital is distinguished by the slow, piecemeal process through which it is used up, “the machine remains behind after the production process is completed…the value equivalent of the fixed capital circulates ‘piecemeal, in proportion as it passes from it to the final product’” (Marx *cited in* Harvey 1982:206). As opposed to other investments made in production, such as metal or glass or energy, fixed capital is not used up in one production cycle but over the lifetime of the machinery and plant/office space. “Capital tends to underinvest in sectors of long turnover time…and this is exacerbated by the increased risks of a period of stagnation” (Gough 1996:2184). The important point here is that fixed capital entails very large investments whose value is only slowly realized “over several turnover periods” (Harvey 1982:206) or business cycles. While investment in fixed capital is necessary and beneficial to any industrial operation, it is the most inherently risky part of the investment insofar as its fixed, slow-circulation entails greater risk of devaluation over time through competitive technological change or an economic slump. Thus, localities are not only taking on a greater portion of the overall investment in entrepreneurial ventures, they are absorbing part of the riskiest portion of the sunk costs in fixed capital. Moreover, to the degree that the agreements between partners includes measures like those mentioned above that channel public funds into paying for the plant constructions costs, the bulk of these investments are defrayed through public funds and debt.[49]

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[49] An interesting theoretical and practical question is how this process affects firms’ perception of circulation and turnover. While firms would reach profitability quicker through these public investments,

Development officials rarely directly acknowledge the risk involved in entrepreneurial partnership, and on those occasions they acknowledged this aspect it was rather contradictory. For example, the recruiter who initiated the predevelopment of the Tennessee Volkswagen site saw it as “a sort of low-risk strategy because if Volkswagen did not come, that site still needed to be prepped for future use. If they did come, it was a very small investment in making sure that it was a win” (EDP06 2016). In other words, the recruiter sees the risk of predevelopment as sublimated by the competitive necessity to predevelop sites – the competitive behavior of states is justified by competition itself. Yet, later in the same interview, and referring directly to a probing inquiry on the shift towards Megasite pre-certification efforts, he explained that “our economy has changed and will continue to…decision cycles are shorter. Risks are higher, and the ability to de-risk any aspect of a project vis-à-vis anyone else gives you an advantage. So any way you can de-risk a project is going to differentiate you” (EDP06 2016). Thus, while clearly attempting to downplay the risk involved in development and recruitment efforts, this individual also pointed out that shifting risk is precisely what local incentives and investments do. Indeed, the more that development officials can shift risks off corporations, the more it is going to improve the place as product and the customer service experience. Pre-development only increases this risk-shifting insofar as localities take a major risk in developing *potential* sites without any committed investors – after all, not all of these certified sites could possibly find suitors.

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actual rate at which the fixed capital circulated would not change – the costs and risks would simply be shifted to public authorities. However, this would not be apparent to the firms themselves.

It is also worth noting that the up-front costs taken on by localities serve not only to lower the amount paid by private firms but also to quicken their time to profitability – or turnover time. Though this cost-shifting does not in fact speed up the turnover time of fixed capital, to the degree that localities take on the slow circulating fixed capital costs the private partner is freed from its stultifying effects. At the same time, by eliminating the time that goes into site purchase, certification, and development, localities are further shortening the time to market for investors. As one site selector looked at the question of site pre-certification, "when everyone in a company decides they're going to spend five hundred million to a billion dollars, every month you're not producing is pretty costly…so I think that's where it came from…generally speaking it's speed to market and the competitive aspect and cost aspect of that" (SEL02 2016).

As McMichael notes, the neoliberal globalization project "implies transformed states…this transformation involves a shift from states managing national economies, to states managing the global economy…facilitating global circuits of money and commodities, and resolving the contradictions of global capitalism" (2000:110). What we see local governments doing in this entrepreneurial partnership approach – reducing costs and absorbing risks, minimizing time to market – is precisely turning "outward" towards management of the imperatives of global capital and facilitation of its circulation. As noted by the above development official, and numerous scholars, global competition has increased the pressure to turn a profit in ever shorter time frames, increasing the already heavier risks associated with investment with the uncertainty of global markets (Harvey 1989). By partially defraying the costs and absorbing the risks

associated with fixed capital investments in particular, local governments act to minimize this potential disincentive to invest by minimizing the specter of devaluation, and thus work to facilitate the circulation of capital. This facilitation is of course further seen in the removal and reduction of various taxes that feature in incentives agreements at all levels of government, detailed in chapter 5, that serve to "free up" capital to circulate through local institutional structures by significantly reducing tax "barriers;" and the standardized stipulation of incentives arrangements to minimize regulatory burden and streamline the permitting and regulation activities of local governments. Thus, the transformations of the state under neoliberal globalization that McMichael discusses in the southeastern United States takes on precisely the partnership approach to entrepreneurial governance outlined in the previous chapters.

Importantly, the incentives that characterize the partnership approach also serve to address one of the key contradictions of global capitalism, particularly major industrial firms. As noted in chapter 2, many commentators on neoliberal globalization have focused on the newfound global mobility of firms, enabled in part through advances in information and communication technologies and transportation methods. Yet geographers have long noted that firms – particularly industrial ventures – gain competitive advantages by developing *in situ*, and that all firms rely on some spatial configurations to create the very mobility that supposedly leads to more intense competition among localities. In the current case study, increasing mobility of money capital enabled German, Japanese, and Korean firms to directly invest in automotive production in US. territory, but this has in turn produced an agglomeration of assembly

and supplier plants throughout the southeastern states. This has entailed large fixed-capital investments not only in sites and plants themselves, but also in the infrastructures (rail spurs, highway connections, utility extensions) around them. As noted earlier, fixed-capital investments by their nature realize their value in a more protracted manner because the capital sunk into them circulates more slowly than circulating capital. Yet such investments and agglomerations thereof can potentially enhance profitability where they allow for the faster circulation of circulating capital and commodities or increase productive efficiency (Gough 2003; Harvey 1982; Marx 1981). Think, for example, of the efficiencies achieved in the lean production and just-in-time production processes. For many firms, and for capital in general, there is then a dual impulse toward mobility and fixity *in situ*

> In order to produce surplus (value), firms must build up a productive apparatus consisting of fixed capital, workers, land, political alliances, and so forth – all with a local base. This process renders capital temporarily immobile, making it subject to some leverage by workers, communities and governments…thus capital is in a bind…mobility and immobility both offer advantages, but each has costs. (Storper and Walker 1989:47).

The immobility of development in place serves to tie firms to a locality, to reduce its mobility, and potentially impact leverage vis-à-vis local labor or community concerns. But local partnership attenuates this relation to locality. The growth in the scope of local government incentives over the last 37 years has targeted precisely the slowly realized fixed capital that immobilizes firms and retards the realization of surplus and profits. The investment in the site itself, the provision of utilities and connection to transportation networks are all major fixed capital investments that are minimized or eliminated through incentives and site preparation by localities. Furthermore, almost all cases see

large expenditures by localities and states on workforce training, including training facilities and paying the workforce while in training, another major sunk cost in-place. In those cases where states have forgone income taxes on employees and devolved that power onto the private firms themselves to defray the cost of plant construction we see the almost complete elimination the costs incurred through fixed capital investment. The effect here is to at once facilitate the circulation of privately owned capital while reducing its circulation through fixed investments, attenuating the connection of firm to place and speeding up time to market and profitability. To the degree that localities simply pay the costs of fixed capital investment, the amount of privately invested capital circulating slowly through infrastructure and means of production is directly diminished; to the degree that taxes are redirected to defray fixed-capital investments, the time in which these sunk costs are recovered is diminished. Hence, local partnership can actually weaken the connection of firms to a locality not only because they reduce the capital directly circulating in that locality (itself, as a physical place), but also because it diminishes the barriers to locating a new site insofar as workforce training and site *pre*-development streamlines the process of relocation.

In addition to facilitating the circuits of global capital, then, the partnership approach also works to resolve a central contradiction for capital, that is the contradictory impulses towards fixity and mobility. Put in Marxian terms, local partnership works to resolve – albeit partially and unequally – the contradictory capitalist drives to "annihilate space through time" and "time through space" (Harvey 1982, 1989). In other words, the imperative to accumulate attempts to remove spatial barriers to

accumulation (such as fixed capital, borders, taxation, etc.) by speeding up the process of production and exchange (the movement of money, commodities and services through space at an ever-increasing pace), while at the same time capital is able to speed this process up by creating infrastructure and spatial networks to facilitate this movement (time *through* space). These contradictory impulses are just what localities are in practice mitigating where they attenuate the fixing effects of capital sunk into development in place, and by socializing what were previously private fixed capital investments.

Certainly, major industries that rely on agglomeration are still connected to localities through supplier networks, and social and political relations formed in place. And the growth of lean, just-in-time production processes only serves to further tie firms to one another by deepening social and material relationships between them within a region. Nonetheless, as incentives are offered to suppliers and major assembly plants, the overall effect of the local partnership is to attenuate the fixing effects of local investment on capital. Moreover, many firms that are not tied to place by large fixed capital investments and agglomeration effects benefit from incentives. One site selector noted that "our clients are typically looking at a ten, fifteen year cost model when they make a decision to go somewhere, because when they do a project they're going to be there for a long time" (SEL03 2016). Yet other projects such as headquarters, smaller service providers, sports stadia, are treated as partners just the same as a long term industrial project, and these types of businesses do not have the same supplier networks and agglomeration effects that characterize industrial production. These low-infrastructure projects to a much greater degree have the fixing effects of investment in

place reduced through local partnership. Hence, as McMichael argued, as the neoliberal globalization project has facilitated the formation local governments partnerships – this relation serves not only to facilitate the circulation of capital through space but also ameliorates (though not entirely resolves) the contradictory impetus towards mobility and fixity.

Effects on Local Policy

Local and state governments are in this sense turning "outward," directing their activities towards facilitating global circuits of commodities, and this is precisely what being a "good partner" implies: facilitating the circulation of global capital (Brenner 1999a:439). Beyond the more abstract considerations of the spatial configuration of capital flows, this turn has an immediate impact on and implications for local and regional policy. The imperative to be – or at least appear to be – a good partner has had multiple effects at different levels of governance. Two primary effects I would argue are most important are a) the contention incurred by the differential spread of the partnership perspective at different levels and localities of governance, and b) the chilling effects on disparate forms of legislation that might detract from the image of performing as a good partner.

While it is difficult to firmly state the different levels at which specific localities have taken on the partnership perspective, contention over public policy decisions at different levels of governance can be taken as indicator of such disparities. Policy contention within Southeastern states typically takes the form of a conflict between the economic development and partnership views of governance and policies that reflect

local concerns and initiatives that conflict with the explicit or perceived interests of business.

A prime contemporary example of this is recent contentions around laws "protecting religious freedoms" and policies that would affect Lesbian, Gay, Bisexual and Transgender individuals. A number of state legislatures in the South have recently taken up Religious Freedom Restoration (RFR) policies, whose ostensible goal is to codify the right of individuals and business to refuse services or contracts based on religious objections – though these are popularly understood to affect LGBT individuals in particular, whose discrimination would theoretically be legally protected if it had religious bases. The most vocal objections to such laws comes from gay and human rights organizations, as well as businesses who wish to be seen as non-discriminatory (Jurney 2016). In Georgia, the contention over such a bill broke out between the business-friendly governor, Nathan Deal, and the socially conservative legislature, and the governor ultimately vetoed the bill. Note that the Governor and legislature belong to the same Republican political party. When Indiana passed a similar law, the legislature and governor were in lock-step, but many businesses openly condemned the law and several cancelled planned expansions or events in the state (Bender 2016). In North Carolina, in a variation on this theme, the state adopted legislation that would limit local governments' ability to pass legislation protecting LGBT rights, superseding an ordinance in Charlotte, a major banking city. With the governor and legislature again in lock-step, several major business cancelled expansions, and several collegiate athletic associations' planned events were moved to other states (Jurney 2016). The contention led to a heated battle

for governorship, in which the governor who signed the law was narrowly voted out. In the ensuing political battle between the new governor and the conservative legislature, a compromise bill ultimately emerged in which the law (House Bill 2) was repealed, but it also barred new local ordinances protecting special statuses; this compromise, one might note, works well for businesses who may not have liked increased regulations but who also wanted to be seen as non-discriminatory. Indeed, while Price and Bell noted that the "compromise on the controversial House Bill 2 law drew a fiery response from across the nation, with both conservatives and liberals calling it a failure," businesses and athletics associations approved, with the latter reinstating events that had been threatened to move to other states shortly after the compromise bill became law (Price and Bell 2017).

Another prominent example of the contention caused in part by the differential acceptance of the partnership perspective are recent instances of states superseding progressive localities who have attempted to raise the minimum wage in their jurisdiction. A number of states, such as North Carolina (in the above mentioned compromise legislation), Ohio, Michigan, Missouri, and others have passed legislation specifically intended to superseded such local ordinances and maintain the "business friendly atmosphere" of the state. For example, in 2013 Tennessee state legislature brought a "U.S. Chamber of Commerce-backed bill that would strip local governments' ability to set wage standards, family leave and insurance requirements for businesses seeking local government contracts" (Sher 2013). A similar law was passed in Florida around the same time, and the congressmen who sponsored it quote extensively from the book of partnership. According one news report, "Rep. Jimmie Smith…said local

governments have it all wrong. ‘We want people to be successful so they can hire more people,’ he said. ‘We should not destroy or interfere with the free market system’…Rep. Steve Precourt [said] “Some counties’…ordinances are really distorting the current economy and there is a need for uniformity,’’ Precourt told the House Local and Federal Affairs Committee. He said the laws have suppressed the state’s ability to generate jobs” (Klas 2013). The rationalizations offered here are clearly articulated in language of partnership, and Representative Precourt even refers to the state as itself a job-creator, in other words, referencing the ability to be a good partner to business.

There are, of course, other factors at play here besides the understanding the of economic development field, in particular rural/urban disparities in social and political beliefs, which have only widened as some urban areas become more tied to flows of global capital – such as Charlotte (Sassen 2012). But the policy conflicts that arise in the above-mentioned cases are not centrally about the underlying ideological worldviews nor about party politics, though these may be important. They are at core about local politicians and bureaucrats who “understand the role of government” in business, and who do or do not accept the partnership perspective. The key difference between North Carolina passing ostensibly LBGT unfriendly legislation, and Georgia not doing so is not as much an ideological difference, but that the Georgia governor “gets it” as the former North Carolina commerce secretary put it. As one site selector noted, Georgia governor “[Nathan] Deal…CEO’s really like him, they feel comfortable with him and they know they’ll have access to him after the deal” (EDP03 2015). The difference between localities pursuing wage ordinances and the state government in Florida is not about political

parties, but that the "local governments have it all wrong" – they do not *get it*. They do not understand that the locality is product and the state a potential partner.

Thus, as the complex networks of various scales of local governments differentially turn outward in entrepreneurial pursuit of investment and partnership, reflecting the unequal influence of the development profession, conflicts arise from policy imperatives that are differentially responsive to local initiatives and pressures.[50] As noted in the previous chapter, from the economic development professional view, when such local imperatives openly conflict with business recruitment and partnership they constitute the exaggerated influence of irrational "egos" of local elected officials who fail to comprehend the appropriate role of local government. We can see then that programs to train local governments in economic development are not simply trying to inculcate current knowledge, but to actively cultivate the partnership view of governance. For example, as one development professional in Tennessee put it, in his department

> I felt it was important to have alignment. I felt like it was important for TVA and the state to be aligned…we would talk about ways we could align our program…we even got down to– on community development…we cross-trained our community development teams. TVA has a community development team, [Tennessee Department of Economic and Community Development] has a community development team, and we cross trained them…on community leadership, on infrastructure…[it] helps community leaders and alderman understand economic development…it made [development efforts] less burdensome, but it also showed that TVA and the state are working together…I was big on alignment through partnership. Because I felt like you could get more done when everybody is pulling in the same direction. (EDP06 2016).

[50] It is worth noting that the same outward turn could not only have a chilling effect on some legislation, but could also create an impulse towards meretricious legislation that makes the locality *appear* to be an effective partner, while not really accomplishing anything. An example of this might be an educational reform bill pushed by business-friendly Georgia Governor Nathan Deal. The first iteration of this bill, written in 2016, consolidated control of failing schools with the state, but had no real practical impact (such as increasing much needed funding) beyond that centralization.

When I asked if "alignment" referred to aligning, for example, tax based incentives programs, the official responded

> it might not be the tax programs as much as it is the economic development strategy. I mean, you can have counties in this state, they used to compete against each other fiercely. Sometimes it was probably counter productive. They decided, and I'd like to think we helped in a small part, they decided to put joint efforts together. They put a county organization in place, the cities working within the county organization, state working within all that. (EDP06 2016)

The goal of alignment and economic development "training" is to impart the economic development field more uniformly across localities and facilitate more uniformity in adherence to the partnership perspective. The minimization of conflict between localities and the pursuit of localized interests, serves to realign and reorient localities towards the needs and impulses of global capital. And this reorientation, is not simply a turn from the local to the global, but as argued above, a shift toward business and capital. And this shift has important consequences for the political position of labor.

The Elision of Labor

As discussed in Chapter 3, the regional labor control regime in the South is distinctive because of its labor repressive legacy which has led to a widespread antipathy towards unions and organized labor, even among the workforce (Cobb 1993:259). And this atmosphere is a critical contextual factor for global firms and site selectors choosing the region. Yet, despite the distinctly labor repressive Southeastern labor control regime, there has hardly been a complete absence of labor organization or political activity. Unions have consistently been involved in contesting plant construction as well as issues within plants since the very beginning in the 1980s (Gelsanliter 1990:65,110). And

although no major assembly plants in the South have unionized, the UAW has consistently led unionization campaigns throughout the region. Moreover, while the populist campaigns throughout the South in the 1890s were not strictly *labor* movements, Cobb notes that the response the populist challenge was in part the reason why southern political leaders embraced a more activist approach to recruiting businesses (1993:3). The point here is that labor, as an organized political force, is and has been present for the past 37 years and beyond in the southeast, though in the attenuated form characteristic of the South's labor control regime.

It is striking, then, that throughout the course of my interviews, the question of labor as a political force with distinct interests was almost entirely absent. Jobs, of course, were central to many discussion with development professionals, and were crucial in decisions about incentives. Discussing the trade off on incentives negotiations in dealing with Kia, one recruiter pointed out "when there's a real need to reduce your unemployment rate, you're looking at a real motivation to bring hundreds if not thousands of jobs."(EDP03 2015). And an Atlanta official emphasized that "we really…I have every interest to make sure that as many jobs as possible, that are hired locally by city of Atlanta residents, they have a chance to get that job" (EDP02 2015). And site selectors and professionals routinely discussed the importance of the labor force, or of having a "quality" workforce, or a large enough workforce. But this is not the same as regarding labor and workers as a *political* force with particular and legitimate interests. The single time the politics of labor were brought up was by one site selector, in discussion of the locational factors under consideration, who noted that during desktop

analysis “some of those earlier screens, you know right-to-work is a screen that comes up pretty early, especially with industrial projects” (SEL03 2016).

This conspicuous absence of labor as a political factor from the economic development profession and the partnership discourse is in part reflective of the fact that, as mentioned in the previous chapter, governments adopting the partnership perspective are eager to appear as strong potential partners – and the presence of organized labor is problematic to the presentation of that image. An account of efforts to unionize an independent auto part supplier in Alabama in 2015 related this sentiment, noting that “opponents argued that unionizing would damage the state’s competitiveness, and repeatedly raised the specter that unions helped bring about the problems in Detroit’s automobile industry” (Cohen 2015). But the invisibility of labor’s interests is also due to the fact that, like the “egos” of local officials, the interests of workers that run counter to business partnership are also seen as irrational resistances to the epistemologically primary interests of businesses. In this perspective, labor is not a legitimate political actor with legitimate interests, in much the same way local governments lose legitimacy upon aversion to the partnership view. As Jessop said of hegemonic projects in chapter 2 “ those particular interests which are inconsistent with the project are deemed immoral and/or irrational and, insofar as they are still pursued by groups outside the consensus, they are also liable to sanction” (Jessop 1983:100).

However, unlike local political figures, labor is fundamentally incapable of *becoming* a *legitimate* political force – because labor is not understood as separate from the needs of business and much needed jobs for the government partner. As again

discussed in the previous chapter, the partnership perspective involves not just partnering with businesses, but of thinking of governance *as* a business. Thus, labor is here *properly* viewed as an input, a production factor of variable quality that should be enhanced and marketed as with any other property of a locality that affects entrepreneurial decisions. And the underlying assumptions of economic development professionals and officials who accept the partnership view is a moral-political predicate that the unimpeded (but by no means unassisted) activity of private firms in the marketplace is good and correct.[51] As Peck and Tickell put it, "in a situation of continuing global crisis and deregulation, in which there is not enough investment to go around, localities are resorting to beggar-thy-neighbor strategies. The prevailing orthodoxy of neoliberalism provides a political rationalisation (of sorts) for these strategies through the faith which it places in the immutability of global economic forces and the virtues of competition" (1994:319). Labor as a political consideration is an irrationality not only because it impugns the quality of the place as product but also because it troubles the underlying logic that accepts investment and employment determined by market valences to be fundamentally correct. To quote the governor, "this is all a business." This acceptance of the moral imperative of businesses and markets comes across in several ways, such as the aforementioned valorization of the ostensible efficiency of private operations to "get things done" (*see* Ch. 6). It also comes across in the muted disdain for inefficient organizations that "do not get it" and the tendency to view the uncertainty of

[51] As a number of scholars have noted, what is distinct about *neo*liberalism is the more activist function of the state in maintaining and encouraging accumulation and circulation of capital. I discuss this further below.

the democratic electoral process as a troubling impediment to investment. Hence, to the degree that local governments accept the partnership view of governance they will have an inimical view of labor; this is critically important, because this means that the concerns of labor are to this same degree delegitimized in the eyes of governing officials.

Two caveats must be added here. First, this view of labor is not so much communicated through clear and conscious articulation as much as by the consistent and deliberate omission of any discussion of the concerns of labor by officials and professionals in the field. Insofar as the field omits consideration of labor beyond a perfunctory discussion of "right-to-work" as a preliminary screen for local competitiveness, the organized interests of labor are discursively elided from the professional and official field of economic development and the partnership perspective. And this elision occurs not through Machiavellian maneuvers so much as a bland, uncritical acceptance of an unarticulated neoliberal ideology. "The new religion of neoliberalism combines a commitment to the extension of markets and logics of competitiveness with a profound antipathy to all kinds of Keynesian and/or collectivist strategies" (Peck and Tickell 2002:381). The second caveat is that this approach to the question of labor is not a reflection of particular businesses or even a particular segment of capital. In other words, the partnership perspective is not constituted around a particular firm, project or investment, but rather an abstraction of business or "capital in general". Hence, local and state governments *as* partners can deviate from the interest of particular firms (such as Volkswagen) while maintaining an entrepreneurial approach to governance, as they may be giving broader consideration to being a good partner to

businesses in general.[52] Certainly, when delivering the customer service experience, the partnership approach takes account of the particular needs of businesses, but in constructing place as product localities are taking account of the needs "businesses in general," and these derived primarily from the neoliberal project itself and its ideology.[53]

All of these implications of entrepreneurial governance and the partnership approach – the attenuation of spatial fixity, the partial outward turn of local policy and the practical and discursive marginalization of labor from politics – are part of a deeper, more fundamental shift in the relationship between the public and private, the political and economic spheres of power in neoliberal capitalism.

Public and Private? Decoding the Political and Economic

The elision of labor as a legitimate political actor is not simply a matter of appearances or discourse, but reveals a particular configuration of class relations and political power at the core of the partnership approach to entrepreneurial governance. It is worth a brief reiteration of the approach I use to understand the state, and the relation between the political and economic spheres of capitalism. This is because it is precisely the relation between these "spheres" that is distinctive of partnership governance. Many theories of the state view it as a more or less autonomous realm of power, distinct from economic or class power in some form; most accept some form of a pluralistic approach

[52] Interestingly, this is distinct from the political economy of US regulatory capture articulated in previous chapters. Rather than particular segments of capital "capturing" the regulatory apparatus to benefit a particular segment of labor, here we see governments pushing labor from the picture and appealing to capital in a general sense.

[53] Though as we have seen, some developers will send out surveys and questionnaires to the business community and such efforts also inform the view of capital or businesses in general.

that treats governance and the state as in some way responding to a plurality of competing interests among private actors. Mann (1986), for example, sees the political realm as a particular type of power resource (particularly coercive domination) distinct from economic power. Most sociologists and political economists would be familiar with the debates among Marxist perspectives of the state in the 1970s around the relative autonomy of the capitalist state (Berberoglu 2013:40–52; Clarke 1991c). These views assert a basic distinction between the political and economic realm, whether this took the form of a convoluted "structuralist" distinction between an economic base and political superstructure (Poulantzas 1975), or an "instrumentalist" approach that asserted "different forms of state have different degrees of autonomy. But all states enjoy some autonomy or independence from all classes, including the dominant classes…the relative independence of the state does not reduce its class character" (Milliband *cited in* Berberoglu 2013:43).

As discussed briefly in chapter 2, in this work I take a view of the state and markets as mutually constitutive institutions, and governance not as an autonomous or external practice of regulating markets and class struggle, but as constitutive of the form and shape of class relations and conditioning and conditioned by class struggle (Brenner 1977; Clarke 1991b; Gough 2004a; Wallerstein 1974; Wood 1981). The importance of such a perspective for the current discussion of the elision of labor from legitimate political discourse is that, as Ellen Wood has argued, "a system of production always exists in the shape of specific social determinations, the particular modes of organization

and domination and the forms of property in which relations of production are embodied"(Wood 1981:80). She continues,

> from an historical point of view even political institutions like the village and state enter directly into the constitution of productive relations and are in a sense prior to them (even where these institutions are not the direct instruments of surplus-appropriation) to the extent that relations of production are historically constituted by the configuration of political power that determines the outcome of class conflict (Wood 1981:80).

What the shift towards entrepreneurial governance marks is precisely a reconfiguration of political power as the outcome of the neoliberal globalization project. At the core of this reconfiguration is a blurring of the public and private divide – of the political and economic – as the public and private realms are redefined and so reconfigured. It is worth again turning to Ellen Wood to clarify this point:

> The differentiation of the economic sphere in capitalism, then, can be summed up as follows: the social functions of production and distribution, surplus extraction and appropriation, and the allocation of social labour are, so to speak, privatized and they are achieved by 'non-authoritative', non-political means…to speak of the differentiation of the economic sphere in these sense is not, however, to suggest that the political dimension is somehow extraneous to capitalist relations of production…on the one hand, the 'relatively autonomous' state has a monopoly of coercive force; on the other hand, that force sustains a private 'economic' power which invests capitalist property with an authority to organize production itself—an authority probably unprecedented in its degree of control over productive activity and the human beings who engage in it…the direct political powers which capitalist proprietors have lost to the state they have gained in the direct control of production…at the same time, the powers of the appropriator no longer carry with them the obligation to perform social, public functions…in a sense, then, the differentiation of the economic and the political in capitalism is, more precisely, a differentiation of political functions themselves and their separate allocation to the private economic sphere and the public sphere of the state. (Wood 1981:81)

The development of the partnership perspective and practice of governance is another shift in the boundaries of the political and economic spheres - the crux of which is articulated in the Supreme Court decisions surrounding the partnership approach. Probably the first instance of this occurred in 1980, when the suburb of Detroit saw city and state officials evict the population and raze some of their neighborhood for a new

factory. The residents challenged the city, and the case went to the state supreme court. "The heart of the legal challenge hinged on the meaning of 'public use' in eminent domain law. The basic issue, according to the Michigan Supreme Court, was whether the proposed condemnation was for the primary benefit of the public or the private user, in this case GM. The courts ruled (5–2) that the primary benefit from the taking of the neighborhood was for the public…regardless of the fact that there was an 'incidental' private gain" (Luger 2000:110). Interestingly, this instance did not seem to have the effect of shifting the political economic landscape in the same way the Toyota competition and recruitment in Kentucky did five years later. This is perhaps because the contention over the Detroit plant occurred in the midst of a broader bailout of Chrysler and a general crisis and restructuring of the U.S. automotive companies. As noted in previous chapters, the real break in economic development and recruitment practice occurred around the recruitment of Toyota in Kentucky, which was also challenged and ended up in the state Supreme Court. "The Kentucky Supreme Court ruled 4-3 that the Collins incentive package was constitutional. At issue had been whether the state had the power to raise and spend money for the benefit of a private business. Proponents argued …the potential benefits to be derived were so great that the constitution must be judicially amended" (Gelsanliter 1990:128; Perrucci 1994).

The logic of those rulings essentially stated that a private investment could be justified as, and *understood* as, a public good or service insofar as that investment enhanced the local economic profile and provided employment and a stronger tax base. And this logic lies at the core of the partnership approach to governance, which

reconfigures the political and economic, the public and the private, by situating private investment as a larger public good – insisting that the "primary benefit [of private investment]…is for the public" (Luger 2000:110). From this view, private investment and gain is not an indirect social good, but a real public service. Thus, taxpayer funds are justifiably invested directly in private ventures, because what had previously been characterized as "backward linkages" or "beneficial externalities" of private enterprise, are now argued and understood to be intrinsically a social boon.

This is a distinctly skewed view of business and investment, but it is hardly a new one. Indeed, in the process of coding my interviews and developing a framework for the partnership perspective, I was reminded of wry, caustic passage from Volume I of Marx's *Capital,* that it took me a moment to put my finger on. The passage is from his chapter on "The Labor Process and the Valorization Process" and comes out of his investigation of the origins of surplus-value; in it Marx drolly mocks the assumption that the capitalist entrepreneur is ennobled by the public good at the root of her investments:

> Our capitalist…may perhaps say that he advanced his money with the intention of making more money out of it. The road to hell is paved with good intentions, and he might just as well have intended to make money without producing at all. He makes threats. He will not be caught napping again. In the future he will buy the commodities in the market, instead of manufacturing them himself…He recites the catechism:…'have I not rendered society an incalculable service by providing my instruments of production…and the worker too, for have I not provided him with the means of subsistence?'" (Marx 1976:298–99)

The catechism of the capitalist might well be written above the door of every economic development authority and chamber of commerce. The point that Marx is making is that the capitalist is investing not for the public good, but possesses the ultimate goal of private enrichment through production; but this ironic recital is also offered by way of making the ultimate point that capital is internally related to labor –

capital needs labor to produce a surplus and profit. From the Marxian view, roughly speaking, the greater the degree that direct producers work for the dominant class – and not for their own needs – the greater the amount of surplus.[54] This is precisely why Marx and most prominent Marxist sociologists and economists use the term class *relations*, and why Wright notes that these relations are fundamentally *asymmetrical*, in the sense that the material interests of one class are diametrically and dialectically opposed the those of the other (Wright 1997:10). The partnership perspective ignores these fundamental connections between classes; indeed, the supreme court justices may as well have read Marx's ironic catechism from the bench: "have businesses not rendered society an incalculable service by providing [their] instruments of production…and the worker too, for have [they] not provided him with the means of subsistence?" This is precisely the reasoning behind the partnership perspective and the economic development field and its array of best practices and rationalizations. The entrepreneurial activities of private companies and their government partners are fundamentally in the public interest, and both sides of the partnership ultimately are benevolent benefactors bestowing jobs on the populace.

This reasoning and ideology has reconfigured local power relations by blurring the distinction between the public and private sphere – but in a distinctly one-sided way. Ellen Wood argued above that the separation of the political and economic in capitalism saw an increase in the domination of capital over labor *within* the private sphere of

[54] E.g. The more the feudal lord extracts tithes from the peasant, the less the peasant has for herself and the richer the lord. For Marx, the wage relation in capitalism disguises the appropriation of surplus value.

production, while it marked a certain abstraction of the power of coercion to the public realm of the state. At the same time, capitalists sloughed off the obligations attached to feudal relations of production. In the partnership perspective obligations between classes are restored, but again in one-sided fashion: the obligation is on the part of the worker to her benevolent employer. Taxpayers' money – recalling again that these private corporate citizens are given immense tax "relief" – are then spent on private enterprise, and the justification is that the corporate investor is providing employment and wages, and perforce tax revenue for the region. Private employment *becomes* public in this sense; *doing business* is no longer simply private economic activity but an incalculable social service. At the same time that private citizens in this perspective now have an obligation to offer up public funds to benevolent employers, the discursive elision of labor from the public political discussion marks an extension of the domination or power of capital over labor from the private to the public sphere. As local governments differentially take up the reasoning and ideology of the private firm, the more or less absolute power over labor *within* production is – through this discursive aversion – extended to the realm of local politics, not as the power of a single firm over its' employees but in the form of the abstract or "public" state acting in the name of prospective businesses. In a certain sense, then, the direct power of surplus appropriation is split – as was the political moment of "coercion" in Wood's argument – between the public and private. While many have argued that appropriation of tax revenue is a kind of social appropriation for the social provision of capital (Bowles and Gintis 1982; Teeple 2000:45; Tilly 1992), the partnership approach now sees this revenue

contributing directly to private enterprise, through the public partner. And in cases such as Alabama and Mississippi, where the power to tax employees' income devolves directly upon the private enterprise, the public power of taxation is reconfigured to apply within the production relation.

This marks an important reconfiguration of class relations and thus relations between the public and private sphere in neoliberal globalization, one that can be best apprehended through Marxian theory. The partnership approach and the reconfiguration of political economic relations leads to an erosion of the political legitimacy of labor because the perspective understands development to originate with private productive investment and not the relations of production between classes. This is the fetishized view of capital at the core of neoclassical economics and the neoliberal project. To again quote Marx, "*capital appears as a relationship to itself*…it appears to consciousness as if capital creates this new value in the course of its movement…and appears to derive from hidden qualities that are inherent in capital itself" (Marx 1981:139). For my purposes here, the critical point to take away from Marx is that when capital appears as a relation to itself, it does not appear related to labor dialectically. When this is the case, it appears that there *is no power relation at all*: there is no domination of labor, there is no dialectical relation between capital and labor, and there is no appropriation of surplus. Labor is elided as a legitimate political position because localities adopt the perspective of business, but from a one-sided view in which this perspective is not understood asymmetrically tied to the interests of labor. From this fetishized viewpoint, labor *cannot* make legitimate political claims because this view denies the fundamental opposition of

capital and labor, and thus where labor organizes (or threatens to) and accordingly makes plain that dialectic, the soundness of its claims are epistemologically precluded by the partnership perspective. Hence, from the partnership perspective, the extension of governance into the "private" realm is not a power shift; nor is the government taking the perspective of business a shift in class and political relations - for that power relation is hidden. And devolving the power to appropriate tax funds from employees is not a reconfiguration of class and political relations but a sensible incentive to lure the well-meaning capitalist, and capital investment appears as the bestowal of a benevolent social kindness, one enhanced and transmitted by state and local governments.

Thus, in the partnership approach, capital appears as a relation to itself – to put the matter in Marx's terms, but this is merely the form of appearance. Where the essential class relationship between capital and labor is apprehended, we see the partnership approach taken among southeastern states reconfigures the political constitution of relations between classes. On the one hand, the state no longer appears as relatively autonomous, as its public functions are now directly related to, and constructed as, coterminous with the interests of private investors. On the other hand, the power to control labor is no longer confined to the private "economic" realm of contractual relations, but is now exercised by the public partner in the political realm through the erasure of labor's political legitimacy. While labor still exists and struggles within the class relation, its political potential is further stultified through the epistemological erosion of its political legitimacy.

It is worth noting, once again, that the partnership perspective is not intrinsic to firms themselves, but to the nexus between transnational corporations and elites and local governing officials and development professionals. Indeed, after reciting the catechism of capitalism, Marx notes "the capitalist…with a hearty laugh, he recovers his composure. The whole litany he has just recited…he himself does not care twopence for it. He leaves this and all similar subterfuges and conjuring tricks to the professors of political economy, who are paid for it" (Marx 1976:300). In other words, while the partnership approach to entrepreneurial governance does not change the essential dialectic between capital and labor, what it does do is alter "the shape of specific social determinations, the particular modes of organization and domination and the forms of property in which relations of production are embodied"(Wood 1981:80), in such a manner as dictated by the dominant hegemonic bloc driving the neoliberal globalization project.

Conclusions

In this chapter, I argued that the partnership approach to entrepreneurial governance, constituted and disseminated through the professional field of local economic development, is a reconfiguration of power and class relations driven by the hegemonic bloc of class and political elites who have constructed the neoliberal globalization project. I have also argued that the particular form this reconfiguration takes should be understood as shaped by the political economic context of the Southeastern United States, a region with long history labor repression and a "closed political system [that has] produced public officials disinclined to regulate but eager to

protect the interest of industry, particularly in labor-management conflicts" (Cobb 1993). It is highly unlikely this model could be generalized to many European states whose political economy is typified by corporatist tripartite relations between peak organization; though the conditions noted here could be found in many semi-peripheral countries, both topics I take up in the following chapter.

Of course, and as noted in previous chapters, states have always supported and facilitated capitalism and worked to mitigate its contradictions, and many scholars have shown the growth of capitalism and the nation-state to be internally related historical processes (Brenner 1977; Harvey 1982; O'Connor 1973). But this partnership approach is something different, though there is of course a kernel of continuity. Under the development project, governments undertook massive social investments in infrastructure and welfare to facilitate and encourage mass production and consumption (Harvey 1989; O'Connor 1973:23-5), and while these larger social projects directly facilitated the circulation and accumulation of capital, the apparent separation of political and economic spheres of power remained more or less intact. In the current study, these spheres break down and the political leaders come to take on the perspective of businesses, and act directly as investing partners in private economic activity. This is part and parcel of a deeper shift in the political formation of class relations, one that differentially works to further the project of disempowering labor vis-à-vis capital in the neoliberal globalization era. The particular form this change in power relations takes depends numerous local factors, including the spread of the economic development profession and partnership view, the degree of "alignment" between scales of

governance, and the particular practices of governments and firms within the confines of the ideological class project. Hence, the elision of labor's political legitimacy is in most cases incomplete and highly contested. The last point we might make here, is that while neoliberal ideology drives the partnership perspective, and this ideology is characterized by faith in markets and competition, it should be clear that the partnership approach involves ever more direct government involvement in private investment and entrepreneurship. As David Harvey has argued, a central yet ironic feature of neoliberal practice and policy, is the "principle, which flew in the face of the non-interventionism that neoliberal theory prescribed…put crudely…was: privatize profits and socialize risks" (2010:10). Peck and Tickell make much the same observation, that "while rhetorically antistatist, neoliberals have proved adept at the (mis)use of state power in the pursuit of [their] goals" (Peck and Tickell 2002:381).

In the following concluding chapter, I examine the implications for the power shift reflected in the social investments allocated for private profit, as well as the increasing power of professional technocratic organizations over public expenditures. Finally, I explore the general implications of this partnership view in the current historical moment of challenges to globalization and the continuing crises of the neoliberal project, and discuss the limitations of my findings.

Chapter 8
Something Like a Few Conclusions

> *The new entrepreneurialism has, as its centerpiece, the notion of a "public private partnership" in which a tradition of local boosterism is integrated with the use of local governmental powers to try and attract external sources of funding, new direct investment, or new employment sources…the activity of that public-private partnership is entrepreneurial precisely because it is speculative in execution and design…In many instances, this has meant that the public sector assumes the risk and private sector takes the benefits…I suspect it is this feature of risk-absorption by the local (rather than the national or federal) public sector which distinguishes the present phase of urban entrepreneurialism from earlier phases of civic boosterism in which private capital seemed generally much less risk-averse.* (Harvey 2006a:352–53)

This research began with a puzzle, an apparently bizarre reversal in the state of Tennessee where local lawmakers raised voices aloud and threatened to pull state-funded incentives if the workers and owners of the Volkswagen plant not far from Chattanooga agreed to unionize the shop, claiming it would bring harm to the community. I posed the question of just what "community" these lawmakers were referring to, if not that of the workers whose jobs all of their economic development efforts were intended to create? We have seen that this community is in fact that of the business and economic development professionals, of the site selectors and government elites who *get it.* The neoliberal globalization project opened up nation-states to global flows of capital and saw localities embrace an entrepreneurial approach to governance, turning ever more outward towards management and facilitation of global capital flows (Brenner 1999:439), and turn competitively towards each other. This same project, I showed, ruptured the rigid structures of Fordist organization of production, and brought new firms into the arena of American automotive production. The dual developments of global changes and inter-local competition pushed Japanese and German firms towards

the Southeast, where eager officials tested the boundaries of the public-private divide in their efforts to draw inward investment. As we have seen, the picture is more complex than the journalistic accounts of local and state governments powerless before transnational corporations hell-bent on squeezing every penny from recruitment deals.

My research contributes a number of new findings to the fields of sociology and geography, but as is clear from the above quote from David Harvey, these new observations deepen and extend investigations of entrepreneurial governance made more almost 30 years ago (when Harvey's original article was published). I have shown that in the last 37 years, a professional field of knowledge has grown around the practices of local economic development – and constitutive of this field is a partnership approach to entrepreneurial local governance. More than simply engaging in public-private partnerships, localities and officials have taken on the role of co-investor and business entrepreneur, all while treating global corporations and capital as prized customers of their public services (and funds). And my research shows that localities are indeed absorbing more risk, and this risk takes on the particular form of long-term fixed capital investments and worker training – investments that otherwise would serve to *fix* a corporation in place.

As Marxist geographer Neil Brenner puts it,

> municipal governments throughout Europe…[are] directly embracing…supply-side strategies that entail the demarcation, construction and promotion of strategic urban places for industrial development…as Harvey indicates, such state-financed mega-projects are designed primarily to enhance the productive capacity of urban places within global flows of value, rather than to reorganise living and working conditions more broadly within cities. At the same time, however, the locational capacities of these urban places necessarily depend upon a relatively fixed infrastructure of territorial organization through which value can be extracted and valorised at globally competitive turnover times. (Brenner 1999a:446)

While my findings concur with Brenner and Harvey overall, they differ in at least one crucial way. I argued in the previous chapter that the blurring between the spheres of political economic activity—between the public and the private—marks an important reconfiguration of class relations as they are constituted through property relations and political institutions.[55] In other words, while industrial recruitment efforts have certainly "enhanced the productive capacity" of localities, in the South this has taken on precisely a reorganization of living and working conditions insofar as these are constituted by and through the relations of (re)production. This reconfiguration erodes the legitimacy of both local concerns vis-à-vis businesses, and enervates the legitimacy of labor as a political actor. And this blurring of public and private is not merely a theoretical abstraction, but plays out through the everyday relations and practices—the living and working conditions—of development officials and site selectors; as one business development official in North Carolina told me

> there's a great debate within our state…right now…as to dollars – if you have contract with governmental entities, does that essentially make you a *de facto* a public entity? And [whether or not] people would have the ability to weigh in on those decisions, or weigh in on those expenditures whatever it might be, *acting* as a public agency?…so what used to be a very clear understanding of "oh, I'm public" or "I'm private" is not- that line is becoming blurred…So the [Economic Development Partnership of North Carolina] as a public-private partnership, some would say "Ok it's a private…" but when the media ask for his emails or for his communications, they are responding to the media…as if they were a public agency. So it's this weird blurred line. (BDP03 2016)

In this chapter, I offer a few more reflections on the implications for the literature on the state and economic development, the practical implications for local politics and

[55] Put differently these class relations are constituted through the nexus of what Sassen calls territory, authority, and rights (2008).

power, and examine future implications for the partnership perspective, which I argue is tied to the broader globalization project.

Losing on Local Deals?

Most critics of the entrepreneurial approach to governance have often worked within a line of questioning whether major public investment in private activities are a "good deal" (Baade, Baumann, and Matheson 2008; Boudreaux et al. 2012; McDavid 2010). For example, a prominent watchdog group that tracks incentives – *Good Jobs First* – titled their report on the Nissan plant in Mississippi, "A Good Deal for Mississippi?" (Mattera and Tarczynska 2013). And indeed, this is how development officials themselves have framed their efforts throughout my interviews, claiming that careful cost-benefit analysis is done to make sure investments ultimately pay off and taxpayers get "a good deal." Without impugning the motives of these officials themselves, such claims are at best disingenuous. After all, in the same time frame that the Atlanta official told me they were "not just going to give away taxpayer money, where at the end we get horrible returns" (EDP02 2015), the city agreed to pay $200 million up front for a new stadium for the Atlanta Falcons Football organization, with other tax revenue amounting to a total of $700 million being marked for the deal (Lutz and Trubey 2016). Stadiums have long been the black sheep of economic development, as they have been repeatedly shown not to generate major new tax revenues or backward linkages or add to a locality's economic development (Baade et al. 2008; Santo 2005).[56] As I write this, three other U.S. cities (Los

[56] As mentioned elsewhere, this is just the kind of investment David Harvey was critical of in his original article on entrepreneurial governance.

Vegas, NV; Inglewood, CA; Buffalo, NY) made deals with football team owners to construct new stadia, two teams having moved cities to get lucrative stadium deals.[57]

But these questions about "what's a good deal" fundamentally miss the mark, for they beg the question of why localities are making deals in the first place – of why it is now considered necessary, if not reasonable and right, to invest public funds in private enterprise. This normalization of entrepreneurialism came across clearly in one of the few instances a development professional actually mentioned ambivalence about incentives, noting that as

> Governor [Sonny] Purdue [of Georgia] put it, because he was not a major fan of incentives but, "if you want to play poker, you've got to ante up…it's a value proposition. I want them to come here because it's a really good place to be. Great workers, all of the things that we often list." But the fact of the matter is, $400 million really helps the deal glide through a little quicker. Because the prospect…in [a] time when there's a real need to reduce your unemployment rate, you're looking at a real motivation to bring hundreds if not thousands of jobs in. And the cost factor of incentives becomes…a little bit less of a concern (EDP03 2015).

This same professional laid out the logic behind this reasoning, "it's an investors game, they can go anywhere. So where do they go? Yes, they have to have the right land. Yes, they have to have the right— all of that. But they want to know...'are these the kind of people we're going to be able to work with?'" (EDP03 2015). The contradictions contained in this statement are instructive, for in the same moment that he notes that companies have certain locational specifications ("they have to have the right ______") he also says "they can go anywhere." Here we see that the partnership view and its underlying ideology fetishize the mobility of capital by assuming capital can invest "anywhere," even though in a number of interviews the professionals in the field noted

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[57] The Rams, formerly of St. Louis, moved to Los Angeles around 2015 and perhaps year later the Oakland Raiders announced a move to Las Vegas.

that there are just not many sites capable of taking major industrial projects. This is a fundamental contradiction within the partnership approach to governance, in which the professional field of knowledge of local economic development—a set of ideas and best practices that shape local governance and site selection—dictates, on the one hand, the need to cater directly to the interests and requirements of particular incoming businesses while, on the other hand, placing ideological limits on the customer service experience where particular businesses interests contradict neoliberal orthodoxy. What is interesting about this contradiction is that in many ways it appears to replicate the debate around the "relative autonomy" of capital, which suggested that the state represents the interests of "capital in general," establishing a relative autonomy from *particular* interests of individual segments of capital. While I agree with Simon Clarke (1991b) that that there is no such thing as "capital in general," in the sense that there is no general interest empirically expressed "out there in the world," through the formation of the professional field of knowledge and practices of economic development there is created a policy space that does indeed consider the needs and expectations of *potential* business partners and investors. We thus can understand the contradictory statements of the development official as a core duality within the theory and practice of partnership, a contradiction between the imperative for states and localities to cultivate and market themselves as an attractive product to businesses in general *and* the practice of partnership governance predicated on delivering a customer service experience that caters precisely to those locational specifications that limit the mobility of particular capitals. Thus, for the development official above, the limits upon mobility incurred by

different types of specific investments in particular places (such as agglomeration effects, supplier networks, local government relations) that are treated directly in delivering the customer service experience are obscured, or perhaps overridden, by the necessity of marketing to businesses and their investors in the abstract, the latter necessity informed by the ontological assumption of the pure mobility of capital.[58] Moreover, in addition to the implicit assumption of pure mobility, itself a core tenant of neoliberal ideology, regional inter-locality competition is enhanced by the underlying morality of that ideology which valorizes market rule and espouses the virtues of competition.[59] In many ways then, the current competitive climate among states and localities throughout the southeast is as much a product of the partnership perspective as it is the cause. This is what is most important to consider when asking whether these states are in a "race to the bottom," for if there is a race among localities they themselves have mapped the course and fired the starting gun.

In the competitive process it is not just funding that is lost (and debt gained), but also public power and control over the course of local development and decisions on expenditures, and arguably individual labor-power. Increasingly, a closed field of development professionals and site selectors determine what constitutes a valid investment of public money, and like most technocrats these professionals are generally averse to the unpredictability of public, democratic processes. Yet unlike some

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[58] Marx notes that this tendency towards abstraction is inherent in capitalism, which is constantly driving towards the accumulation of wealth in the abstract – exchange value – but is tethered to reality through the necessity of producing use-values.

[59] Indeed, the political economic literature devoted to competitive federalism discusses (and to some degree espouses) the effect of such competition on economic development.

technocrats, the assurance of these officials of their own efficacy and the correctness of their control over public spending and local development derives not simply from expert knowledge of the field, but also from the aforementioned underlying neoliberal ideology that discursively marks government activity (*vis* public and democratic activity) as inefficient and incapable of getting things done.[60] In neoliberalism "the need for market credibility has near universal hold, delegating public functions to semi-autonomous technocratic bodies such as central banks, utilities regulators and social service coordinators that function as market regulators" (McMichael 2000:111). Hence, instead of local governments and constituents gaining control and a share of the profits in return for their investment, local power is increasingly ceded to technocratic appointees who share a normative worldview with business leaders and elites.

Where does partnership go from here?

How will the partnership approach to entrepreneurial governance develop from here? This question is of course speculative, but there are three ways in which we can think of the expansion of the partnership approach and derive some clues from the above findings. First, we can ask how will the observed blurring of the public-private divide and expenditure of public funds for private capital change or grow in the future? Second, how will the partnership approach to local entrepreneurial governance expand outside of the Southeastern region and outside of the U.S.? Third, we can consider the

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[60] While it is difficult to ascertain the motives behind legislators, it is not implausible that meretricious legislation intended to appear efficacious may become more prevalent as governors try to show they can get things done.

prospects of a further turn towards entrepreneurial governance in the broader context of the relations between classes, the state, and the institutionalization of relations of (re)production. Each of these has implications for future research and for theorization of the state, class relations and capitalist development.

The first consideration is how the partnership approach might be expanded in the future. One clear path of expansion of partnership currently observed has been pushing beyond business recruitment to retention. As the governor noted in the previous chapter, not long ago the idea that states would be willing to offer incentives simply for a corporation not to leave a locality, or to minimize the number of jobs eliminated, would have been lunacy. Yet just days after his election in 2016, U.S. President Donald Trump proclaimed an incredible success, that he had negotiated a deal with Carrier in Indiana and saved 2,000 jobs! The deal, of course, had been in the works at the state level for a while, and aggrandized numbers aside (it was more around 800 jobs), the "success" here was offering up millions of dollars for a firm *not to move jobs overseas.* This anecdote is evidence of broader trend in which localities increasingly consider the potential threat of disinvestment and job flight to be a legitimate justification for publicly funded incentives. Hence, throughout my interviews individuals spoke about efforts to recruit *and* retain jobs and businesses. This shift suggests that where development professionals and firms seek to extend the reach of incentives and investment efforts, it will likely be directly relatable – as far as possible – back the ostensible justification of the whole local development enterprise: jobs. Another limit might be the contradictory impulses of states and localities adopting a "business friendly" tax profiles and the needs of those

localities to fund public initiatives and the government itself. For example, in June of 2017 Kansas passed a bill to overturn the previous governor's radical tax initiative that had sought to completely eliminate corporate and individual income taxes, leaving the state wallowing in debt to the tune of $900 million and unable to fully fund public K-12 education. A congressional representative from the state, Barbara Ballard, said of the bill's passage "now we have a source of money. Then we can work our way out of the hole that we're in…It's almost like you can breathe" (Llopis-Jepsen 2017). The Kansas case is a radical example, though Alabama in 2015 also suffered severe financial crisis, and these examples suggest the perhaps obvious conclusion that states and localities will be limited in which barriers to capital flows can be removed in the form of tax "relief," to the degree that governments still administer aspects of public life.

Growing Together as Partners

We can also question how the partnership approach might take hold outside of the southeastern region of the United States. What we are really asking here is whether local and state governments elsewhere within and without the U.S. will adopt an activist approach to recruiting and retaining private investment and seek a reconfiguration of power and class relations. Given that there are particular features both of the regional political economy and the U.S. in general, the simple answer is that the exact type of relationship is unlikely to take hold or be observed elsewhere. But variations could well emerge elsewhere within and without the United States.

As discussed in previous chapters, the Southeast is distinguished within the U.S. by its combination of local governments who have often pursued an expanded role in

private business, and a particularly repressive labor control regime where anti-unionism is prevalent even throughout the workforce. Yet, despite certain areas having a long history of union density, labor organization has had a weak foothold throughout the United States for the bulk of its history, even if it has not taken the near-prejudicial tone of the Southern states (Hicks 1999, 2011; Rueschemeyer et al. 1992). While the type of erosion of the legitimacy of labor as a political perspective seen here thus may not take hold elsewhere (though see my discussion in the following section), I would suggest that the partnership perspective is not limited to the South. For example, since the 1990s five states have passed right-to-work legislation limiting union fundraising and perforce weakening unionization: Oklahoma (2001), Michigan (2012), Indiana (2012), Wisconsin (2015), West Virginia (2016), Missouri (2017). These could be attempts to achieve competitiveness with southern neighbors, as could shifts towards developing public-private partnerships for recruitment efforts, like that in North Carolina.

The decentralized nature of industrial policy is probably the most important consideration when investigating the partnership perspective outside of the U.S. While this is ultimately the subject of future comparative research, there is little doubt that the lack of central or federally dictated industrial policy combined with the competitive federalism of the U.S. is a necessary condition for inculcating the type of partnership approach we find the in the South. Indeed, one of the most remarkable points of the preceding analysis is that the federal government remains almost completely absent from the negotiations between firms and localities. Given that this analysis shows that

competition among localities themselves was a critical factor in forming the partnership approach, other factors are likely secondary to this consideration.

It is not clear that a similar level of competitiveness among localities would develop in core (developed) Western European states. Few states have as decentralized a national policy structure as the U.S. (Esping-Andersen 1990; Scharpf 2010; Thelen 2012), and unions in Europe have not been as historically weak there, and have had a better time of organizing across Europe and sometimes transnationally (Greer and Hauptmeier 2008; Hauptmeier and Greer 2012). While there are of course many different approaches to state involvement in capitalist development in Europe (Hall and Soskice 2001; Thelen 2012), outside of the UK no governments have adopted as liberal an industrial policy framework as the U.S. One respondent commented that "if you look at Europe, in general you're seeing— they're very lax, and they kind of view economic development agencies there are more of order-takers, and RFIs you really have to fill this thing out…versus now the competitive, aggressive agencies are winning projects. I think you'll start to see that trend change in the European countries. And you'll see them about 20 years behind the U.S. in that standpoint…a consultant at Deloitte was just telling me this yesterday" (BDP01 2016). Whether the relative dearth of competitive federalism in core European nations retards the growth of a partnership approach or not is a question for future research. Schotle notes another possibility that may mitigate the importance of competitive federalism, in which "substate authorities in Europe have competed with one another and/or with their respective central governments to attract global production facilities to their territory" (1997:444). In this trajectory the development of

the single European market, and the degree to which the free movement of labor and capital creates competition among E.U. member states or members of the single market, could foster a similar entrepreneurialism (Scharpf 2010). Thus, while there may be a relative lack of competitive federalism *within* core European nations, their imbrication within the supra-national shared E.U. market might provide the framework for inculcating the inter-local competition, especially as localities within European nations increasingly compete directly for the same labor and investment (Harvey 2006a).

Beyond federal organization, there are also factors relating to the coordination of capital, labor and states to consider. In the comparative political economy literature, one key feature of the coordinated market economy model (CME) is the historical relation between banks and industry. "Banks and industries are closely linked [in CMEs], providing industries with preferential sources of long-term credit, or the state plays a major role in bank ownership and performs a similar role in preferential credit provision for industry" (Huber and Stephens 2005:612). In addition, unions in CMEs typically "are organized mainly along industry lines and play an important cooperative role in organizing working conditions…and setting wage levels for the economy as a whole" (ibid). By contrast, in uncoordinated or liberal market economies (LMEs) like the U.S. and other Anglo nations, "unions are viewed as an impediment in employer decision making, have little role in coordinating their activities, and are weak" (ibid.).[61] While it might make sense to think that the partnership approach to entrepreneurial governance would more

[61] This view of unions is clearly expressed by the professionals and government elites interviewed for this research.

readily take hold in LMEs with similar conditions to the U.S., there is reason to question this supposition. As Scharpf (2000) points out, many of these state-level coordinating institutions (though by no means all) were eliminated or reformed in the neoliberal era to accord more closely with market principles. The close links between banks and industry in CMEs was weakened by the enhanced competitiveness of the neoliberal project, as "the increase in capital mobility weakened the bank–industry link, with capital becoming less patient, less willing to wait for the long-term payoff" (Huber and Stephens 2005:615). As states privatize banks and the links with industry diminish, local or regional governments might find themselves taking on the role of providing this long-term capital in order to be a good "partner." Moreover, while unions still play a strong coordinating role in CMEs like Japan and Sweden (in different ways), the shift of automotive production discussed in chapter 3 was intended precisely to circumvent those union controls. Clearly, further analysis will have to confirm whether localities in core CME nations do eventually conform to a similarly aggressive model as the U.S.[62]

Considering the labor-repressive atmosphere of the South U.S., and the relative lack of urban density and large pools of unskilled labor, a more comparable model would be likely found in the semi-periphery than the core – for in a way, the South functions like a semi-peripheral region of the U.S. An interesting avenue for future analysis could be to explore how the more openly labor-repressive coercion of semi-peripheral states compare with what might be called the self-repressive character of the southeastern U.S.

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[62] Alternatively, the national-state could be seen (through policy and de-regulation) to directly encourage competition among localities, in which case decentralization may not be as important as the overall attitude of the national state towards localities and competition.

Mexico, in particular, presents an interesting case for future research on the automotive industry given its proximity to the U.S. and the growth of automotive production there in the last 20 years. The overall picture that emerges, then, is one in which neoliberal project differentially affects localities with different histories and positions and power within the world economy.

There are also some clear theoretical implications for theories and studies of capitalist development. The character of development in neoliberal capitalism needs to be analyzed not just at the national scale, but rather needs to take account of inter-scalar relations between the global, national and local. In this analysis, while the United States political economy has a generally unregulated liberal market character, this has produced regional differences in development and thus in the institutionalization of relations of production and accumulation. This, in turn, creates distinct sub-national responses to neoliberal globalization, particularly variations in the intensity of competitive federalism between states, and different degrees of "alignment" between state, county and local governments. Thus, the local, state, regional, national and global scales, and the relations between them, are critical to the shape of economic development in this analysis, and this conclusion is imperative for researchers considering the continuing patterns of capitalist development.

Deepening Relations – class and state

As discussed in the previous chapter, the partnership perspective is not just about incentives and development but about reconfiguring relationships of class power and control. There are then, questions about how these changes in class relations move

forward and how they are limited, as well as implications for theories of class relations and the state. One clear way in which the state-class nexus could develop in the future is through further forms of local "socialization" in which businesses seek to actively create ties to a locality and enhance local development. In Atlanta, alongside the stadium being constructed for their football team the city and other developers are building a $45 million dollar park with heavy investment from the owner of the football team, ostensibly intended to start redevelopment of the West Side, a district of that city marked by its visible poverty (Trubey 2017). This is an instance of a "strategy [of] *local integration* of economic actors that aims to ensure…crucially, the construction of political consensus between sections of capital, labour and residents" (Gough 2004a:196), insofar as the park was in part intended to mollify public outcry about the billions going into a stadium right next such visible poverty. In another example, in South Carolina "Clemson University [located near the sprawling BMW production facility in Anderson] received $10 million from the German automaker BMW in 2002, [and] the money helped jump-start a $1.5 billion automotive research and educational center. It also led to a partnership that both the automaker and the university acknowledge has grown extraordinarily close" (Browning 2006). This latter example is telling of the ways in which the deepening of local ties by a corporation can mark a further blurring of the public and private, in this case by directly extending corporate control over curricula in the state university system. As Browning points out, "in return for the largest cash donation ever received by the school, Clemson gave the company some unusual privileges, including a hand in developing a course of study" (2006). Thus, we can see that

> as part of these territorial socialisations, active cooperation of labour and residents with capital is promoted alongside, and founded on, the disciplines imposed by value. This is reinforced by measures to reproduce better labour power (local initiatives for reproduction […]). The sharper imposition of value…and the defeats of trade unions in the 1970s and 1980s have allowed capital to develop weak, tentative forms of cooperation with labour at both the local and [supra-national] scales, avoiding the over-politicised national scale. (Gough 2004a:205)

The Clemson-BMW example points to both the possible future deepening and broadening of the partnership approach as well as its likely limits. On the one hand, we see the extension of corporate power into areas not directly related to recruitment or retainment of jobs, but on the other hand this form of "socialization" is directly linked to the interests of the firm in cultivating labor power within its own region and directly related to its corporate interests. At the same time, it is also justifiable from the side of local governance for the exact same reason: that this extension serves to further enhance the quality labor power and therefore create more jobs. Thus, we are likely to see the further deepening of local partnership—and blurring of the public and private—where it is both directly related to the immediate interests of businesses within a locality or region while also defensible in some way as related to job creation or retainment (or perhaps upskilling etc.) and creating only weak forms of local cooperation, avoiding the over-politicization of class relations.[63]

Theoretical Implications

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[63] It is worth noting that the impetus for this sort of local socialization is "greatest where capital seeks to use 'strong competition' based on innovation and quality" (Gough 2004a:190), and thus where labor is of relatively high skill and scarcity. Such local socializations can only serve to deepen the rural-urban divide characteristic of American and European societies discussed below. In this sense, we should not expect the political divisions of current moment to dissipate through such efforts, as they will have little effect on the working classes left behind by neoliberalism.

In addition to questions on how the partnership approach can practically expand in the future, there are also questions of how to adjust theoretically our conception of the state and relations of production. I have already briefly discussed the implications of this research for literature on development, and the need to consider interscalar relations among levels of governance in that field. We have also seen that one outcome of the partnership approach seems to be that local governments internalize "the contradiction between the autonomy of the state acting for capital as a whole and its response to the demands of particular capitals" (Gough 2004a:204). But this is not quite right, on two counts. First, as we have seen, the appearance of the local state acting in a "relatively autonomous" manner is in essence a manifestation of a contradiction between different aspects of the theory and practice of the economic development perspective and the partnership approach to governance itself. Rather than representing some form autonomy from capital though, this duality is a result of localities behaving more directly *as* capital and *as* a business. Secondly, it is incorrect to suggest that local governments internalize exogenous contradictions, for in fact this is a political expression of the concrete forms of class struggle as they are differentially articulated through local and regional institutions and structures. For example, we saw in the Saturn case U.S. auto firms attempting to impose their regional articulation of production relations on Japanese firms in the South and failing to do so, and in Tennessee we saw Volkswagen consider cultivating its corporatist form of production relations only to be rebuffed by state officials working ever so hard to maintain neoliberal class relations. Theorization of the state and class thus requires not only consideration of the different institutional

scales at which class relations are politically constituted but also the national-regional institutional lineages of class actors and segments of labor and capital. These findings also suggest that we pay attention to the tension *between* the political articulation of relations of production and the political basis of class power, *and* the structural development of classes in the material practice of production and capital accumulation. Put more concretely, we above saw the erosion of the space for the legitimate political expression of labor, but we have also witnessed in three decades of neoliberalism the expulsion of large numbers of workers from the labor market and the increasing polarization of wealth, power, and classes. This creates a tension in which deepening class polarization is caught up with the erosion of political space for the expression of class conflict. Thus, I would argue that the future growth or persistence of the partnership approach to local governance is tied up in how this tension plays out politically, a tension that is directly linked to the future of the globalization project itself, and the current global economic climate leaves one's impression of the future far from certain.

Alternatives to Partnership

It is tempting to propose potential alternative approaches to local governance that could challenge the partnership view. One can imagine, for example, mechanisms that increase public oversight and control over local investment decisions, or steps localities might take to reduce competition among each other within a given region. The problem with proposing alternatives to the partnership perspective is that the

perspective itself, as noted, erodes the legitimacy of alternatives through its implicit and explicit lionization of neoliberalism. In a word, partnership is not seen as problematic. Moreover, the resiliency of the perspective is caught up in the larger ideological and material vicissitudes of the neoliberal globalization project. And one of the major successes of that project has precisely been the selfsame delegitimation of alternatives to market orthodoxy. While in practice we have seen that neoliberal globalization is built on a diversity of policy approaches that at times blatantly contradict its principle assumptions (Harvey 2010; Ostry, Loungani, and Furceri 2016) and many of its practices (such as structural adjustment programs) largely fail to achieve their intended goals (Easterly 2005), it seems there is little room in mainstream political *discourse* for proposing alternatives to the propriety and principle of market rule.

Thus, on the one hand, the need for market credibility and the view of governance as fundamentally ineffective strongly discourages the development of oversight, or mechanisms for furthering public control of the process. The aforementioned technocratic (and autocratic?) tendencies of development professionals, the needs for confidentiality in the business transaction, and fundamentally negative view of popular democratic processes—such as elections—inherent in the partnership perspective all militate against increasing transparent public control of recruitment at the local level. In other words, the technocratic-business view of the development field is antipathetic to measures of public input and control. There have been some supra-local movements towards greater post-facto public accountability, such as measures taken by the Government Accounting Standards Bureau (GASB Statement 77) that requires states

that adhere (voluntarily) to GASB reporting standards to include incentives and costs incurred in offering tax abatements and incentives in their Comprehensive Annual Financial Reports.

> GASB's going to change the disclosure requirements for how we disclose the incentives, and so I think there is going to be more of an emphasis on demonstrating what type of [return on investment] they are getting for the incentives that are offered to businesses to locate here. And that's not just Georgia here, that's around the country (BDP02 2016)

A number of professionals also noted that claw-backs on incentives are increasingly included in agreements, so if job provision and private investment do not measure up to projections stated in the agreements incentives may be "clawed back." As one site selection consultant described,

> I think this is an equally important point. At the same time companies realize that— if they're getting money that helps lower their project costs— that the requirements of more accountability – in terms of they've made promises…the companies understand these claw-backs have grown significantly. If you look over the last 25 years, that's a healthy thing, we tell our clients that all the time…if you're going to tell a community that you're going to create 500 jobs and you create 250 jobs, well yeah, on a pro-rated basis your incentives should be reduced, because the return that they're getting is half of what they anticipated they were going to receive. Claw-backs and accountability have grown and I think that's a positive thing, and the right way to do it. (SEL03 2016)

Thus, particularly with potentially changing federal standards of financial reporting, accountability after the deal may become more important in future deals. But these comments must be taken in the broader context of the partnership approach. The mutuality of the partnership approach suggests that both sides need to hold up their end, and thus auditing and claw-backs are logically compatible with the perspective. However, we have seen that states and localities are willing and able to offer money to firms who threaten to reduce—or in fact are reducing—their workforce, in order to retain jobs. One wonders then how localities could both justify clawing back incentives from a company

who had not brought the jobs promised, while offering incentives to another for simply not leaving the locality. Moreover, the goal of local partnership is, as one professional above stated, to de-risk the process of site selection and start up. Auditing firms and clawing back incentives can thus represent a problematic form of uncertainty, given that for firms "what you want to avoid is uncertainty – you want to avoid surprises" (SEL01 2016). Thus, while there are perhaps some potential points at which incentives awarded can be evaluated after the deal is struck, and such a logic might even fit within the approach to local governance as a private partner, there are a number of factors that militate against such post-facto evaluations and revisions of the deal. When a site selector and economic developer says a locality has "to have the *tonal* quality, and that tonal quality is getting back to…people working together" (EDP03 2015), it is not difficult to imagine that proposition working both ways – the private partner cannot simply screw over the locality, but the locality does not want to affect the tone of "working together." Ultimately, the effectiveness and use of such tools for post-negotiation accountability is a definite lacuna in my research and requires more study, particularly to understand whether the partnership approach is also one-sided in the actual follow-through of the agreement. And while these provisions and new accounting standards may achieve greater post-facto transparency, the process of recruitment itself remains – necessarily (from the partnership standpoint) – opaque, and public control over the process itself is nil.

On the other hand, as argued in the previous chapter, to the degree that the partnership perspective becomes normalized, there is little legitimate ground for

challenging its propriety. In many ways, the elision of legitimate opposition is a localized expression of the broader ideology of the neoliberal project, famously espoused by Margaret Thatcher in the pithy phrase "there is no alternative" to capitalism. While a number of commentators have argued that the growth of nationalist populist movements throughout the Western Europe and the U.S. in 2016 and 2017 signal a challenge to globalization and its material discontents, it is worth pointing out that the ideology of unfettered markets and competition remains hegemonic even in these movements. For example, sociologist Arlie Russell Hochschild, in an ethnographic study of socially conservative Louisiana residents who had been left behind by neoliberal globalization found that these individuals on the political "right" were

> feeling betrayed by the federal government [elsewhere described as "a more powerful, distant and untrustworthy version of *state* government"] and turning wholeheartedly to the free market, the right is faced with realities the deep story makes it hard to see or focus on. Giant companies have grown vastly larger, more automated, more global and more powerful…but it is very hard to criticize and ally, and the right sees the free market as its ally against the powerful alliance the federal government and the takers…in the undeclared class war. (Hochschild 2016a:150–51).

For the Louisiana residents Hochschild got to know, the "deep story" is one in which the free market and competition are disrupted by an often ethnicized or racialized "other" who hitches a free ride on government subsidies, or even crony capitalists who do not compete fairly in the market. In an interview on this research, Hochschild elaborated this attitude towards markets and the local state

> What's really happening in Louisiana, which I think may exaggerate what's happening in a lot of states, is that the oil companies really dominate the state. The state is a servant to oil and the petrochemical industry. And the state is saying, "Oh, please come and settle here in Louisiana, not Texas. We will give you $1.5 billion in 'incentive' pay, 'incentive' benefits." With that money, these companies make a donation to the Audubon Society and to a bird sanctuary, and so people think, "Oh, the company is so generous…plus it's offering us jobs,"…and so, the company looks good.
>
> Meanwhile, the state is doing the bidding of the companies. It is not a regulated state, but there are regulators who are not doing their job. So, in a way, the state had

> become like the compliant clerk for the companies [!]…It was saying, "Well, we're—you know, you deserve to be regulated," but it doesn't do it. So, the [folks] of Louisiana were saying, "Why am I paying taxes to a state that's not doing its job?" (Hochschild 2016b).

Hochschild's research suggests that taxpayers are far from oblivious to how economic development efforts are spending public funds, yet in this instance it is clear that these individuals see the local state itself as the problem not the class project that has led to the stagnation of the American working and middle classes. It is not understood that markets and competition have failed the people, it is that people and the state have failed the markets. While this story is in some ways very American, other scholars have noted that the supposed challenges to globalization that typically take the form of far-right parties in Europe offer a similar blend of ethnic nationalism and free market ideologies (Bodirsky 2016; Swyngedouw and Ivaldi 2001). In other words, the class struggle that dare not speak its name is not localized to the southeastern U.S., and the elision of labor from the partnership perspective is a localized expression of the neoliberal project to assert the law of value and expand the domination of labor by capital. The class struggle at the center of the current political economic moment has become in a sense, unthinkable.[64] Arguably, then, the formation of practical alternatives to entrepreneurial partnership is predicated on creating the space for a politics that addresses the class dialectic at the heart of recent changes in local governance.

[64] Clarke (1991a) makes the compelling argument that goal of neoclassical economics, extended in Weberian sociology, is precisely to eliminate the theoretical space for essential class conflict and overcome the socialistic implications of even the most conservative of earlier political economists.

Cracks in the Foundation, Cracks in the Façade

While recent supposed challenges to globalization are by and large still formulated from within the framework of neoliberal orthodoxy, the simple fact that these movements have grown, and in some cases achieved political victories, demonstrates that the material effects of the "undeclared class war" have begun to create political backlash among those most negatively affected. In the United States, the election of Donald Trump is just such a reactionary political response, though indications are that the Trump administration will only deepen the material woes of the working classes, in part because he embraces the government-demonizing, free market orthodoxy Hochschild describes above. But there are other signs the hegemony of neoliberalism is weakening. Within mainstream economics, there is arguably growing recognition of the problematic nature of increasing inequality (Piketty 2015), though as the worst days of the recession fade this reckoning within the discipline of economics has dwindled. Perhaps more interestingly, while many of the recent anti-globalization movements have gained prominence with dubious promises to "bring back jobs" that have ostensibly been lost to overseas competition, there is a growing consensus within public discourse that automation is diminishing any future hope of universal or full employment. NPR's Marketplace program, for example, recently produced several series looking at the looming prospects of automation and robot-proof jobs (Marketplace 2017). In 2017, Finland began experimentation with a partial Universal Basic Income program, citing the looming threat of work automation. Within the United States, the strongest challenges to neoliberal ideology have originated in major cities, such as the local ordinances that mandate minimum wages as discussed in the previous chapter.

Few of these recent developments directly question the balance of class power or the propriety of markets, although Universal Basic Income does *imply* a basic failure or incapacity of markets to meet the needs of all citizens. Rather than a clear movement or trend, though, what these recent disparate developments indicate is the profound uncertainty in the current global political economy. Such uncertainty is hardly surprising, given that the crises of the neoliberal globalization project have left many nations fearing a return to recession or worse, yet the dominance of the idea of market rule has left few articulable alternatives for political actors, mainstream academics, and elites.

A New "Double Movement"?

I do risk over-stating the dominance of neoliberalism, and as noted the ideology of a self-regulating market is hardly reflected in practices of the uneven development and the dubious success of various neoliberal institutionalizations. Polanyi famously characterized the developments of modern society as shaped by a "double movement:" one towards market expansion outward (international markets) and inward (commodification), and a countermovement to restrict the commodification of "fictitious" commodities of land and labor (Polanyi 1957:138). The double movement, the intervention into economic life to partially decommodify land and labor, is a result of the fact that "no society could stand the effects of such a system of crude fiction even for the shortest stretch of time unless its human and natural substance as well as its business organization was protected against the ravages of this satanic mill" of market regulation (Polanyi 1957:76–77). Ruggie has argued the post WWII era is characterized by a balance

of “markets and authority,” what he calls embedded liberalism, a compromise between instituting a global or international trade infrastructure (or multilateralism) while maintaining a domestic safety net that relatively mitigates the worst effects of market regulation on human life and the environment (Ruggie 1982). If neoliberal globalization is a project to re-institutionalize a self-regulating market at a global level, are we not likely to witness another double movement? Should we look to another kind of liberal compromise in the neoliberal era?

From my theoretical position, the establishment of the national-state and capitalist markets are coterminous developments based in class struggle and the attempt to establish hegemonic domination. The “double movement” in society is Polanyi’s pluralist take on this dynamic, though it should be noted that his definition of class is one that is decidedly Weberian and quite different from mine. The problem is that the terms on which hegemony is sought have changed: the neoliberal globalization project is wrought in a different context wherein the scale at which a double movement might be sought, and under what auspices, is fundamentally unclear. The neoliberal project is global not because it encompasses the whole world – for markets achieved this in Marx’s time; it is a globalization *project* precisely because it is an effort to disentangle capital flows from the institutional framework of the nation-state, even as the state is re-oriented towards instituting global capital accumulation processes and a “self-regulating market” on a supra-national scale. Moreover, the hegemonic project at the core of the national development period was informed by the fact that both capital and labor were variously capable of articulating their interests by and through national institutions, and

that the ideology of this project was fashioned in context of a competing ideology of socialism that in various forms dogged capitalist orthodoxy since its inception. But neither of these holds true today. As Hoschchild's research has shown, even those members of the working class sloughed off by neoliberal competition accept the sacrality of private property, competition, and markets. Ruggie pointed out over a decade ago that "the American public and its leaders appear trapped by their own ideological predispositions, which make it difficult for them to see the contradiction between their increasingly neo-laissez-fair attitude toward government and the desire to safeguard the nation for the adverse effects of increasingly denationalized market forces" (1997:9–10). While he argues that "what is needed instead…is a new embedded liberalism compromise" (Ruggie 1997:10) such a proposition seems to assume that nation-states can institute such a compromise, but this makes little sense when we consider that nation-states and their elites have been key in instituting the global market forces to which they appear to be subject.[65] One might find a global challenge to emanate from the proliferation international non-governmental organizations whose foundations in "human rights" ostensibly extends to economic and social "rights." But I am ill-convinced that these institutions have a practical basis for—or impetus to—intervene in the

[65] Indeed, increasing inequality has seen the super-rich increasing isolating themselves from the banal existence of the rest of society, in forms as varied as secret luxury sections of cruises and theme parks (Schwartz 2016) to red carpet doctors on-call even as wait times for the everyday American grow (Schwartz 2017). Even as the "satanic mill" drives up death and addiction rates for the off-cast working masses, the elites who command ever more of the social wealth create new avenues to maintain their own ignorance of the suffering incurred by market regulation through a "velvet rope economy". This form of privileged isolation extends to exposure to environmental degradation as well. Thus, the notion that there will simply be an equal and opposite reaction to the ravages of neoliberalism reveals a mechanistic structuralism that has come to characterize the concept. Moving beyond the mechanistic structuralism implied in this double movement is necessary if we are to grasp the growing crisis of the current moment.

imposition of markets and competition on labor or the commodification of the environment, though they do perhaps provide and ideological basis for such a project.[66] As I discuss below, such a double movement is much more likely to be instigated at sub-national levels, where the circulation of capital flows more slowly through embedded networks of material and social relations that can, perhaps, be shaped into a social safety net.

Limitations and a last few words

In this study I have conducted a focused case study comparison of a unique region of the United States, itself a unique nation in terms of industrial policy and labor relations. Hence, I think it fair to say that the findings as they are written here are not generalizable in a quantitative sense far outside of that context (though see the previous section). This study has also focused on the nexus between government and industry, and while these findings have large implications for both workers and businesses, my interviews have not taken these latter views directly into account.[67] This is a definite limitation of my study, but also leaves clear potential for future research. My findings are also likely specific to large "greenfield" industrial projects and investments, and should be generalized outside of this context only with caution and careful qualification. Indeed, as the site selection professionals noted, the automotive industry in particular seems to

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[66] The sovereignty of the nation state has been eroded in the era of neoliberal globalization, but it is not necessarily the case that sovereignty has been-reconstituted at a different scale.

[67] Though site-selectors do represent the interests of major firms, and a number of professionals turned out to have worked for automotive companies directly at some point.

have been the catalyst in the mid 1980s for changing the landscape of development and governance discussed in this research.

These limitations, however, should not be considered to limit the theoretical developments and generalizations I have laid out in this and the previous chapter, as all scientific theories are only properly understood as applicable within an historically delimited and clearly specified theoretical domain. Moreover, this research has only scratched the surface on an entire world of economic development and partnership governance that contains myriad possibilities for future research. The aforementioned changes to the GASB requirements means that states will, from 2017 onward, produce commensurable data on both expenditures and abatements offered for industrial recruitment in their Comprehensive Annual Financial Reports, which will open up avenues for cross-state analysis outside of a single industry. Or one need only to look at the wide world of economic development and incentives to see opportunities for future research into the complex and interwoven layers of incentives and development efforts. For example, the State of Georgia offers no fewer than nine different specific tax credits that target industries, areas, projects of different sizes, and these beg for careful analysis into their efficacy and the ways in which different incentives relate to each other. Another opportunity is to examine how the partnership approach creates different forms of spatial agglomeration given the specifications of different industries and their relative ascendency. Georgia, for example, has become known as “Hollywood of the South” because its Film and Television incentives program has been successful in luring companies in and encouraging them to invest in studio space and the formation of labor

power relevant to the industry. In response, there have been numerous local initiatives to create education and training programs to foster such labor power in the region, and local schools have developed or expanded film and television programs. Many research questions arise here, particularly why Georgia succeeded in facilitating the growth of this industrial center when Louisiana and North Carolina also offered tax incentives for film projects? Or one might research how the competition between localities for film production differs from that of automotive, given the difference in the processes and relations of production, and the product itself.

My research has made some important contributions, but these examples show that there is still a lot of research left to be done. Nevertheless, my findings provide valuable insight into how the neoliberal globalization project has shifted the terrain of local governance and affected the configuration of political class relations. Given the seeming fragility of the global economy, I think these findings should present a political imperative as well as scholarly insight. Given the rise of the far right, and the observation that "contemporary states have shown little disinclination to apply armed violence inwardly, against people who rank among their citizens" (Scholte 1997:447), the erosion of ground for legitimate opposition to business interests contains dark implications for democracy. If public resistance to the essential inequality of neoliberal capitalism grows, the response to such resistance is as likely to take the shape of an authoritarian capitalism as it is a reformed or revolutionized social system. The neoliberal project is, after all, famously founded on the proclamation of an "excess of democracy" (Teeple 2000:46).

Local government elections, however, can often offer a much greater diversity of platforms and political views than national or federal platforms, and perhaps the increasing importance of local governments in global capitalism presents an opportunity for formulating real alternatives to the current agenda at the local level. History has shown that even as the development project and nation-state centric patterns of accumulation were being created, working class formations shaped the nature and patterns of those institutionalizations of class relations (Hicks 1999; Huber and Stephens 2005; Rubinson and Sokolovsky 1988; Wallerstein 1979). As Gough notes, as local governments become increasingly important "systems of local dependence may give rise to arrangements within which labour's cooperation and welfare play a significant role. This is partly because labour can find particular strengths and resources for resistance at the local level" (Gough 2004:189). Local governments have, after all, been the site of new regulations and limitations on businesses even in the South of the U.S., and despite the dominance of the ideas of a market-governed society, the practice of governance and the failure of markets consistently challenge this orthodoxy. For those that value even the attenuated democracy of global capitalism, the political imperative is clear.

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Appendix 1: Sample of prompts offered to business development professionals.

Note – These questions are basically suggestions. In my experience the answers to these questions overlap – so I would not expect to ask all of them.

_ How does the TVA economic development coordinate with state/local development agencies/authorities?

• Does the TVA have regular contacts (persons) in localities they work with?

– Does the TVA *only* work with state-level authorities on development?

– Do state/local laws on economic development affect the role of the TVA in partnering in retaining/recruiting industry? (e.g. North Carolina's sunshine laws – Tennessee laws on giving subsidies to private corporations).

- Does federal "ownership" of the TVA affect its role in economic development?

- what is relationship to EDA of US Dept. of Commerce?

- How does the primary role of the TVA as a utility provider affect its economic development goals for the region?

- are there some prospects the TVA will not engage with (scale/scope)?

- Are industrial projects of primary consideration?

- Does competition among states for companies affect the TVA relationship? How does TVA navigate competitive recruitment? (Is it a consideration?)

- Does the TVA ever take part in the competition itself (does the Authority increase incentives etc. in negotiation – or simply offer non-negotiable packages)

[Both final sites (Chattnooga and Limestone County, AL) for VW in 2008 were in TVA area]

- How has the role of the TVA in local economic development changed in your time there?

- Has MEGASITE certification – and site *pre*-development in general – come to be of greater importance since the 1980-90s?

- Regional development bodies seem to have become more important since the 1980s…

- In what ways does working in economic development at a chamber of commerce differ from a government position?

- Would you say relationships between COCs and Development authorities has changed since the 80s-90s?

- Have expectations of private firms and industrial prospects changed in terms of what state/local authorities can/should offer? (In the past few decades).