

**Globalization and the Auto Industry in the U.S. South**

By

John Emerson Mohr

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Approved by

David Lucsko, Chair, Associate Professor of History  
Jennifer E. Brooks, Associate Professor of History  
Monique Laney, Assistant Professor of History  
Alan Meyer, Associate Professor of History

## Abstract

Since the early 1980s, numerous foreign automakers have built plants to manufacture motor vehicles in the American South. Mercedes, Honda, and Hyundai in Alabama and Kia Motors in Georgia are some examples of this phenomenon. These so-called “transplant factories” are now an important part of the American auto industry. State and local governments have competed for the investment of these automakers by providing incentives packages worth hundreds of millions of dollars. This new auto industry has become interwoven into the fabric of Southern political, economic, and social life. Previous studies of the Southern auto industry have tended towards quantitative economic analyses, and have ignored the deep social and political history that presaged its development. In the early twentieth century, Southern populists articulated a vision of regional progress tied to industrial employment, economic diversification, and technological progressivism. These populists clashed with conservatives, who wished to maintain the South’s rural, agricultural, and highly stratified society. In the post-World War II era, state economic incentivization emerged as a key tool of populist leaders who wished to expand the number of available industrial jobs. The constant desire to improve the South’s image through the strategic deployment of technology was another factor that drove the recruitment of new industry. The arrival of foreign automakers represented an intersection of globalization and the South’s politics of development. Southern politicians aggressively courted foreign automakers

because they believed they would increase the technological credibility of their region. Unfortunately, this strategy has done little to alleviate the chronic underdevelopment of the South's human resources, and to improve its quality of life relative to the rest of the United States. The South remains trapped in a cycle of underdevelopment, forever chasing the "next big thing" via quick fix industrialization schemes.

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## **Introduction**

The path I followed to complete my dissertation included plenty of memorable events, but one in particular stands out in my mind. In early December of 2017 I found myself standing next to a DJ booth in the main hall of the National Guard Armory in Opelika, Alabama. I had been invited by my friend Paschal Prickett to attend the annual holiday party for special-needs children sponsored by the United Steelworkers. Paschal had worked at the former Uniroyal plant in Opelika for over thirty years, both as a tire builder and as a full-time union official. I met him after I began researching the industrial history of that city, which borders Auburn in Lee County. When the Uniroyal factory closed in 2009 and its local union chapter was rendered dormant, Paschal collected the chapter's papers and donated them to Auburn University. It was through studying these donations that I became acquainted with Paschal, and his assistance was invaluable in completing my project. He eventually invited me to come to the Steelworkers' annual charity Christmas party, and I was happy to oblige.

The party for special-needs children was a local Steelworkers tradition that went back decades, and it had always been the union's marquee charity event. Any way you looked at it, the party was a major undertaking. Besides the Steelworkers, there were numerous community and business sponsors who helped put on the event. Hundreds of special-needs children were bussed in from districts all around the area to the National Guard Armory. They were seated at long tables as eager cheerleaders passed out snacks and the DJ played music. Santa was there, too (as played by a Steelworkers retiree with a long white beard). More members of the Steelworkers were there to help run the event, in addition to innumerable teachers, student volunteers, and community leaders. It was

while watching the children celebrate that I had a profound realization about the importance of community life to my dissertation. Paschal was energetic and committed, but he was not a young man. Nor were the other retirees he helped to organize, many of whom were suffering from the inevitable health problems associated with decades of hard labor. What would become of the party five years from now? What about in ten years? Would the party become another casualty of the slow-motion collapse of community life described by Robert Putnam in *Bowling Alone*?<sup>1</sup> I tried not to think about it and enjoy the party, but the idea stayed in my head. It was another key event that informed my writing process and the end goal of my dissertation.

This dissertation was conceived of as an attempt to synthesize two different bodies of scholarship into one cogent narrative. During my graduate training at Auburn, I was exposed to the literature on the industrial development of the American South. Works such as James Cobb's *The Selling of the South*, David Carlton's *Mill and Town*, and Bruce Schulman's *From Cotton Belt to Sunbelt* were what introduced me to the historiographic debate over the South's record of industrial development. At the same time I was reviewing that literature, I was reading extensively in the history of technology. David Nye's *American Technological Sublime*, David Noble's *America by Design*, Joseph Corn's *Winged Gospel*, and Gabrielle Hecht's *The Radiance of France* were some of the works that influenced my understanding of the relationship between technology and society. That relationship overlapped with my personal interest in the auto industry, which came to form the core subject of my dissertation. I decided to

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<sup>1</sup> Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York, NY: Simon and Schuster, 2000).

embark on a project which would draw in ideas and concepts from both of these bodies of literature.

The topic of this dissertation is the development of the auto industry in the American South. Because this is an expansive topic that covers many different events, people, and places, I have had to be selective in my approach to writing about it. I have therefore focused primarily on Alabama, with added material on the history of the auto industry in Georgia. I dive deeply into the history of the Mercedes-Benz factory near Tuscaloosa, Alabama, in particular. The history of the Mercedes-Benz factory is compelling because it provides an example of the confluence of many different events and ideas: industrial recruitment, government policy, political power, the development of technology, and globalization. It also presents an opportunity for studying intra-community conflicts over who will bear the costs of major development projects. Mercedes-Benz provides a detailed illustration of how the costs and benefits of such projects rarely adhere to initial plans. Especially in the case of public-private partnerships, it is the public that is often made to bear unexpected costs. At the same time, such projects can have unexpected benefits. The carryover effects of Mercedes-Benz and Kia in particular helped reinvigorate some communities and provided new opportunities to others, but many were left disappointed. The narrative of those left-behind communities is another important element that is often missed when discussing the redevelopment of large portions of the American South.

The history of the numerous industrial incentive schemes employed by states in the Southeast has received extensive attention from scholars in a variety of disciplines. James Cobb's *The Selling of the South* is among the best-known and most widely cited of

these. Cobb gives a thorough overview of the various state incentivization programs, examining their historical origins and offering some estimate of their effectiveness at generating economic development in empirical terms.<sup>2</sup> Similarly, David Carlton examines the history of incentivization schemes and their critics. He finds that state-backed industrial development projects in the South have frequently attracted criticism from both conservative and liberal perspectives, although skeptics have been decidedly in the minority.<sup>3</sup> Other scholars in the fields of economics and public policy have attempted quantitative approaches to determining whether state subsidization has “paid off” its apparent costs to taxpayers.<sup>4</sup> This includes studies specific to the impact of automobile plants, of which there are many.<sup>5</sup> This work provides useful background information, but it is not enough to explain the history of incentive programs in Alabama and indeed the rest of the South. The challenge that remains is to integrate this work into broader historical theories of action developed within the historical subdisciplines of technology and politics. The history of industrial policy in Alabama cannot be understood using purely quantitative methods; this needs a theoretical approach grounded in relevant historical episodes.

This dissertation tackles the question of why the South has seemingly never reached an equal plane with other wealthier regions in America. In *From Cotton Belt to*

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<sup>2</sup> James C. Cobb, *The Selling of the South: The Southern Crusade for Industrial Development, 1936-1990*, 2<sup>nd</sup> edition (Chicago, IL: University of Illinois Press, 1993).

<sup>3</sup> David L. Carlton, “Smokestack-Chasing and Its Discontents: Southern Development Strategy in the Twentieth Century,” in *The American South in the Twentieth Century*, ed. Andy Ambrose et al (Athens, GA: University of Georgia Press, 2005): 106.

<sup>4</sup> For overviews of this literature, see: Terry F. Buss, “The Effect of State Tax Incentives on Economic Growth and Firm Location Decisions: An Overview of the Literature,” *Economic Development Quarterly* 15 issue 1 (February 2001): 90-105; Luke Middleton, “Literature Review: Tax Abatements and Economic Development Incentives,” The University of Kansas Policy Research Institute, Report 49 (January 2001) <http://www.ipsr.ku.edu/resrep/pdf/r49.pdf> [accessed 14 August 2017].

<sup>5</sup> The work of A.J. Jacobs is the most recent and comprehensive survey of state aid to attract automobile plants: A.J. Jacobs, *The New Domestic Automakers In The United States and Canada: History, Impacts, Prospects* (Lanham, MD: Lexington Books, 2015).



*Sunbelt*, Bruce Schulman examines the impact of federal spending and development projects on the South since the New Deal era. He finds that although this largesse has helped create an economically integrated “Sunbelt South” with pockets of prosperity, it has failed to fundamentally transform Southern life. The postwar Keynesian economic ideology of federal officials and Southern moderates avoided radical alterations to institutions such as education and race relations. This ensured that black Southerners in particular were mostly excluded from rising prosperity, and the overall development of the region was left stunted.<sup>6</sup> This dissertation attempts to build upon the work of Schulman, Cobb, Carlton, and others by looking more critically at the role of technology in Southern industrial development. In particular, I emphasize the relationship between the advanced technology of the auto industry and Southern political elites attempting to portray themselves as modernizing leaders. I attempt to answer the question of who really benefits from the recruitment of high technology industries in particular: workers, consumers, politicians, the white collar bureaucratic class, or someone else?

What this dissertation is fundamentally about, though, are communities. It pulls together many disparate threads from the history of technology, politics, consumerism, capitalism, and labor. It tackles historiographic questions that have been extensively debated, as well as novel historical problems and stories that have not yet been told. But it is ultimately about how all of these factors affect American communities, from households all the way up to states and metropolises. Many approaches have been taken to study the evolution of late-twentieth-century globalization and industrial capitalism. Econometric approaches that focus on numerical analysis and data modeling have their

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<sup>6</sup> Bruce J. Schulman, *From Cotton Belt to Sunbelt: Federal Policy, Economic Development, and the Transformation of the South, 1938-1980* (New York, NY: Oxford University Press, 1991): 219-221.

own merits, and some of that research was indeed included in this report. However, this dissertation represents a conscious effort to alloy the “hard” data of economics with the “soft” data of human experience. It looks at politics in particular as a way to understand the interaction between societies and technology. Politics represents one of the primary ways in which communities negotiate their relationship with technology. Politics and government policy have been an important factor in the development of technology in America since the early Federal period.<sup>7</sup> In some ways, this dissertation is therefore an extension of a long historiographic debate within technology scholarship that extends back to Langdon Winner and his seminal article on the political qualities of artifacts.<sup>8</sup> It turns out that artifacts (in this case, auto factories) do have politics. But those politics are often far from what the originators of those projects envisioned. Instead of providing an easy political win, Mercedes-Benz helped torpedo the careers of several of its most prominent backers.

Unintended consequences are a key theme of this dissertation. I have tried to avoid narrowly straitjacketing my narrative through any particular ideological lens. My main concern has been for the average working-class person, and what the development of the auto industry in the South has meant for them. The different ways in which elites and working-class people view technology is addressed at length in this dissertation. In some cases, the interests of these two groups intersect. The desire to promote economic stability and a generally rising standard of living represent two such goals that have broad consensus across socio-political lines. However, the methods of achieving these goals are a source of much conflict and disagreement. In the case of auto plants, I argue that elites

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<sup>7</sup> Merritt Roe Smith, *Harpers Ferry Armory and the New Technology: The Challenge of Change* (Ithaca, NY: Cornell University Press, 1977).

<sup>8</sup> Langdon Winner, “Do Artifacts Have Politics?” *Daedalus* 109 no. 1 (Winter, 1980): 121-136.

favor these large, technologically-advanced development projects because they are highly visible and can be used to lend political regimes credibility. In contrast, working-class people tend to look at these projects from the standpoint of how they are personally affected. The difference in viewpoints often generates conflict that plays out in numerous public and private arenas. I have looked at these conflicts as a way of understanding the broader macro-level impact of these new auto assembly plants. I have also looked at the benefits bestowed on certain communities by the development of the auto industry. This story deserves to be told in a sympathetic way, and to be heard by a wider audience. That is what I have tried to accomplish here.

In Chapter 1, I discuss the history of Mercedes-Benz in the United States. This is to establish the context for the firm's decision to invest in Alabama, as well as why Mercedes in particular was so attractive to Southern industrial boosters and policy makers. Chapter 2 provides further background context on the history of Southern industrial policy. It offers some examples of how ideas from the field of technology scholarship can be applied to create a more nuanced understanding of these policies. Chapter 3 focuses on the relationship between Mercedes and the Folsom administration. It discusses the political implications of recruiting Mercedes to Alabama, and how that factored into the decision to offer the company such a generous incentives package. Chapter 4 discusses the immediate aftermath of the Mercedes announcement and its effect on communities at the local level. It explores the different outcomes for larger communities (such as Tuscaloosa and Birmingham) and smaller communities (such as Vance, the town located closest to the plant). Chapter 5 explores the impact of the auto industry on the built landscape of the South. I argue that the new automobile factories are

presented as monumental avatars of modernity to their observers, with strategic locations near arterial freeways and major population centers. In Chapter 6, I finish the story of Mercedes in Alabama and discuss the unintended consequences of the project. In particular, I argue that the high technology present in the auto industry has failed to “move the needle” in terms of Alabama’s economic development. Despite the investment of billions of dollars by automotive companies, Alabama remains a society defined by low wages and a standard of living that lags other American communities. Technology is not a replacement for the holistic development of communities.

## Chapter 1: Setting the Stage for Mercedes in Alabama

In 1993, Mercedes-Benz and officials from the State of Alabama made a momentous announcement: a completely new factory would be built near Tuscaloosa for the purpose of building sport utility vehicles. Alabama taxpayers would shoulder much of the burden for its construction. At the time, it was the most expensive state-supported auto plant project on record. It drew both praise and criticism for its ambition and costs, which endured throughout its protracted construction and eventual renegotiation. Dean Barber, the business editor of the *Birmingham News*, declared in an editorial that despite the cost the quest for new development represented a “war worth waging.”<sup>1</sup> The editors of the *Birmingham Post-Herald* unreservedly declared that Mercedes’ decision was “a major coup for Alabama,” one that “deserves all the cheering.”<sup>2</sup> By contrast, Jerry Shinn of the *Charlotte Observer* decried “civic prostitution” and the “degrading” nature of industrial recruitment, which he believed had sullied the reputation of Southern states and communities.<sup>3</sup> James Cobb, a well-known historian of Southern industrialization at the University of Tennessee, criticized the deal as “mind boggling... You wonder where all this is going to end.”<sup>4</sup> As the complexities of the deal unfolded and the plant’s construction became mired in a web of legal and political intrigue, partisans on both sides would continue their editorial combat.

Despite their oppositional nature, these critiques were united in how they mostly failed to appreciate the historical developments that had presaged the announcement.

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<sup>1</sup> Dean Barber, “Mercedes war worth waging,” *Birmingham News*, 1 August 1993.

<sup>2</sup> Editorial page, “Coup and gamble,” *Birmingham Post-Herald*, 30 September 1993.

<sup>3</sup> Jerry Shinn, “The states’ degrading pursuit of Mercedes,” *Charlotte Observer* (reprinted in *Birmingham News*, 28 September 1993).

<sup>4</sup> Jerry Underwood, “Some fear Alabama paid too dear a dowry to woo plant,” *Birmingham News*, 30 September 1993.

Instead, most analyses were based on narrow assessments of whether the deal made sense from a tax revenue standpoint. In focusing exclusively on this question, the entire deal is rendered merely as a debate over its supposed “hard” economic value: how much should the state invest, and how much economic development should it expect in return? This is ironic, given that the highly fungible nature of the statistics involved in formulating a response to that question makes it impossible to answer conclusively. What I argue is that the “soft” factors involved in making these kinds of deals matter at least as much as the “hard” ones: the disposition of labor, the desire of politicians to deliver politically useful outcomes, the determination to remake the image of a poor and backward state, and the beguiling promise of deliverance held out by industry and high technology. In the case of Mercedes-Benz’s investment in Alabama, these soft factors were magnified. A discussion of the particular history of Mercedes in the United States will help to sort out why.

This chapter examines how the history of Mercedes-Benz, sport-utility vehicles, and foreign brands in general intertwined with broader developments in American automotive history. It lays the groundwork for understanding how and why Mercedes proved so attractive to Alabama politicians by the early 1990s. By focusing on the history of Mercedes in the United States, one can begin to see why even a very large investment of public funds appeared to be a good bargain in the eyes of many Alabama leaders. Mercedes offered a compelling, grand vision of the future: a vision of a luxurious and technologically sophisticated future, backed by over a hundred years of experience building highly regarded automobiles with advanced technological bona-fides. Mercedes also offered an escape from the disappointments and disillusionment that haunted the American automakers by the 1980s.

## **Mercedes in the United States: The Early Years**

When the Tuscaloosa plant was announced in 1993, Mercedes-Benz already had a legacy in the United States that stretched back nearly 100 years. Horseless carriages produced in Europe under the direction of early automotive pioneers first began to appear in America in the 1890s. The small European workshops that dominated the early years of world automotive production found a ready market for their cars among wealthy Americans. The vehicles produced under the direction of German automotive pioneer Karl Benz were among the first automobiles to appear in the United States. They soon acquired a solid but stodgy reputation, as well-made but technologically unsophisticated cars that were soon surpassed by rival manufacturers.<sup>5</sup> Yet the cars of this era were almost entirely expensive playthings for the rich. They remained slow and impractical curiosities that lacked the ruggedness and capabilities of later models. That changed with the introduction of the first Mercedes car.

The Mercedes was introduced in 1901 by the Daimler Motoren-Gesellschaft, another German firm. This was a revolutionary automobile, built for speed and handling prowess. It disposed of many held-over traits from horseless carriages in favor of a clean-sheet design. The lighter, lower, and faster Mercedes established many of the conventions of the modern automobile as it is known today. It quickly dominated European racing competition and attracted the attention of clients in the United States. The Mercedes was designed by Wilhelm Maybach at the insistence of Emil Jellinek, a wealthy entrepreneur and swashbuckling promoter of Daimler cars in Europe and America. “Mercedes” was

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<sup>5</sup> John Heitmann, *The Automobile and American Life* (Jefferson, NC: McFarland and Co., 2009): 15.

the first name of Jellinek's daughter; he later adopted it as his own surname.<sup>6</sup> The Mercedes car again found a ready market in North America, where clients clamored for the latest and most powerful automobiles. Jellinek acted as a factory agent in the United States and England. Every Mercedes produced by the Daimler factory in the first half of 1902 was exported to wealthy customers in either England or the United States.<sup>7</sup> Thus from the very beginning, the Mercedes name in America was closely associated with the wealthy and status-conscious.

By 1904, the Mercedes had become America's best-selling imported car brand. A quarter of all the cars produced at the Daimler factory were exported to the United States. This was despite the 45 percent tariff leveled against all imported vehicles, which had the effect of making already high prices astronomical. The capacity-constrained German production facilities could not satisfy American demand. In response, the company established its first American manufacturing facility in 1904. That factory, in Queens, New York, turned out copies of the Daimler-produced Mercedes car from a mixture of imported and American-sourced parts. Daimler's first American production facility did not last long. A fire destroyed it in 1907, and the company decided to abandon the project. Daimler's American customers were so wealthy that the promised cost savings actually meant little. They would pay any price for the privilege of parking a Mercedes in their garages, and many preferred European-assembled cars anyway.<sup>8</sup> This did not mark the end of Daimler's use of partially localized production to evade import taxes. In later decades, Daimler established factories in nations such as Brazil that had high tariff

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<sup>6</sup> Beverly Rae Kimes, *The Star and the Laurel: The Centennial History of Daimler, Mercedes, and Benz, 1886-1986* (Montvale, NJ: Mercedes-Benz of North America, 1986): 84-90.

<sup>7</sup> Kimes, *The Star and the Laurel*, 94.

<sup>8</sup> *Ibid.*, 112-113.



barriers but enough demand to warrant investment.<sup>9</sup> Avoiding tariffs also played into the decision to establish a factory in the United States in the 1990s, when Mercedes could no longer disregard the effects of American taxation on the price of its automobiles.<sup>10</sup>

A broader market for automobiles emerged in the United States during the 1910s. During that decade automobiles became integrated into the broader landscape of American society. Henry Ford's implementation of the assembly line in his factory in 1913 greatly reduced the price of a basic automobile. In the years that followed, the new car market expanded dramatically.<sup>11</sup> In this rapidly changing automotive landscape, the Mercedes star became a rarity. Like many German companies, Daimler at first failed to appreciate the importance of the assembly line and mass production. American builders of powerful and expensive luxury cars arose, competing with Mercedes and other boutique manufacturers for the top end of the market. Stutz, Duesenberg, Cord, Packard, and Cadillac became the automobiles of choice for America's Jazz Age elite. The German makers were further pressured by the twin calamities of World War I and the Weimar Republic's unstable economy. This led to a major culling of German manufacturers, many of whom failed or merged with others to survive. In 1924, Daimler and Benz signed a partnership agreement under pressure from their creditors and stockholders.<sup>12</sup> Only after the formation of the partnership did assembly-line methods

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<sup>9</sup> Joel Wolfe, *Autos and Progress: The Brazilian Search for Modernity* (Oxford: Oxford University Press, 2010): 114, 129.

<sup>10</sup> The United States continues to maintain a tariff of 10 percent on most passenger cars and 25 percent on most light trucks imported from Europe. Tariff reduction has long been a goal of German automakers, which face similarly high duties on automobiles imported from America to Germany. For more information see: "Arguments for TTIP," *Verband Der Autoindustrie*, 28 January 2015 [accessed 19 May 2017] <https://www.vda.de/en/topics/economic-policy-and-infrastructure/ttip/arguments-for-ttip.html> .

<sup>11</sup> David E. Nye, *America's Assembly Line* (Cambridge, MA: The MIT Press, 2013): 29-30.

<sup>12</sup> Kimes, *The Star and the Laurel*, 182.

become standard practice in both firms. By 1926 the companies had completed their merger, and the Mercedes-Benz brand was born.<sup>13</sup>

### **Depression, War and the Rebuilding of Mercedes' American Business**

Through the Depression and into the early 1940s, Mercedes-Benz cars remained on the fringe of the American automotive market. The newly combined company diversified into smaller and less luxurious models in accordance with the pattern of market segmentation established by General Motors.<sup>14</sup> Despite this, few of the less-expensive Mercedes-Benz models were exported to America. The foreign-language marketing materials of this time emphasized that Mercedes-Benz cars were made to be the best available on the market, not the most affordable. In the midst of the Depression, Mercedes-Benz claimed that the company offered “what is best and most reliable in construction, material and craftsmanship” to a discerning clientele: “The Daimler-Benz works can claim with pride that they have at all times endeavored to perfect the construction of the motor car and the engine... the acme of perfection to the present day.”<sup>15</sup> In addition, Mercedes maintained a strong presence in international motorsports competition throughout the 1930s. The racing success of its series of famous “Streamliner” models ensured that the marque remained in the consciousness of motorsports aficionados.<sup>16</sup> There was also the question of Nazi influence on company policy. As Germany became more insular and initiated an extensive re-armament campaign, the export market declined in importance for Mercedes' parent company Daimler. Even so, the absence of a major presence in the United States would actually

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<sup>13</sup> Kimes, *The Star and the Laurel*, 192.

<sup>14</sup> Heitmann, *The Automobile and American Life*, 54-55.

<sup>15</sup> Mercedes-Benz, “Mercedes-Benz,” 1936 (pamphlet): 2, back cover (author's possession).

<sup>16</sup> Kimes, *The Star and the Laurel*, 234-247.

benefit the company in subsequent decades. Unlike Cadillac, Chrysler, or Lincoln, Mercedes did not become ubiquitous on American roads until much later in the twentieth century. As such, the brand continued to be associated with rarified luxury models and the earliest days of motoring pioneers.

World War II helped to make German cars even less popular in the United States. The shattering of Germany's industrial economy meant that for several years there were barely any cars made at all. Auto Union (a partnership of four manufacturers later renamed Audi) quit making cars entirely until its revival in 1949. Several major German industrial companies including Heinkel, Messerschmitt, and BMW were banned by the victorious Allied nations from producing aircraft or munitions. To stay afloat, they diversified into numerous consumer products: bicycles, scooters, appliances, and tiny "bubble cars" for frugal postwar motorists. Many of these bubble cars became rare collectors' items in later decades. The BMW Isetta and Messerschmitt KR-200 are now considered iconic designs; rarer models have sold to collectors for hundreds of thousands of dollars.<sup>17</sup>

By the middle of the 1950s a trickle of German models flowed into the United States. Among these were Mercedes, as the company climbed back on its feet in the postwar world. After completely exiting the American market during the war and its aftermath, Mercedes re-established its business with the help of a highly energetic entrepreneur. The colorful Max Hoffman, a Jewish businessman and émigré from Vienna, helped to expand the sale of European cars in the United States in the 1950s. As an experienced racecar driver and shrewd businessman, Hoffman made a strong

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<sup>17</sup> RM Sotheby's, "The Bruce Weiner Microcar Museum, 15-16 February 2013," <http://www.rmsothebys.com/results/result.cfm?salecode=BW13&category=Cars&sort=lot> [accessed 9 June 2017].

impression on the American glitterati.<sup>18</sup> He re-introduced Americans to the glamorous cars produced by high-end European makers looking to revive their fortunes in the postwar world. He signed contracts with Jaguar, Alfa Romeo, Porsche, and BMW to import and sell their cars in the United States. He also helped to introduce Volkswagen to the United States, extending his influence beyond expensive cars. He began to import Mercedes-Benzes in 1952, reviving the marque's American business. Hoffman's status as gatekeeper to the American market meant that he had outsize influence on these European marques. He frequently demanded changes such as the inclusion of heaters and radios for U.S.-bound cars, and even the creation of entirely new models. In the case of Mercedes, he demanded that the company give him a glamorous and sporting car to sell to his wealthy clients, who clamored for European sports cars as a sign of their sophistication. The resulting 300SL sports coupe, a road-going version of a racecar nicknamed the Gullwing for its distinctive hinged doors, became a major commercial success and one of the most iconic Mercedes models of all time.<sup>19</sup> Perhaps the best-known 300SL owner was Clark Gable, who purchased his from Hoffman's Hollywood Mercedes dealership in 1955.<sup>20</sup> That year Hoffman sold a little over 2,000 cars; by the time Mercedes took over distribution in 1957, that number had tripled.<sup>21</sup> Hoffman thus played a major role in resurrecting Mercedes' fortunes in the United States. The distributor and his competitors brought luxury foreign-car dealerships to most major

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<sup>18</sup> Jim Donnelly, "Max Hoffman," *Hemmings Sports & Exotic Car*, March 2006 <https://www.hemmings.com/magazine/hsx/2006/03/Max-Hoffman/1281969.html> [accessed 19 May 2017].

<sup>19</sup> Donald Osborne, "Max Hoffman Made Imports Less Foreign to Americans," *New York Times* 18 March 2007, pg AU6. <http://www.nytimes.com/2007/03/18/automobiles/18HOFFMAN.html> [accessed 19 May 2017].

<sup>20</sup> "Lot #5001: 1955 Mercedes-Benz 300SL Gullwing," *Barrett-Jackson Collector Car Auctions*, 2013 <https://www.barrett-jackson.com/Events/Event/Details/1955-MERCEDES-BENZ-300SL-GULLWING-COUPE-137813> [accessed 5/27/2017].

<sup>21</sup> "U.S. Car Sales Data: Mercedes-Benz," *Car Sales Base* <http://carsalesbase.com/us-car-sales-data/mercedes-benz/> [accessed 5/28/2017].

American cities by the end of the 1950s. Hoffman contracted with Frank Lloyd Wright to build his main dealership in Manhattan, which later became Mercedes' American flagship store.<sup>22</sup> Although the sales of Mercedes remained a small sliver of the total American car market, the company had established an important beachhead among the wealthy and sophisticated. Without Hoffman's aid, Mercedes and other European car companies may never have successfully re-established themselves in the United States after World War II.

In 1957, Mercedes bought out Hoffman's business, taking over distributorship of its own cars in order to create a partnered dealership network with Studebaker-Packard.<sup>23</sup> The deal was a temporary shot in the arm to the struggling Studebaker-Packard, but it failed to reverse the company's slide into bankruptcy. Packard ceased production in 1958, followed by Studebaker in 1964.<sup>24</sup> After the Studebaker Corporation moved its remaining operations to Canada in 1964, Mercedes took direct ownership of its distribution network.<sup>25</sup> From 1959 to 1965, Mercedes had averaged around 12,000 U.S. sales annually. Once the company had been separated from the ailing Studebaker, sales began to grow. By 1970, that number had more than doubled to 29,108 cars.<sup>26</sup>

By the end of the 1960s, Mercedes had thus re-established its American business on firmer footing. It had a dealership network spread among America's major cities,

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<sup>22</sup> Phil Patton, "Wright's New York Showroom, Now Just a Memory," *New York Times* 21 June 2013 <http://www.nytimes.com/2013/06/23/automobiles/wrights-new-york-showroom-now-just-a-memory.html> [accessed 27 May 2017].

<sup>23</sup> Jim Henry, "Max Hoffman Was The Man As America Acquired A Taste For Imports," *Auto News*, 26 June 1996 <http://www.autonews.com/article/19960626/ANA/606260703/max-hoffman-was-the-man-as-america-acquired-a-taste-for-imports> [accessed 5/19/2017].

<sup>24</sup> Robert R. Ebert, *Champion of the Lark: Harold Churchill and the Presidency of Studebaker-Packard, 1956-1961* (Jefferson, NC: McFarland, 2013): 5-8.

<sup>25</sup> Dennis Adler, "Mercedes Benz in America- Max Hoffman and the New Postwar Frontier," *Heacock Classic*, 27 March 2015 <https://www.heacockclassic.com/articles/mercedes-benz-in-america-max-hoffman-and-the-new-postwar-frontier/> [accessed 5/27/2017].

<sup>26</sup> "U.S. Car Sales Data: Mercedes-Benz," *Car Sales Base*.

ready to cater to wealthy consumers. It had produced a string of successful models that had been positively received in the United States. Perhaps most importantly, Mercedes had successfully restored its image in public consciousness as a prestigious marque. The influence of tastemakers in media helped to bring this about. Janis Joplin recorded “Mercedes-Benz” in 1970, perhaps one of the best-known automobile-themed songs ever written. It opens with the lyrics “Oh Lord, won’t you buy me a Mercedes-Benz? /My friends all drive Porsches, I must make amends...” Joplin was a Porsche owner herself, and the entire song is a playful self-deprecating rejection of the consumerism and fast life characteristic of late-60s rock stars.<sup>27</sup> It was the last song Joplin ever recorded; she died three days later from a heroin overdose in a Los Angeles hotel.<sup>28</sup> Despite the ironic nature of the song, Mercedes later licensed it numerous times for use in television commercials.<sup>29</sup> Less well-known but still culturally significant is the R&B group The Detroit Emeralds’ embrace of Mercedes-Benz. Based out of Detroit, the Emeralds had a string of hits on the R&B charts in the late 1960s and 70s, as well as some crossover success on the mainstream pop charts. Their second album, 1972’s *You Want It, You Got It*, was named after the lead single. What is most striking about this album is the cover. An attractive young African-American woman, clad in jewels, high-top boots, and a luxurious mink coat, poses confidently on a city street. She stands in front of a Mercedes-Benz Pullman limousine, the three-pointed star hood ornament prominently visible to her

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<sup>27</sup> Joplin’s famous Porsche 356 SC painted in psychedelic colors provides another example of how American celebrities helped introduce European sports cars to mainstream audiences. Her Porsche sold at auction for \$1.76 million in 2015 to a collector. Peter Valdes-Dapena, “Janis Joplin’s 1964 Porsche sells for \$1.76 million,” *CNN Money* 11 December 2015 <http://money.cnn.com/2015/12/10/luxury/janis-joplin-porsche-auction/> [accessed 28 May 2017].

<sup>28</sup> Lydia Hutchinson, “Janis Joplin’s Mercedes Benz,” *Performing Songwriter* 19 January 2016 <http://performingsongwriter.com/janis-joplin-mercedes-benz/> [accessed 28 May 2017].

<sup>29</sup> Skip Wollenberg, “Mercedes-Benz Dusts Off Janis Joplin Song for Commercial,” 9 March 1995, *AP News Archive* <http://www.apnewsarchive.com/1995/Mercedes-Benz-Dusts-Off-Janis-Joplin-Song-For-Commercial/id-26fc2668fa78432eafe0724dbbe7c7f8> [accessed 28 May 2017].

right. On the titular track, lead singer Abrim Tilmon croons to an unnamed would-be girlfriend “You want it/ you got it... Got two fine cars/ And you can keep one for yourself.”<sup>30</sup> The singer is clearly referring to the woman and the car pictured on the cover of the album. It is quite significant to note that a major Detroit-based musical group considered Mercedes-Benz to be the apex of what “fine car” meant in 1972, just like Janis Joplin did two years earlier. That representation certainly wasn’t offensive to the audience; the record sold well, and the single reached number five on the American R&B chart.<sup>31</sup> Mercedes had its own string of automotive hits in the 1970s and ‘80s, but also several critical mistakes. Several of those mistakes would help push the company toward the development of an American factory.

### **Revising the 1970s**

The 1970s were a rough time for the American auto industry, but Mercedes managed to hold steady in the United States. The only serious sales decline for the company came in 1973-74, when the Arab oil embargo sent the entire car market into a tailspin. Still, the company managed to gain market share through the decade. By 1980, Mercedes controlled half of one percent of the American auto market with 54,790 sales.<sup>32</sup> This was a small part of the total auto market, but it was financially and psychologically important. Mercedes-Benz, BMW, Jaguar, and other premium European manufacturers had begun to displace the Detroit-based automakers from the lucrative luxury car market.

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<sup>30</sup> Abrim Tilmon, “You Want It, You Got It,” *You Want It, You Got It*, vinyl record (Detroit, MI: Westbound Records, 1972).

<sup>31</sup> Abrim Tilmon, “You Want It, You Got It,” *Music VF*, lyrics <http://musicvf.com/song.php?title=You+Want+it%2C+You+Got+it+by+The+Detroit+Emeralds&id=11697> [accessed 28 May 2017].

<sup>32</sup> “U.S. Car Sales Data: Mercedes-Benz,” *Car Sales Base*.

The denial of luxury car sales to the Big Three further compounded the financial problems that those companies faced.

Beginning in the late 1960s, the Big Three Detroit manufacturers began to experience erosion of their market share from both the bottom and the top. Despite efforts to combat its popularity with their own small cars, the Volkswagen Beetle became one of the best-selling cars in America. Volkswagen sold nearly 570,000 cars in the United States in 1968, meaning that the company owned more than half the market for imported cars.<sup>33</sup> In addition to VW, Japanese manufacturers began to crack the American market in the late 1960s. The oil crisis of 1973 was an enormous boon to these manufacturers, as demand for their small, fuel-efficient cars swelled. By 1980, the total share of imports had risen to a quarter of the American market. The consequences of this shift toward import makes had a profound impact on the ownership and structure of the U.S. auto industry.

Explanations for this shift toward imported makes have tended towards narrow economic determinism. In this view, consumers shifted away from the domestic brands and towards purchasing the “better” cars offered by foreign manufacturers. Defenders of this explanation tend to argue that imports (especially Japanese ones) offered superior quality and fuel efficiency at lower prices, meaning that the movement of consumers towards these brands was practically pre-ordained.<sup>34</sup> Some aspects of this worldview are difficult to counter. The Japanese manufacturers, who produced many small cars with more efficient front-wheel-drive layouts, undoubtedly benefitted from the gas crisis. American manufacturers, caught with a dearth of fuel-efficient models, saw a rapid

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<sup>33</sup> Walter Henry Nelson, *Small World: The Amazing Story of the Volkswagen Beetle* (Cambridge, MA: Robert Bentley, 1998): 320.

<sup>34</sup> David Halberstam, *The Reckoning* (New York, NY: Avon Books, 1986): 518-521.



decline in market share and overall prestige. Seen another way, the Japanese simply took advantage of a fluke historical event to establish a presence in the American market that they never ceded. In Europe, where highly efficient cars were already universally available, the Japanese never found the kind of sustained success they achieved in America.

Historians of technology have demonstrated that the definition of “better” is never as cut-and-dried as it appears on the surface. Supposedly obsolete technologies such as corrugated metal, pedal-powered sewing machines, and hand tools have all led long lives despite the appearance of supposedly superior alternatives.<sup>35</sup> The substitution of metal for wood in aircraft construction is another good example of this “progress ideology.”<sup>36</sup> Even the definition of “quality” on an object as complex as a motor vehicle is highly subjective. For example, the Honda Motor Company of Japan developed a reputation for producing high-quality automobiles. The company earned the endorsement of influential publications such as *Car and Driver* and *Consumer Reports* for their mechanically reliable and good-handling cars. Even so, Honda repeatedly struggled with overall quality issues that made its cars unsuitable for some American roads. In the 1970s and ‘80s Honda was forced to buy back some cars and to repair others damaged by the rock salt commonly used to de-ice roads in the Midwest.<sup>37</sup> Even though Honda produced cars with a high degree of mechanical reliability, they were poorly adapted to the conditions present in a large part of the country.

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<sup>35</sup> David Edgerton, *The Shock of the Old: Technology and Global History Since 1900* (London: Oxford University Press, 2007): 41-42, 58-59, 83.

<sup>36</sup> Eric Schatzberg, *Wings of Wood, Wings of Metal* (Princeton, NJ: Princeton University Press, 1998): 4.

<sup>37</sup> *Fifty Years of American Dreams* (Marysville, OH: American Honda Motor Company, 2009): 46.

Other scholars have pointed to production methods that supposedly gave foreign competitors an insurmountable edge over the antiquated methods of American manufacturers.<sup>38</sup> This ignores the fact that the American industry was no stranger to productivity improvements; in the 1950s and 60s, the number of labor hours required to build a car in the United States shrunk steadily. As early as the beginning of the 1950s, union leaders and government officials worried that rapid productivity improvement would cost jobs.<sup>39</sup> Their worry was not without foundation: major industrial centers like Detroit and Pittsburgh began to shed jobs in the late 1950s, many never to recover.<sup>40</sup> It was true that Japanese manufacturers held a small lead over the Americans in terms of man-hour productivity by the early 1970s; but Japanese workers also earned far less, and Japanese companies benefited from a weak currency that enabled them to undercut Americans on price. Lagging productivity improvements in the “malaise era” of the 1970s had many possible explanations, ranging from inflation to mismanagement.<sup>41</sup> Even so, American automakers maintained profit margins that greatly exceeded those of foreign rivals.<sup>42</sup> It took repeated oil crises to undermine the position of the American manufacturers in the mass market. The point is that one should not rely too heavily on fungible notions like “quality” and other determinist economic analyses to explain the

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<sup>38</sup> James P. Womack, Daniel T. Jones, and Daniel Roos, *The Machine That Changed the World: The Story of Lean Production* (New York, NY: HarperPerennial, 1990): 48-69.

<sup>39</sup> Jonathan Cutler, *Labor's Time: Shorter Hours, the UAW, and the Struggle for American Unionism* (Philadelphia, PA: Temple University Press, 2004): 121.

<sup>40</sup> Thomas Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, NJ: Princeton University Press, 2008): 125-152.

<sup>41</sup> Early scholarship on the so-called “lean production” methods used by Japanese automakers (such as the view presented by Womack et al) tended to portray them as a revolutionary break with the past. Recent scholarship has taken a more nuanced view of the relationship between Japanese and American production systems. See: David E. Nye, *America's Assembly Line* (Cambridge, MA: MIT Press, 2014): 187-215.

<sup>42</sup> James J. Flink, *The Car Culture* (Cambridge, MA: MIT Press, 1976): 200.

rise of foreign marques in the United States. There were other factors at play that mattered as much or more to the success of foreign auto brands in the American market.

### **Weakness and Power in the American Auto Market**

In the 1950s and 60s, the Detroit manufacturers had the bulk of the luxury market to themselves, even if European brands had made inroads at the top. By the time Detroit luxury car sales peaked in total numbers in the mid-to-late 1970s, the Big Three had already put millions of Cadillacs, Lincolns, and Chryslers on American roads. While they maintained a loyal following with older generations of consumers, their influence among the younger generation of Baby Boomers was in terminal decline.

For example, consider the surveys of vehicle owners conducted by widely-read consumer magazine *Popular Mechanics* in the mid-1970s. Taken as a whole, these surveys demonstrate that the buyer demographics for German cars were already skewing younger than those for comparable American cars. The owner survey for the 1976 Cadillac Seville, Cadillac's entry-level compact model, reported that 1.2 percent were in the 15-29 age bracket, 36 percent were in the 30-49 age bracket, and 62.8 percent were over 50.<sup>43</sup> By contrast, the survey for the Mercedes-Benz 240D, Mercedes' entry-level diesel model, reported that 2.7 percent were in the 15-29 age bracket, 44 percent were in the 30-49 age bracket, and 53.4 percent were over 50.<sup>44</sup> Other foreign brands displayed age ratios that were even more skewed towards youth. A survey of 1974-75 BMW owners reported that 48.4 percent were in the 15-29 age bracket, 34 percent were in the 30-49 range, and 16.7% were over 50.<sup>45</sup> That age gap is largely due to the more sporting

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<sup>43</sup> Michael Lamm, "PM Owner's Report: 1976 Cadillac Seville," December 1975, *Popular Mechanics*: 85.

<sup>44</sup> Michael Lamm, "PM Owner's Reports: Mercedes-Benz 240D Diesel," January 1976, *Popular Mechanics*: 69.

<sup>45</sup> Michael Lamm, "PM Owner's Reports: BMW," July 1975, *Popular Mechanics*: 92.

nature of BMW versus Mercedes; BMW tended to focus on small but expensive sports sedans, whereas Mercedes were larger and more luxurious models with less emphasis on performance. What united BMW, Mercedes, and other luxurious European cars of the time period was their high price relative to their American competitors. These prices limited their mass-market appeal, but they helped to preserve the brand equity of high-end marques. Like the Mercedes of old, high prices helped to maintain the exclusivity and mystique surrounding these cars.

The direct cause of the German vehicles' price increase was the erosion of the dollar's value against the German mark in the 1970s. After the oil shock of 1973, American inflation rose rapidly. It stayed at elevated levels until the early 1980s, when an aggressive campaign of interest rate hikes by the Federal Reserve finally curbed it.<sup>46</sup> By contrast, the value of the West German mark held steady or slightly appreciated over the same time period, as strong international demand for the country's products and prudent fiscal policy kept domestic inflation low. In 1970, the mark traded at a rate of about 3.6 to the dollar; by 1980 that rate was cut in half, to 1.8 marks to the dollar.<sup>47</sup> For mass-market brands such as Volkswagen, this was a severe handicap. The Dasher, launched in 1974, was VW's answer to compact hatchbacks such as the Chevrolet Vega, the Ford Pinto, and the Datsun B-series. The images used in the 1974 and the 1975 sales brochure are identical, but the text is completely different. The 1974 brochure utilizes the typical advertising copy one might find in any brochure for a small car of that era: emphasis on quality, fuel economy, comfort, and utility. The last page describes personalization

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<sup>46</sup> United States Department of Labor, Bureau of Labor Statistics, "Consumer Price Index 1972-1983" <https://data.bls.gov/pdq/SurveyOutputServlet> [accessed 31 May 2017].

<sup>47</sup> Harold Marcuse, "U.S.-German Currency Conversion Tables, 1913-2005," 19 August 2005 <http://www.history.ucsb.edu/faculty/marcuse/projects/currency.htm#daily> [accessed 5/31/2017]

options and available accessories.<sup>48</sup> The 1975 brochure takes a different tack: instead of basic descriptions of the vehicle, it reprints quotations from popular periodicals such as *Car and Driver*, *ROAD TEST*, and *Popular Mechanics*.<sup>49</sup> This time, the last page is entirely given over to quotes which aim to justify the Dasher's high price: "It's over 4 grand, but you get what you pay for," proclaims the quote from *Imported Car Performance* that serves as the header for the page.<sup>50</sup> In 1974, the Dasher listed at \$4110 for the base model; by 1978 it had skyrocketed to \$5975.<sup>51</sup> In only a few years, the intense erosion of the dollar against the West German mark had shoved the imported Dasher well beyond the price range of other cars in its class. For Mercedes, price increases were even more severe. In 1974, its first year on sale, the 240D retailed for \$8715. By 1980, its price had ballooned to \$15,068.<sup>52</sup> For Mercedes' larger and more luxurious cars, the price increases were even more stratospheric. Despite this supposed handicap, Mercedes sales continued to rise throughout the decade. By 1980, Mercedes sold 53,790 cars and controlled half a percentage point of the total American market.<sup>53</sup>

The best mechanism for explaining Mercedes' sales increase in the American market is Thorstein Veblen's theory of luxury goods and conspicuous consumption. Veblen argued that in some cases, higher prices can actually generate increased demand for certain goods. This is because those goods function as status symbols and markers of wealth in a capitalist society.<sup>54</sup> The sales pattern of Mercedes cars in the 1970s and 1980s, when rising prices led to increased sales, fits with this theory. It is further

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<sup>48</sup> "Dasher: A completely new kind of Volkswagen," Volkswagen of America Corporation (1974): 14.

<sup>49</sup> "Dasher," Volkswagen of America (1975): 14.

<sup>50</sup> "Dasher," 1975, 14.

<sup>51</sup> James M. Flammang, *Standard Catalog of Imported Cars 1946-1990* (Iola, WI: Krause Publications, 1992): 636-637.

<sup>52</sup> *Ibid.*, 417-419.

<sup>53</sup> Car Sales Base, "Car Sales Data: Mercedes-Benz."

<sup>54</sup> Thorstein Veblen, *The Theory of the Leisure Class* (New York, NY: Dover Publications, 1994): 43-62.

supported by the increased sales of Porsche and BMW, other high-end German brands that saw sales increases during this time period. The automotive journalist Jack Baruth addressed this phenomenon in his observations on the 1970s and 80s:

The initial virtue of the Mercedes-Benz was simply that *it cost more and everybody knew it*. By putting a Benzo in one's driveway, one was declaring that one had not only forgotten the vagaries of the now-discredited American luxury ladder, one had soared well above it on a refreshing wave of cold cash. The 220D, 300SE, or 450SL might be outstanding cars, but that was beside the point. The point was that they cost more... Mercedes-Benz stood alone at the prestige pinnacle, and nobody doubted it.<sup>55</sup>

For the most part, General Motors, Ford and Chrysler could not command the same pricing for their cars. They lacked the brand equity to do so, and their management didn't understand what made Mercedes sell well in the first place. They could not offer the same kind of European cachet, which Mercedes reinforced by allowing customers to take delivery of their new cars directly at its German factory.<sup>56</sup> Instead, the Detroit brands embarked on a misguided effort to undercut foreign luxury cars on price, while fighting among themselves over a diminishing market.

Among the most notorious of these was Ford's attempt to sell its Ford Granada and Mercury Monarch models by directly comparing them to Mercedes' offerings. Ford produced a number of these ads in the late 1970s, but the message in all of them was the same: the Granada looked and drove like a Mercedes, but it was much less expensive. In one such ad, Ford reminded the consumer to check the hood ornament in case one became confused about which model they were examining: "Compare Granada's elegant

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<sup>55</sup> Jack Baruth, "Avoidable Contact: Rich Corinthian Swaybars," *The Truth About Cars*, February 4, 2012 <http://www.thetruthaboutcars.com/2012/02/avoidable-contact-rich-corinthian-swaybars/> [accessed 31 May 2015].

<sup>56</sup> Mercedes-Benz USA, "European Delivery Program" [https://www.mbusa.com/mercedes/european\\_delivery\\_program](https://www.mbusa.com/mercedes/european_delivery_program) [accessed 31 May 2017].

style and clean, functional lines with far more expensive cars, like Mercedes.”<sup>57</sup> In another ad, the Granada ESS was juxtaposed alongside the Mercedes 500E, on which Ford had unapologetically based its model’s styling. The ad invited customers to compare the styling and the price of both; the Granada cost a fourth of what the Mercedes did.<sup>58</sup> Such advertisements merely admitted that Mercedes already owned the upper echelons of the market. They did nothing to reverse the steady capture of the American high-end luxury buyer by German and Japanese brands.

In the 1980s, imported luxury cars became *de rigueur* symbols of wealth amongst the emergent “yuppie” class of newly wealthy bourgeois consumers. In the seminal 1987 film *Wall Street*, rapacious businessman and symbol of financial industry might Gordon Gekko is driven around in a stretched Mercedes S-Class limousine. Gekko’s imported limo is symbolic of the yuppies’ liberation from the “old economy” of domestic production and domestic consumption.<sup>59</sup> The cover of singer Jackson Browne’s 1983 album *Lawyers in Love* is another homage to yuppie car culture. On the cover of the album Browne paddles a partially submerged Mercedes through a large pool of water, as if he was astride a canoe.<sup>60</sup> Mercedes also benefitted from its proximity to the criminal underworld. Many of the most notorious figures of the 1980s drug economy drove expensive imports as a means of flaunting their wealth. This included “Maserati” Rick Carter, one of Detroit’s wealthiest drug kingpins. Despite his nickname, Carter was known to prefer Mercedes-Benz as his car of choice. After his 1988 murder in a Detroit

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<sup>57</sup> “1979 Granada: An American Classic,” *Field and Stream*, January 1979: 76.

<sup>58</sup> Paul Niedermeyer, “Vintage Review: 1975 Ford Granada- The Perfect Car For Mother To Buy,” *Curbside Classic* 30 October 2016 <http://www.curbsideclassic.com/blog/vintage-reviews/vintage-review-1975-ford-granada-the-perfect-car-for-mother-to-buy/> [accessed 31 May 2017].

<sup>59</sup> Oliver Stone, *Wall Street*, film (Dec 11, 1987: 20<sup>th</sup> Century Fox, 126 mins).

<sup>60</sup> Jackson Browne, *Lawyers in Love*, vinyl record (Asylum Records, 1983).

hospital, Carter was laid to rest in a custom casket outfitted to look like a Mercedes-complete with rolling wheels and a prominent Benz hood ornament.<sup>61</sup>

The expansion of the foreign makes conquest continued in the 1980s, as Mercedes, BMW, Porsche, and eventually the Japanese all made large gains in the luxury market. At the American brands, sales declined from their peak in the late 1970s. Cadillac sold a record 350,813 cars in 1978, but that number had declined to 258,168 by 1990.<sup>62</sup> Mercedes sold 53,790 cars in 1980; by 1986 that number had almost doubled, to 99,314.<sup>63</sup> What these raw sales numbers do not communicate is the unevenness of pricing power between German and American marques. Mercedes and BMW could command higher prices for their cars because of their desirability; indeed, dealers often were able to sell them above their already lofty sticker prices. Mercedes also cracked down on the so-called “grey market” importers of its cars. These importers would purchase vehicles in Europe and resell them in the United States, circumventing the Mercedes-controlled dealer distribution system. The economic effect of this was to undercut licensed dealers and Mercedes, who artificially restricted the supply of its cars to boost prices. Successful lobbying efforts by Mercedes and other foreign makes led to a federal ban on the importation of new vehicles not certified by manufacturers for sale in the U.S.<sup>64</sup> Mercedes also benefitted from a stabilized dollar, which boosted the value of its repatriated profits.

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<sup>61</sup> J. Ratcliff, “Richard ‘Maserati Rick’ Carter Sr.,” *Find a Grave*, 24 November 2007 <https://www.findagrave.com/cgi-bin/fg.cgi?page=gr&GRid=23069180> [accessed 1 June 2017].

<sup>62</sup> Mary Sieber and Ken Buttolph, eds., *Standard Catalog of Cadillac 1903-1990* (Iola, WI: Krause Publications, 1995): 263, 291.

<sup>63</sup> Car Sales Base, “Car Sales Data: Mercedes-Benz.”

<sup>64</sup> Patrick George, “So How Do We Fix America’s Stupid 25-Year Import Rule?” *Jalopnik*, 12 December 2014 <http://jalopnik.com/so-how-do-we-fix-americas-stupid-25-year-import-rule-1670467959> [accessed 1 June 2017].



But in the late 1980s, Mercedes' nearly unbroken chain of growth faltered. Both German and American manufacturers struggled with the new challenge presented by the recently introduced Japanese luxury brands. Honda introduced Acura to the United States in 1986, followed by Toyota with Lexus and Nissan with Infiniti in 1989. The introduction of Lexus and its flagship LS model proved to be especially detrimental to Mercedes' business. In 1989, Mercedes sales fell to 75,715 cars; by 1991 they had shrunk to 58,866.<sup>65</sup> Similar drops were recorded at BMW, Cadillac, and Lincoln. Like Mercedes in the 1970s, the Japanese makers thrived at least partly because of the novelty of their products. Their reputation for quality also helped them conquer buyers of German cars that found them too expensive to maintain. But the Japanese (and to a lesser extent, the Americans) had another key advantage which Mercedes lacked. Platform flexibility allowed these manufacturers to generate higher margins on some of their luxury cars, by sharing key components with less-expensive vehicles. This meant that development and tooling costs could be spread over a greater production volume, enabling the quicker retirement of fixed costs. This cost-sharing strategy was actually invented by American manufacturers, who all used it to some extent. But the Japanese succeeded in expanding and developing this strategy to wring more margin out of every car.<sup>66</sup> Mercedes and BMW, both up-market manufacturers without mass market brands, could not participate in this strategy as effectively. That realization was a large part of what would drive Mercedes to expand its manufacturing presence abroad.

The smaller European manufacturers withered under the pressure of new competition from Japan. Marginal European marques such as Peugeot, Alfa Romeo, and

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<sup>65</sup> Car Sales Base, "Car Sales Data: Mercedes-Benz."

<sup>66</sup> Womack and Jones, *Lean Production*, 104-137.

Renault dropped out of the American market entirely, as they were effectively crowded out by the Japanese. Others, such as Jaguar and Saab, were only saved by combining with much larger companies. Mercedes sales in America would not recover to surpass their 1986 peak until 1997, when the new ML SUV was introduced. The story of how the ML helped rescue Mercedes' American business begins with a series of poor business decisions made at parent company Daimler in the late 1970s and 80s.

### **Turmoil at Daimler and an American Revolution**

In the late 1970s, executives at Mercedes parent company Daimler became convinced that the company needed to diversify outside of the automobile business. The downturns experienced by the entire industry as a result of the 1970s oil price shocks exposed the vulnerabilities inherent in the auto business. Although Mercedes remained the most profitable part of Daimler's business (which also included heavy trucks and construction equipment), there was reason to believe a more diverse product portfolio would insulate the company from future crises. Part of this diversification included the expansion and revision of the passenger car line at Mercedes. Redesigned models that were lighter and more fuel efficient helped the company to meet newly-imposed fuel efficiency standards. The 190E model was introduced primarily as a way for Mercedes to expand beyond heavier, less-efficient cars.<sup>67</sup> The introduction of other technologies such as fuel injection further helped the company to meet these goals.

The other part of Daimler's diversification strategy was an acquisitions campaign designed to expand the company's business. Chief Executive Edzard Reuter spearheaded the Daimler diversification strategy. Under his leadership, Daimler expanded into electrical equipment, aviation, and software services. Cash from the car business was

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<sup>67</sup> Kimes, *The Star and the Laurel*, 357-358.

systematically pushed into the acquisition of other companies. In the 1980s, Daimler purchased the aircraft turbine manufacturer MTU; took a majority stake in aircraft manufacturers Dornier and MBB; took a controlling stake in the electrical manufacturing giant AEG; and made numerous other large investments in aerospace, software, and manufacturing enterprises.<sup>68</sup> The resulting conglomerate proved to be unwieldy and unprofitable. The decline of the aerospace industry after the Cold War ended was partly to blame, but the expected cost-saving synergies between the different businesses never materialized. By 1993 Daimler was losing 2 billion marks a year.<sup>69</sup> Although profits at the Mercedes division sustained this acquisition spree, the business of making cars went neglected at Daimler. In particular, Mercedes proved slow to respond to critical changes unfolding in the American car market. This included the entrance of the Japanese into the luxury sector, but it also encompassed the rise of the sport-utility vehicle (SUV) as one of the most important model segments in the United States.

### **The Rise of the SUV: A Brief History**

The origins of the term “sport utility vehicle,” usually abbreviated SUV, are obscure. There is no industry standard for describing what constitutes an SUV, either; the term has been applied to vehicles as diverse as the Subaru Forester and the Cadillac Escalade. In the most general sense, SUVs are truck-automobile hybrids that share characteristics of both automotive genres. The SUV was not a new concept in the 1990s. One of the earliest progenitors of the SUV was the Chevrolet Suburban, first introduced in 1935. Chevrolet created the Suburban by putting a two-door enclosed body with a rear hatch on a pickup chassis, with seating for eight. The Suburban went on to become the

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<sup>68</sup> David Waller, *Wheels on Fire: The Amazing Inside Story of the DaimlerChrysler Merger* (London: Hodder and Stoughton, 2001): 35-38.

<sup>69</sup> *Ibid.*, 39.

longest-lived automotive nameplate in continuous production anywhere in the world.<sup>70</sup>

Like the Mercedes of 1901, this design had long-lasting influence on other vehicles in its class.

World War II generated an enormous demand for utilitarian small trucks that could endure the rigors of combat while transporting troops and war goods. The American Jeep and the British Land Rover were the most famous of the new designs created to fulfill this need. These models were put into civilian production after the war. In the United States, the Jeep line was expanded by the Willys-Overland Corporation in the hopes of attracting more peacetime customers. The Willys Jeep Station Wagon of 1948 essentially hybridized the designs of the Jeep and more conventional car-based station wagons, taking cues from the Chevrolet Suburban as well. It was the first such wagon model to have an all-steel body, making it easier to mass produce.<sup>71</sup> Willys-Overland had modest success with this design, prompting other manufacturers to create similar models. The SUVs of the 1950s and 60s were essentially pickups with enclosed bodies. Models such as the Suburban and the International Harvester Travelall were primarily work vehicles aimed at the business market; they had few creature comforts compared to cars, and were mostly equipped with manual transmissions. American families overwhelmingly gravitated towards sedans and car-based station wagons, which Detroit manufacturers produced in a far greater variety of sizes and trim levels. For most of the first three decades of their existence, SUVs were niche vehicles that were primarily derived from better-selling truck lines.

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<sup>70</sup> “Chevrolet Suburban: Evolution of an Icon,” *Motor Trend*, 2 April 2014  
<http://www.motortrend.com/news/chevrolet-suburban-evolution-of-an-icon/> [accessed 20 June 2017].

<sup>71</sup> Kaiser Willys Auto Supply, “About Willys Station Wagon,”  
[https://www.kaiserwillys.com/about\\_willys\\_jeep\\_station\\_wagon\\_history\\_specs](https://www.kaiserwillys.com/about_willys_jeep_station_wagon_history_specs) [accessed 20 June 2017].

Smaller SUVs such as the Ford Bronco and Chevrolet Blazer gained ground in the 1970s and 80s as alternative transport for consumers with active lifestyles. The Blazer, Bronco, and many of American Motor Corporation's Jeep products were marketed to surfers, campers, anglers, and outdoorsmen of all types that desired a vehicle with off-road capability without the compromises inherent in a typical pickup.<sup>72</sup> Even as Detroit suffered serious setbacks in the market for traditional cars in the 70s and 80s, its sales of trucks grew. Until the 1980s, Detroit's trucks were mostly Spartan appliances that lacked the typical conveniences one might expect in a family sedan: automatic transmissions, air conditioning, standard radios, and so on. As Tom McCarthy explains, in the 1980s Detroit's executives realized that there was a broader potential market for its trucks that had gone untapped. As symbols of masculinity and rugged independence, trucks exerted a powerful hold on the American imagination. This was amplified by Detroit's marketing machine, which placed trucks at the center of a masculine lifestyle characterized by hard work and a love of the outdoors.<sup>73</sup> Lower emissions and safety requirements made trucks more profitable and easier to design. The American makers were further helped by the fact that little foreign competition existed for full-size trucks, the most profitable segment of the market. New designs such as the Ford Ranger and Chevrolet S-10 helped beat back the competition in smaller trucks from the Japanese manufacturers, who had achieved some success with their compact models. The Ranger would turn out to be the basis of the vehicle that begat the best-selling and most iconic vehicle of the 1990s SUV boom: the Ford Explorer.

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<sup>72</sup> Tom McCarthy, *Auto Mania: Cars, Consumers, and the Environment* (New Haven, CN: Yale University Press, 2007): 231-252.

<sup>73</sup> *Ibid.*, 233-234.

Ford's creation of the Explorer, based on the Ranger platform, was what supercharged the SUV boom. Launched in 1991, the Explorer would go on to become one of the best-selling vehicles of the decade. The Explorer was primarily the brainchild of executive Bob Lutz, a long-time auto industry product planner. Lutz shrewdly positioned the Explorer as a family vehicle, offering ample seating and a wider and lower track than its chief rival, the Jeep Cherokee.<sup>74</sup> The Explorer offered a higher driving position and more cargo area than a traditional car-based station wagon, but it was not as harsh-riding as other truck-based SUVs. Like the Cherokee, it was available in two-door and four-door body styles. At the same time, Ford's marketers created an image for the Explorer as a rugged, outdoorsy vehicle, even though it was not as capable as many of its rivals. Most early Explorers were two-wheel-drive, and equipped with an underpowered six-cylinder engine. Later models offered a greater variety of options, including leather interiors and powerful V8 engines. The top of the Explorer line was the Eddie Bauer edition, equipped with a five-liter V8 engine and a luxurious interior inspired by the famed outerwear brand's products.<sup>75</sup> The Explorer was wildly popular and immensely profitable. From 1995 to 2005, Ford averaged over 400,000 Explorer sales a year.<sup>76</sup>

The rise of the Explorer coincided with the demise of the traditional family wagon. Consumer preference for taller and larger vehicles helped usher in the demise of the wagon and the decline of large sedans, but this development was also aided by Corporate Average Fuel Economy (CAFE) standards. To comply with these standards,

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<sup>74</sup> "How Bob Lutz took aim at the Cherokee," *Automotive News*, 11 July 2016 <http://www.autonews.com/article/20160711/OEM03/307119930/how-bob-lutz-took-aim-at-the-cherokee> [accessed 20 June 2017].

<sup>75</sup> "Ford Explorer History," *Edmunds* <https://www.edmunds.com/ford/explorer/history/> [accessed 20 June 2017].

<sup>76</sup> "Ford Explorer," *Car Sales Base* <http://carsalesbase.com/us-car-sales-data/ford/ford-explorer/> [accessed 20 June 2017].

the American manufacturers redesigned many of their large sedans starting in the late 1970s. The redesigned 1977 Chevrolet Impala, for example, was 661 pounds lighter than its predecessor.<sup>77</sup> These redesigns cost enormous sums, and the “downsized” models were not always popular with consumers. Nor could the manufacturers sell too many of their large sedans without falling short of their average fuel economy requirements. But Detroit’s makers discovered they could get around the stringent fleet fuel economy requirements by exploiting a loophole in the CAFE standards. By classifying SUVs as “light trucks” under the provisions of the law, manufacturers used a clause intended to exempt commercial vehicles to dodge fuel economy and pollution requirements.<sup>78</sup> This loophole proved to be incredibly lucrative for the Big 3, as SUV sales expanded enormously through the 1990s. This steady flow of profits enabled the Detroit 3 to paper over many of the problems still present in their core businesses: underperforming investments, high legacy and labor costs, and aging, inefficient plants. The SUV profit stream diverted attention from these issues until the late 2000s, when a spike in gas prices and the 2007-09 global recession put many manufacturers in dire straits.<sup>79</sup> Until that crisis, however, SUVs and other trucks became the much-needed replacements for the profitable segments that American manufacturers had ceded to foreign competition. Affluent consumers flocked to SUVs as statement vehicles, providing a much-needed image and profit boost to the Detroit 3.<sup>80</sup>

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<sup>77</sup> Tom Appel, “Review Flashback! 1977 Impala and Caprice,” *Consumer Guide Automotive*, 30 May 2013 <http://blog.consumerguide.com/review-flashback-1977-impala-and-caprice/> [accessed 20 June 2017].

<sup>78</sup> Jack Doyle, *Taken For a Ride: Detroit’s Big Three and the Politics of Pollution* (New York, NY: Four Walls Eight Windows, 2000): 396-398.

<sup>79</sup> Paul Ingrassia, *Crash Course: The American Auto Industry’s Road to Bankruptcy and Bailout- and Beyond* (New York, NY: Random House, 2010): 216-243.

<sup>80</sup> McCarthy, *Auto Mania*, 234-236.

In the early 1990s, foreign manufacturers struggled to play catch-up to the SUV boom. Some Japanese manufacturers had their own utility models already developed by the mid-1980s, including Toyota with the 4Runner and Nissan with the Pathfinder. Even if they could not sell in the same volumes as their American competitors, they at least had products with which to compete. Other manufacturers were so behind the curve that they had to fall back on licensing American designs. Honda licensed a GM product, the Isuzu Rodeo, to be sold as the Honda Passport in the United States.<sup>81</sup> Ford, then a part owner of Mazda, allowed the Explorer to be rebadged as the Mazda Navajo. As unprepared as the Japanese might have been, BMW and Mercedes were caught even more unaware. Their situation was made worse by the fact that as luxury manufacturers, they did not have any light trucks that could readily be adapted into SUVs. Detroit's surprise success with SUVs had disrupted the luxury market. Affluent consumers turning towards SUVs as a fashion statement, throwing a lifeline to brands such as Lincoln and Cadillac. In a scramble to catch up, both companies began to pour resources into building their own SUVs. They also launched plans to expand production into the United States. On June 24, 1992, BMW announced that it would begin building a new factory in Spartanburg, South Carolina to manufacture convertible models for the American market. The magnitude of that investment illustrated just how important the United States had become to German manufacturers.<sup>82</sup> Within a year, Mercedes would follow suit with its own announcement of American manufacturing plans.

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<sup>81</sup> The Rodeo, developed by GM's wholly owned subsidiary Isuzu, may claim the title for the most "badge-engineered" vehicle of all time. Identical versions of the Rodeo were sold around the world as an Isuzu, a Chevrolet, a Honda, a Holden, an Opel, and a Vauxhall in the 1990s. See: Steve Lynch, *Arrogance and Accords: The Inside Story of the Honda Scandal*, 3<sup>rd</sup> Edition (Kindle, 2016).

<sup>82</sup> Jason Spencer, "Spartanburg takes a look back at landing BMW," *The State*, 13 July 2014 <http://www.thestate.com/news/business/article13868033.html> [accessed 20 June 2017].



Unlike BMW, Mercedes chose to build its new SUV in the United States. Mercedes eventually decided to design the M-class from scratch, but it was unclear at first whether this would be the case. By the late 1970s, Daimler actually had an SUV in its product portfolio, the Geländewagen. Colloquially known as the G-Wagen, it was originally designed as a rugged utility vehicle for sale primarily to military and police customers. It had been developed at the behest of the Shah of Iran, who then controlled a large stake in Mercedes. Despite the availability of this model, Daimler executives initially judged that the G-Wagen was too austere to fit the Mercedes image in the United States.<sup>83</sup> Instead, Mercedes looked outside of the company for help plugging the gaps in its model lineup. In 1991, Mercedes formed a partnership with Mitsubishi to develop an SUV using an existing platform from the Japanese company. This plan quickly fell apart; Mercedes engineers were dissatisfied with the Mitsubishi platform. They wanted to produce a vehicle that was more luxurious and technologically sophisticated than the Mitsubishi platform would allow.<sup>84</sup> Instead, the company decided to forge ahead with its own clean-sheet design. When the M-class was completed, however, it would not be referred to as an “SUV” by Mercedes, despite sharing many of the traits of that segment. Instead, company marketing referred to it as an “all-activity vehicle,” or AAV. This distinction might seem trivial, but the evidence suggests it actually had deeper roots within the development of the American new vehicle market

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<sup>83</sup> Mercedes would later reverse course and bring the G-Wagen to the United States as a specialty model in 2002, following the success of General Motors’ Hummer brand of civilianized military vehicles. Despite being roundly lambasted by press critics, the G-Wagen achieved cult status among a select clientele of sports stars, rappers, and mortgage-drunk financial executives in the mid-2000s. See: “Mercedes-Benz G-Class History,” *Edmunds* <https://www.edmunds.com/mercedes-benz/g-class/history/> [accessed 20 June 2017].

<sup>84</sup> “Mitsubishi drops plan with Mercedes,” *The Press-Courier*, 23 May 1992, pg. 19 <https://news.google.com/newspapers?id=GSFKAAAIBAJ&sjid=KCINAAAIBAJ&pg=6057,4060886&dq=mercedes-benz+mitsubishi+sport+utility&hl=en> [accessed 17 January 2018].

## SUV Nomenclature: More than Semantics

The term “sport-utility vehicle,” usually abbreviated SUV, has no agreed-upon technical definition. The historical origins of the term are obscure, and developments in the new vehicle market have further clouded its precise meaning. In 2002 Keith Bradsher, the former Detroit bureau chief of the *New York Times*, published a widely-read and polemical history of the SUV in which he gave a five-part definition of what he considered to be their defining traits:

An SUV is a vehicle that (1) has four-wheel drive available as either standard or optional equipment; (2) has an enclosed rear cargo area like a minivan; (3) has high ground clearance for off-road travel; (4) uses a pickup-truck underbody; (5) is designed primarily for urban consumers and marketed primarily to them, with a cushy suspension and other features that may even compromise some of its appeal to serious off-road drivers.<sup>85</sup>

Bradsher’s definition encompassed many vehicles that were then marketed as SUVs, but excluded some noteworthy models. Serious off-roading machines such as the Jeep Wrangler and Land Rover Defender were and are still commonly classified as SUVs, despite their lack of creature comforts.<sup>86</sup> It also excluded the Jeep Cherokee, a model that lacked a pickup-style undercarriage but which has almost universally been referred to as an SUV. The Cherokee had a strong following with both off-road enthusiasts and affluent urbanites.<sup>87</sup> Bradsher also referred to the recent emergence of so-called “crossover utility

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<sup>85</sup> Keith Bradsher, *High and Mighty: SUVs- The World’s Most Dangerous Vehicles and How They Got That Way* (New York, NY: PublicAffairs, 2002): 4.

<sup>86</sup> Although it is worth noting that within the last decade, many such models have either disappeared from the American market (such as the Defender) or have been “civilized” for Bradsher’s urban consumer (such as the proliferation of four-door Wranglers with air conditioning and automatic transmissions).

<sup>87</sup> The 1983-2001 Jeep Cherokee (commonly referred to as the “XJ” by enthusiasts in reference to its internal company chassis designation) lacked a full frame, instead having a lighter-weight unibody design. It was one of the best-selling SUVs of its era with nearly 3 million produced, it and still enjoys a strong following among off-road enthusiasts. As of 2017, its design is still produced under license in China. See: Yucca Man, *XJ History*, 23 September 2008 <http://www.yuccaman.com/jeep/history.html> [accessed 19 June 2017].

vehicles” (CUVs) that mimicked the shape and ride height of SUVs, but which were based on car platforms. Those CUVs lacked truck-like frames, and were generally offered with front-wheel drive as standard. They were also lighter, more economical, and widely perceived as being safer; for those reasons, they caught less of Bradsher’s ire.<sup>88</sup>

When Bradsher published his book in 2002, SUVs with truck-like frames dominated the market. Within a decade, however, their popularity had collapsed. After the 2005 oil price spike following Hurricane Katrina, the popularity of truck-based SUVs began to shrink. During the 2008 global recession, sales of SUVs declined precipitously. In the economic recovery that followed, they were primarily replaced with car-based CUVs that offered greater fuel efficiency relative to their competitors. CUVs also tended to have more interior space, improved driving dynamics, and a better safety record. Fuel-economy and safety mandates further contributed to the phase-out of truck-based SUV designs. CUVs grew in size and power, until some models were as large as their truck-based predecessors. The CUV versus SUV distinction grew ever foggier, as the distinctions between car platforms and truck platforms became murkier in an era of widespread platform expansion. In a sign of how much the market had changed, the Ford Explorer switched to a unibody, car-based design for the 2011 model year. That changeover rekindled the debate over what could properly be called an SUV. As the automotive journalist Doug DeMuro noted, many manufacturers preferred to keep the “SUV” designation despite the fact that most of their products could be better classified as CUVs. For larger models like the Explorer and Jeep Grand Cherokee, the association of SUVs with power, masculinity, and ruggedness provided useful fodder for

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<sup>88</sup> Bradsher, *High and Mighty*, 4.

marketing.<sup>89</sup> Despite being based on a unibody platform and loaded with creature comforts, the Grand Cherokee maintains its coveted “Trail Rated” signification. The fifth-generation Explorer lacks this designation, but it is still marketed as a go-anywhere type of vehicle. But for other models and manufacturers, the SUV moniker became something to be avoided entirely. That includes Mercedes, who eschewed both the SUV and the CUV acronym for the M-class’ launch.

The back-and-forth over what constitutes an SUV or a CUV may appear to be mere semantics, vagaries of marketing jargon that mean little. In actuality, this fluctuating nomenclature reflects the contested nature of automobility in late-twentieth and early twenty-first century America. Even in the middle of their boom in the 1990s, the term “SUV” had already become toxic to an increasing swath of Americans. Environmentalists despised the wasteful nature of SUVs, criticizing their fuel consumption and exemption from pollution laws.<sup>90</sup> In their critique of SUVs, environmentalists found rare common ground with sports car and driving enthusiasts. Those enthusiasts resented having to share the road with SUVs, even though some of them blamed the CAFE loophole for their popularity.<sup>91</sup> Still other criticism came from safety regulators, a point on which Bradsher seized in *High and Mighty*. SUVs were “the world’s most dangerous vehicles,” Bradsher wrote, not only because they were prone to rollovers, but because they presented a threat to all of the smaller cars on the road.<sup>92</sup> The Ford Explorer and Firestone tire recall fiasco brought this critique into focus, as

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<sup>89</sup> Doug DeMuro, “SUV vs Crossover: What’s the Difference?” *Autotrader*, October 2013 <http://www.autotrader.com/car-shopping/suv-vs-crossover-whats-the-difference-215843> [accessed 19 June 2017].

<sup>90</sup> McCarthy, *Auto Mania*, 231-252; Doyle, *Taken For a Ride*, 408-419.

<sup>91</sup> Jack Baruth, “We Need to Fix the Government’s Misguided and Ridiculous Fuel Economy Standards,” *Road & Track*, 20 December 2016 <http://www.roadandtrack.com/car-culture/a31989/president-trump-and-the-sad-cafe/> [accessed 21 June 2017].

<sup>92</sup> Bradsher, *High and Mighty*, xviii.

regulators and the general public realized that SUVs were inherently less stable than cars. Criticism of the SUV only grew more intense after the September 11, 2001 attacks, as the connection between terrorist funding and Middle Eastern oil revenue came into sharper focus.<sup>93</sup> Even during the salad days of the SUV, strong and multifaceted criticism of these models existed. That criticism helps to explain why Mercedes tried to brand the M-class as something other than an SUV.

In a pamphlet published at the time of Mercedes' Tuscaloosa factory announcement, the company articulated its vision of how the M-class should be perceived. The Mercedes-Benz "All Activity Report" was a two-page, double-sided leaflet passed out to media and other public groups. The back page is covered with a series of questions and answers in a rhetorical construct designed to articulate why the moniker "all-activity vehicle" should be taken seriously. One of these questions asks "Isn't the *all-activity vehicle* just another name for a sport-utility vehicle?" The response dismisses that notion: "The Mercedes-Benz *all-activity vehicle* will be an evolution of the sport-utility vehicle of today. It will break new ground and set the benchmark in terms of safety, quality, and technology in this market segment." The AAV would have both the rugged elements of an SUV and the luxury and safety that Mercedes cars had long been known for. The pamphlet further explained that the AAV was unrelated to the Geländewagen, carefully asserting that the M-class would be an all-new design. Finally, the pamphlet argued that Mercedes would be distinguished from the other so-called "transplants:" factories owned by foreign automakers building cars in the United States. In response to the question "Isn't Mercedes-Benz following other companies that have transplanted operations in the U.S. long ago?" the pamphlet makes a stark declaration:

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<sup>93</sup> McCarthy, *Auto Mania*, 241-242.

Mercedes-Benz U.S. International is not just another transplant. Unlike traditional automotive “transplants” which transfer existing cultures, vehicles, and techniques from their home countries, Mercedes-Benz is developing an entirely new vehicle, a new production system and a new culture.<sup>94</sup>

Rather than just building a new vehicle, Mercedes-Benz claimed to be revolutionizing the entire production and design process. Even the human interface between production, design, and consumption would be rethought as part of this process.

It would be easy to dismiss these claims as pure marketing jargon, a fanciful turn of phrase applied to the established business of building and selling cars. The M-class did not do anything as radical as overturn established notions of automobility or completely disrupt the business of the auto industry. Even so, there was some truth to these claims. Mercedes built a completely new factory from scratch to manufacture a clean-sheet automobile design which incorporated many cutting-edge technologies. Furthermore, the company chose to locate this factory in a relatively poor and underdeveloped state that had never mass-produced automobiles, using a workforce that had little experience in industrial production. And crucially, Project Rosewood (as the factory was code-named during negotiations) provided a vehicle for Alabama’s political and economic elite to articulate a vision of a transformative future. Those same elites would repeatedly echo the sentiments expressed by this pamphlet: high technology and industrial prowess would provide a means for escaping Alabama’s difficult history- and its present struggles.

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<sup>94</sup> Mercedes-Benz, “All Activity Report,” 1993, Box SG014281, Folder 12 (ADAH).

## **Chapter 2: New Theoretical Approaches for Understanding Southern Industrial Policy**

The announcement in 1993 that Alabama would be the host of Mercedes-Benz' first American factory marked a milestone in the history of the company and the state. Before that announcement, there had been one other connection between the well-known firm and the Heart of Dixie: George Kirchoff Jr. Born in Birmingham in 1932, Kirchoff went on to study engineering at the Alabama Polytechnic Institute (now known as Auburn University). After a short stint in the Navy, Kirchoff went to work in the aerospace industry as a rocket designer. After being laid off from his job at the tail end of the Apollo era in 1972, Kirchoff made a mid-career switch. He turned his considerable expertise with gaseous propellants to a more mundane but important problem: developing a practical airbag for use in automobiles.

The idea of using inflated bags of gas to cushion the blow of an accident had existed for decades, yet in the early 1970s, they remained theoretical as a consumer technology. No engineer or manufacturer had been able to devise an airbag that was stable, reliable, and marketable. Kirchoff and his team at the Thiokol Corporation finally succeeded in developing a practical airbag during the mid-1970s. Their system of electronic collision sensors that triggered the deployment of rapidly inflating bags of gas became the basis for decades of airbag technology. For that achievement, Kirchoff has been called the father of the airbag— although he has always insisted that members of his team deserve equal credit. Although Ford and General Motors both offered airbags on their higher-end cars by the end of the 1970s, it was Mercedes that first made them standard equipment. The 1981 S-Class, Mercedes' top-of-the-line sedan, was equipped

with an airbag for the driver. Kirchoff purchased one of these sedans for his own use; that car now resides in a museum in Utah.<sup>1</sup>

The adoption of the airbag was yet another example of Mercedes' tradition of technological leadership. Since the 1901 Mercedes stunned the world with its avant-garde design, the company prided itself on adapting cutting-edge technologies for its cars. Technology leadership was one of the factors that contributed to Mercedes's worldwide prestige. In the previous chapter, I documented how the Mercedes brand made inroads into the American market. Mercedes's cutting-edge technical expertise also made a deep impression on American political and economic elites, including some of those from Alabama. To an important faction of those elites, it was the technological allure of Mercedes that propelled the project forward to completion. I argue that the intangible prestige conferred on Alabama by the Mercedes project was at least as great a factor as its raw economic value in bringing about its successful completion. Instead of merely debating the "hard" data in terms of dollars invested and jobs created, we should look at the "soft" factors surrounding this project. The technological prestige of Mercedes-Benz and the promise of modernity it conveyed were ever-present in the debate surrounding the new factory.

This chapter explores the theoretical issues and historiographic lacunae present in current understandings of Southern industrial policy. In particular, it focuses on the problems inherent in determining cause-effect relationships between political actors and political actions. Other scholars have asked how the Southern states pursued industrial policy, whether this policy was effective in recruiting new industry, and whether or not

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<sup>1</sup> John Mohr, "George F. Kirchoff Jr," *Encyclopedia of Alabama*, 3 August 2016 <http://www.encyclopediaofalabama.org/article/h-3762> [accessed 24 July 2017].



the majority of Southern citizens benefitted from it. What has received less analysis is the “why” of industrial policy: why was industrial recruitment pursued in the first place? It also asks who the true beneficiaries of industrial recruitment were in a political sense—was this policy done on behalf of monolithic “elites,” or a more select group? Those questions are the animus behind this chapter. I will lay the groundwork for understanding the specific mechanics of the 1993 Mercedes-Benz deal and other so-called “megadeals” by other states to land automobile plants. The specifics of those deals will be analyzed more closely in subsequent chapters.

For now, I will attempt to shift the analysis of Southern deals for automotive plants away from quantitative, purely econometric methods. Much useful scholarship has been compiled using these methods, but they are not enough. Simply asking whether or not a \$300 million public subsidy to build an automotive plant is a “good investment” in terms of jobs created and wages paid ignores too many contingent factors. There is a rich political and social history hiding behind the efforts of Southern states to bring industrial plants to their locales. Historians working in the fields of the history of technology and world history have articulated theories about the relationship between technology and political regimes that are quite useful for understanding the appearance and persistence of industrial incentive programs. Those theories and their potential application to the question at hand will be discussed at length here.

When it became known that Mercedes sought to build a plant in the United States, the broader Southern political class fought aggressively to land the prize. Alabama emerged victorious in this quest, after offering an enormous incentive package that drew criticism for its scope and value. Although the scale of the project was unprecedented, the

archetype of the Mercedes project had existed for decades. Project Rosewood, as the Mercedes deal was known in private negotiations, was a continuation of a long trend in Alabama (and the broader South) of state support for industrial development projects. The reason for that state support is more complex than has often been assumed. Other authors have assumed that the Mercedes project was done at the behest of a monolithic political and economic elite: the so-called “Big Mules” who wielded disproportionate power over Alabama politics.<sup>2</sup> However, I argue that the Mercedes project and its predecessors are best understood as a product of the tension between elite conservatism and charismatic populism that has characterized Alabama politics in the twentieth century. In many other contexts, large industrial development projects have long been a way for charismatic leaders to build political capital at the expense of established interests. In Alabama, this pattern played out repeatedly over the latter half of the twentieth century. To its supporters, the Mercedes project held out more than the promise of stable, well-paying jobs. Mercedes would make Alabama modern, and in so doing it would transcend the quagmires of the past that always seemed to drag down the South’s quality of life relative to the rest of the nation. The years after the Civil Rights era imbued this quest with a new sense of urgency, as reformist Alabama politicians sought to erase the traumas of the 1960s and ’70s. Mercedes fit that project well, as it promised to re-orient national perceptions of the South toward a more positive image.

### **Alabama and Industrial Incentives: A Brief Overview**

The term “Big Mules” has been in colloquial usage since at least the end of the Reconstruction era. The term was popularized by the progressive Alabama governor Bibb

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<sup>2</sup> Carl Grafton and Anne Permaloff, *Big Mules and Branchheads: James E. Folsom and Political Power in Alabama* (Athens, GA: University of Georgia Press, 1986).

Graves during the 1926 gubernatorial campaign, when he ran on a platform of opposing entrenched agricultural and industrial interests.<sup>3</sup> In its earliest usage, the term was most closely associated with the major industrial interests in and around Birmingham. This mainly included the owners of the large iron and mining companies and their associated supporters in the professional class. The term was later broadened to encompass the state's entire economic elite, primarily by the populist "Big Jim" Folsom during his successful 1946 gubernatorial campaign.<sup>4</sup> This expanded definition included the agricultural interests based in the Black Belt. The state's agricultural interests and largest landowners were concentrated in the Black Belt region, the fertile region of dark soil that stretched across the middle of the state. The plantation and timber economy had survived in this region after the end of slavery thanks to the introduction of the sharecropping system. This coalition of wealthy landowners and planters employed several anti-democratic strategies to maintain their influence against the rising industrial tide.

Planter power was seemingly cemented by the 1901 state constitution. The so-called Bourbon Democrats wrote in clauses that caused widespread disfranchisement and malapportionment of both the black and the poor white population. This structure was designed to maintain the power and influence of agricultural elites, despite their diminished numbers relative to the rest of the state.<sup>5</sup> The constitution represented a victory over both Republicans and the Populist movement of the 1890s, but it ultimately failed to preserve uncontested agricultural power. Although the planters and the Birmingham Big Mules shared the objectives of keeping the state government small and

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<sup>3</sup> Anne Permaloff, "Black Belt-Big Mule Coalition," *Encyclopedia of Alabama* 30 September 2014 <http://www.encyclopediaofalabama.org/article/h-1565> [accessed 26 July 2017].

<sup>4</sup> Permaloff and Grafton, *Big Mules and Branchheads*, 21-22, 56-76.

<sup>5</sup> *Ibid.*, 46-48.

maintaining white supremacy, they clashed over other priorities. Planters opposed any attempt to increase land taxes, which starved the state of revenue and led to wildly inequitable tax burdens for city dwellers. Schools, roads, and other public services were among the worst in the country, a condition that urban dwellers and the nascent industrial middle class increasingly resented. By the 1920s, a Progressive wing of the Democratic Party had emerged to challenge Bourbon rule. It relied on the strength of urban voters who wanted a more modernized, forward-looking state. These voters had less of a desire to see business constrained than to provide enough money for decent roads and schools. The first decade of the twentieth century proved to be the high-water mark for postbellum planter power. By the time Bibb Graves won election on a progressive platform in 1926, the influence of Black Belt landowners had begun to decline precipitously.<sup>6</sup>

The appearance of the cotton boll weevil in 1910 seriously weakened the tenant farming system on which the Black Belt planters depended. Over the next three decades, the combined forces of environmental degradation, mechanization, and the Great Depression further diminished the economic and political clout of the Black Belt landowners. Cotton-producing estates went bankrupt and consolidated, and tenant farmers abandoned the region in droves.<sup>7</sup> The decline of the Black Belt corresponded with a rising industrial economy around Birmingham. Despite the setback of the Great Depression, Birmingham emerged from World War II as the clear economic leader within the state. Birmingham would command greater clout in political affairs, as large industrial concerns represented an ever-growing proportion of total wealth in the state.

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<sup>6</sup> Grafton and Permaloff, *Big Mules and Branchheads*, 50.

<sup>7</sup> Wayne Flynt, *Alabama in the Twentieth Century* (Tuscaloosa, AL: University of Alabama Press, 2004): 142-144.

Although the traditional cotton plantation had clearly entered its twilight, Black Belt agriculture gradually reorganized. Through the 1950s and beyond, there was a pronounced shift away from cotton and cereal cultivation. Instead, timber cultivation took over the majority of the state's agriculture. By 1971, two-thirds of the state's arable land was used to cultivate trees.<sup>8</sup> The move away from cotton cultivation and into profitable tree farming allowed many private owners to retain their land, although many smaller owners were forced to sell out. By 2007, nearly three-quarters of Alabama's timberland was still privately held.<sup>9</sup> These lands were primarily worked by independent logging companies with highly mechanized operations, with absentee owners of large tracts collecting rent and royalties on the land. The other major change in Alabama agriculture was the rise of the poultry industry. The evolution of poultry farming in the postwar era led to the establishment of many large "factory farms" in Alabama, where chicken and eggs are raised by the thousands in indoor enclosures. Those chickens were processed at mechanized slaughterhouses, which also became widely prevalent in the state. The growth of poultry helped to reinvigorate the agricultural economy at a time when cotton, peanuts, and other staples were in sharp decline.<sup>10</sup>

The changed nature of this landed interest is best represented by the rise of a formal farm lobby in Alabama. After World War II, the role of the Alabama Farmer's Federation (ALFA) in state politics grew in size and importance. Although it had been founded in 1921, ALFA's clout expanded after the founding of ALFA Insurance in

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<sup>8</sup> Flynt, *Alabama in the Twentieth Century*, 144.

<sup>9</sup> James R. Schiller, "Alabama's timber industry : an assessment of timber product output and use, 2007" (Asheville, NC : U.S. Dept. of Agriculture, Forest Service, Southern Research Station, 2009): 7.

<sup>10</sup> Flynt, *Alabama in the Twentieth Century*, 143.

1946.<sup>11</sup> The success of the insurance company and the recovering fortunes of Alabama landowners helped ALFA become a formidable lobbying group. ALFA consistently fought to keep Alabama property taxes among the lowest in the country. Despite the limited improvements won by Progressives at the turn of the century, this meant that education and other public services remained near the bottom of national rankings. Inequitable tax burdens acted as a further hindrance to growth and diversification.

Large landowners and agricultural interests continue to be a major factor in Alabama politics, including debates over industrial policy and recruitment. However, their ability and willingness to fight state and local efforts to promote industrial development faded over time. This was due to a number of factors. The growth of a powerful industrial sector around Birmingham created a new lobby with which the Black Belt interests had to contend. The evolution of Alabama agriculture away from a labor-intensive, peonage-based model as sharecropping gradually disappeared meant that Black Belt interests had less of a reason to oppose industries that might compete for labor. Reapportionment of rural counties in the 1960s following the Supreme Court's decision in *Baker v Carr* reduced the electoral advantage of rural counties as originally prescribed in the 1901 constitution. All of these developments meant that as long as property taxes remained low the Black Belt coalition had no reason to interfere with industrial development efforts. Even so, the effects of the agricultural lobby were visible in the type of industry the state was able to recruit. The long-term underfunding of education that grew out of those low property taxes had constraining effects on what industry could be

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<sup>11</sup> "A Story of the Alabama Farmers Federation," ALFA <http://alfafarmers.org/about/history/> [accessed 27 July 2017].

successfully attracted to Alabama. Time and again, industrial boosters would turn to low- and semi-skilled industries that relied on cheap labor.

Industry and commerce in Alabama reached mature development in the area around Birmingham, where a major coal and iron industry began to develop in the 1880s. Blessed with an abundance of coal and iron ore, the Birmingham area experienced major growth as Northern investors began to infuse capital into its economy. By the turn of the twentieth century, Birmingham had become the iron and coal production capital of the South. Birmingham grew so rapidly during this time period that it earned the nickname “Magic City” because of the pace of its expansion.<sup>12</sup> The most powerful firm in Birmingham was the Tennessee Coal and Iron Company, which became a subsidiary of the massive United States Steel Corporation in 1907. TCI’s Fairfield Works were the industrial nucleus of the city, and the company owned much of the rest of the coal, iron, and other mines located around the city.<sup>13</sup> The Great Depression dented Birmingham’s fortunes, but the huge spike in demand for steel and coal driven by World War II put the city’s industry back on solid ground. Birmingham seemed poised to become one of the South’s leading cities after the war, but it soon stagnated and entered a long period of decline. This stagnation occurred for several reasons: the opposition of vested interests to new development, racial segregation, and a widespread negative perception of the city because of the turmoil associated with the Civil Rights movement.

TCI-U.S. Steel and the firms that depended on the huge steel company dominated the economy of Birmingham. They had such outsized influence that they were able to

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<sup>12</sup> “About Birmingham,” City of Birmingham <https://www.birminghamal.gov/about/> [accessed 27 July 2017].

<sup>13</sup> Marlene Hunt Rikard, “Tennessee Coal, Iron, and Railroad (TCI)” *Encyclopedia of Alabama*, 16 September 2015 <http://www.encyclopediaofalabama.org/article/h-2328> [accessed 14 August 2017].

block further economic development within the city and its metro area. This occurred numerous times during the 1950s and '60s, when other businesses were discouraged from building factories in and around Birmingham by TCI representatives and their cronies in public office. In his study of Birmingham's metropolitan growth and development, historian and demographer Charles E. Connerly documented numerous instances of TCI and its allies discouraging new investment in the area.<sup>14</sup> It may seem counterintuitive that local businesspeople would discourage new investment, but their reasoning was relatively simple. The Big Mules had grown used to dictating the price of labor in Birmingham, which was cheap, plentiful, and primarily nonunion. TCI had unquestioned dominance over city decision-making and business life, to the point that even the local Chamber of Commerce was unwilling to seek new investment.<sup>15</sup> Any new factories or mills threatened to upset the profitable arrangement achieved by TCI. This ultimately backfired on the city. When the coal and metalworking industries in Birmingham began to decline, there was little else to fall back on. The city shed jobs, aided by white flight after the decline of segregation. By the 1970s, Birmingham had clearly fallen behind Nashville, Atlanta, Dallas, and other leading cities of the Sunbelt South. Nashville had its music recording studios, which gradually swelled into a multi-pronged culture industry dedicated to exporting Southern culture to the rest of the world. Dallas was riding a gusher of oil money, on its way to becoming the Southwest's media and financial capital. Atlanta's combination of racial détente, successful infrastructure investments, and major

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<sup>14</sup> This included widespread reports that both Ford Motor Company and General Motors were discouraged by Big Mule surrogates from setting up factories in and around Birmingham; both companies would eventually establish factories near Atlanta in the 1940s. Although Connerly did not uncover decisive evidence that TCI was behind these decisions, it seems likely that the company's influence played a part. Charles E. Connerly, *"The Most Segregated City in America": City Rights and Civil Planning in Birmingham, 1920-1980* (University of Virginia Press, 2005):170-172.

<sup>15</sup> *Ibid.*, 173.



corporate headquarters had helped it seize the title of the South's premier global city. Birmingham was left with a thicket of decaying industries and an ugly history of violence and oppression, soon to become a byword for dysfunction and mismanagement.

This is not to say that the Big Mules were entirely successful in their attempts to thwart new industries across the state. After 1949, the Birmingham industrial cabal increasingly lost ground in its efforts to obstruct new development outside of the metro area. Beginning that year, new laws made it easier for municipalities to recruit local industries by offering incentives. Much of this came about because of efforts by future governor George Wallace to aid a newly powerful municipal lobby, as well as then-Governor Jim Folsom's desire to overcome the power of the Big Mule and agricultural interests. The passage of these laws demonstrated the limits of the Big Mule lobby, as well as the ever-present tension between Alabama's populist and conservative political traditions. The resulting new legal regime would prove to be vitally important to Wallace's two-and-a-half decade dominance of the state's political life.

### **The Wallace and Cater Acts**

The Wallace Act and the Cater Act (commonly referred to jointly as the Wallace-Cater Act) are two laws passed by the Alabama State Legislature intended to promote industrial development within the state.<sup>16</sup> Passed in 1949 and 1951, respectively, these laws authorized nonprofit public corporations and municipalities to issue tax-exempt bonds for the purpose of developing local industrial sites. The income derived from these bond sales is used to purchase land, pay for infrastructure improvements, and construct facilities necessary for industry. They are still in effect today, although other laws have

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<sup>16</sup> The following selection under this subheading is adapted from: John Mohr, "Wallace and Cater Acts," *Encyclopedia of Alabama* 15 January 2016 <http://www.encyclopediaofalabama.org/article/h-3747> [accessed 30 July 2017].

supplemented the ability of municipalities to offer incentives to industrial developers. Costs of these infrastructure improvements are repaid through rents from industries using the facilities. These laws have been responsible for increasing industrial development in Alabama in the post–World War II period, but the use of industrial bonding and incentives has been the subject of criticism since their inception. Most importantly, these laws were the backbone of George Wallace’s effort to shape industrial policy in the state. Throughout his career, he would refer back to the Wallace Act as one of his proudest achievements. The history of these laws is tightly interwoven with Wallace’s populist style of campaigning and governing. The factories built under the auspices of these acts were major sources of prestige for Wallace and a significant part of the power structure he developed.<sup>17</sup>

The Wallace and Cater Acts were borne from a desire among local political leaders and progressive politicians to diversify the state's economy in the years after the massive job losses of the Great Depression. The success of New Deal programs such as the Works Progress Administration and the growth of defense spending during World War II prompted many Southern politicians and business leaders to be more receptive to using government power to improve the economic outlook of their communities. Alabama businessmen outside of Birmingham, local politicians, and legislators were inspired by Mississippi's Balance Agriculture With Industry (BAWI) program, established under the 1936 Mississippi Industrial Act. This act provided state incentives to manufacturing companies to locate in Mississippi, stimulating investment by manufacturers and leading to the establishment of new factories and industrial plants. It directly inspired both the Wallace and Cater Acts, which closely copied its structure.

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<sup>17</sup> James C. Cobb, *The Selling of the South*, 89.

The Cater Act, officially known as Alabama Act Number 648, was sponsored by Sen. Silas D. Cater of Montgomery County and signed into law in 1949.<sup>18</sup> The Act received major support from the Alabama League of Municipalities, a powerful interest group representing urban commercial interests across the state. Ed Reid, the leader of that group, was an early backer of George Wallace who would go on to become an important ally.<sup>19</sup> The law allowed municipalities to set up nonprofit public corporations known as industrial development boards. These corporations were given boards of directors composed of prominent local citizens appointed by the municipality. These corporations would seek to stimulate industrial development through the issuance of tax-free bonds. The funds from these bond sales could be used to engage in any project deemed necessary to attract companies, such as buying land, constructing roads, and even building factories. The public corporations were forbidden, however, from operating industries themselves and from using tax money to engage in improvements. Municipalities were not required to enter into a contract with a company before beginning improvements. This meant that municipalities could build facilities first and then use them to lure industries to the community.

The Wallace Act, known formally as Alabama Act Number 756, was sponsored by future governor George Wallace.<sup>20</sup> Wallace, then an Alabama House representative from Barbour County, closely emulated the Cater Act in drafting his bill. Ed Reid and the Alabama League of Municipalities were as heavily involved in the creation of this law as the Cater Act. In a photograph originally appearing in the *Montgomery Advertiser*,

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<sup>18</sup> *Acts of Alabama 1949*, S. 518, pgs 991-998.

<sup>19</sup> Jeff Frederick, *Stand Up For Alabama: Governor George Wallace* (Tuscaloosa, AL: University of Alabama Press, 2007): 44.

<sup>20</sup> *Acts of Alabama 1950-51*, "Act 756," 1307-1312.

Wallace watched as his chief political inspiration, Governor Jim Folsom, signed the law in 1951.<sup>21</sup> In purpose and intent, the Wallace Act was quite similar to the Cater Act. Its chief innovation was that it allowed municipalities to directly engage in selling bonds to stimulate development instead of relying on industrial development boards.

Municipalities were still forbidden from using tax money to incentivize industries, and bonds could only be repaid with revenues derived from rents paid by private companies on property developed with bond proceeds. Municipalities were also required to obtain an agreement with an interested company before issuing any bonds to pay for infrastructure. In later years, especially during his many campaigns for the governorship, Wallace and his supporters would point to the Wallace Act as his seminal legislative achievement.

Wallace argued that the Wallace and Cater Acts had brought substantial new industries to Alabama and many jobs in his gubernatorial campaign advertising.<sup>22</sup> This included a Uniroyal tire plant in Opelika, Lee County, and numerous garment, food processing, and manufacturing plants.

In terms of their structure, the Wallace and Cater acts were conceived as a workaround to a specific provision in the state's 1901 constitution. Article 213 expressly forbids the state government from incurring debt, with a few limited exceptions. Article 213 only allowed the state to borrow a relatively small sum of money (\$300,000) to cover budget shortfalls, or to raise funds in the event of an insurrection or invasion.<sup>23</sup> There were several reasons that the Bourbon Democrats inserted this provision. The state had issued a large amount of debt to fund various infrastructure projects and social programs

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<sup>21</sup> Dan T Carter, *The Politics of Rage: George Wallace, the Origins of the New Conservatism, and the Transformation of American Politics*, 2<sup>nd</sup> ed (Baton Rouge, LA: LSU Press, 2000).

<sup>22</sup> "Opelika speech kicks off new Wallace drive," *Opelika Daily News*, 9 October 1970.

<sup>23</sup> Alabama Constitution of 1901, Article 213 <http://law.justia.com/constitution/alabama/CA-245756.html> [accessed 31 July 2017].

during Reconstruction, and the planter classes wished to prevent this from ever happening again. It was also intended to be yet another mechanism for ensuring the power of the Black Belt over progressives and industrial interests in the northern part of the state. The ban on issuing debt and a low cap on property taxes meant that it was difficult for progressives to find money to supplement infrastructure, fund education, or promote industrial development. By keeping tax revenue low, the Black Belt coalition believed that it would be able to keep Alabama's government weak and industrial development at bay indefinitely. The ban on issuing debt and other provisions that capped tax collection created a state that was unequipped to deal with the challenges of modern government. Even Governor Emmet O'Neal, a staunch white supremacist, recognized as early as 1915 that the constitution was fundamentally deficient and called for it to be revised.<sup>24</sup> Reform efforts failed, and Article 213 became a legal headache that would crop up again and again over the next century. During and after the Mercedes deal negotiations in 1993, Article 213 emerged as a legal obstacle that threatened to undermine the agreement. This provision in the constitution would eventually lead to the entire deal being restructured, with the state being forced to borrow money at a punitive rate of interest to pay Mercedes incentives. It was not until Alabamians ratified Amendment 666 in 2000 that this provision would be overruled to explicitly provide general tax money for industrial incentives.<sup>25</sup>

Despite their economic benefits, the Wallace and Cater Acts have faced criticism since their passage that continues up to the present day. In the initial debates on these

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<sup>24</sup> William H. Stewart, "The Tortured History of Efforts To Revise the Alabama Constitution of 1901," *Alabama Law Review* 53 no. 1 (2001): 295-297.

<sup>25</sup> Alabama Department of Finance, "State Debt," <http://finance.alabama.gov/content/pdf/StateDebt.pdf> [accessed 31 July 2017].

laws, politically conservative legislators criticized both Acts as "socialistic" in nature.<sup>26</sup> Legislators from Jefferson County (the Birmingham area) led the resistance against the Wallace Act. They were part of a small minority: the Act passed the Alabama House fifty-five to four and the Senate twenty-four to seven.<sup>27</sup> Publically, the Jefferson County legislators argued that the creation of public corporations to promote development and conduct bond sales constituted inappropriate government interference in the marketplace. They argued that these measures handicapped existing industries by providing an unfair competitive advantage to newcomers. It is tempting to write off the Jefferson County legislators as mere tools of Big Mule power, but their objections were not entirely unfounded in economic reality. Indeed, there is evidence that new plant incentives did damage the competitive position of long-tenured industries.

The debate over what constituted a level playing field reignited in the 1990s, after the appearance of Project Rosewood and its related incentive law.<sup>28</sup> The criticism was especially pointed in regards to aiding new plants that were direct competitors for existing industry. State aid to the Trico Steel Mill project near Decatur drew considerable objection from U.S. Steel, who argued that the mill would undermine USS's operation in Birmingham.<sup>29</sup> When ThyssenKrupp AG sought state incentives to build a new steel-processing facility near Mobile in 2007, critics again charged that the plant would undermine the state's existing steelmakers. ThyssenKrupp received over a billion dollars in state and local incentives to build the plant. Despite this eye-popping public

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<sup>26</sup> Stephan Leshner, *George Wallace: American Populist* (New York, NY: Addison Wesley, 1994): 86-87.

<sup>27</sup> Anne Permaloff and Carl Grafton, *Political Power in Alabama: The More Things Change...* (Athens, GA: University of Georgia Press, 1995): 42.

<sup>28</sup> *Ibid.*, 43.

<sup>29</sup> Stan Diel and Robert Dunnivant, "Trico needs quick vote of lawmakers," *Birmingham News* 5 May 1995.

investment, ThyssenKrupp never made money at the plant. Its business strategy was dramatically undermined by the 2008-09 recession, and by 2014 ThyssenKrupp had sold the plant to a coalition of other steelmakers at a loss of billions of dollars.<sup>30</sup> U.S. Steel closed its blast furnace in the Birmingham suburb of Fairfield in 2015, costing nearly 2,000 jobs.<sup>31</sup> Although U.S. Steel officially cited long-term changes in the global economy as the primary reason for the closure, company officials had repeatedly expressed concerns in public and private that state incentive packages for new industries were undermining the competitiveness of the Fairfield works. In a 1995 letter to Business Council of Alabama president Henry Mabry (which was later circulated amongst James administration personnel), a representative of USX argued that the “Mercedes law” was hurting established businesses. “We believe that our employees and their families should not have to suffer the injustice of underwriting with their tax dollars the recruiting of a facility which has the potential to rob them of their jobs because of unfair tax advantages.”<sup>32</sup> The representative pointed to U.S. Steel’s investment of over a billion dollars into the Fairfield works in the early 1980s, which had not received any preferential tax treatment or other incentives.<sup>33</sup> Although the weakness of the global economy in 2009 played the largest role in the Fairfield works’ closure, it is clear that unequal treatment of capital investment by the state contributed to the declining economic viability of the site.

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<sup>30</sup> John Mohr, “AM/NS Calvert,” *Encyclopedia of Alabama*, 1 August 2016  
<http://www.encyclopediaofalabama.org/article/h-3750> [accessed 1 August 2017].

<sup>31</sup> Kelly Poe, “U.S. Steel closing blast furnace at Fairfield permanently,” AL.com, 17 August 2015  
[http://www.al.com/business/index.ssf/2015/08/us\\_steel\\_closing\\_blast\\_furnace.html](http://www.al.com/business/index.ssf/2015/08/us_steel_closing_blast_furnace.html) [accessed 15 August 2017].

<sup>32</sup> Steven N. Sobot Letter to Henry C. Mabry, January 24, 1995, Box SG014281, Folder 14 (ADAH).

<sup>33</sup> Steven N. Sobot Letter to Henry C. Mabry, January 24, 1995, pg. 2.

Other critics pointed out that the Wallace and Cater Acts had a distorting effect on local tax revenue. The exemptions granted to numerous companies meant that new industries often contributed little to the local tax base, hampering local efforts to provide services such as education and medical care. Indeed, Alabama's per-capita spending on education continues to be well below the national average, despite the arrival of many new factories and plants that should have theoretically increased the tax base.<sup>34</sup> The issuance of special tax exemptions on top of those provided by the Wallace and Cater Acts have compounded this problem. The under-funding of education in particular proved to be a flashpoint in the debate over Mercedes.

George Wallace and his allies frequently presented industrial incentivization as the best means of providing economic security and advancement for Alabamians. The reality is that many of the companies induced by the incentives to locate in Alabama were low-wage, low-skill industries, such as pulp and paper mills and chicken-processing plants. The Wallace administration, as well as other Southern governors, repeatedly leveraged the cost advantages of the region's mostly poor, nonunion labor force in their effort to recruit new industry to their states.<sup>35</sup> Needless to say, these industries did not offer many opportunities for advancement or long-term prosperity. Alabama continued to lag the rest of the nation in real per-capita income.<sup>36</sup> The labor-intensive industrial companies recruited under the auspices of the Wallace and Cater acts also proved vulnerable to foreign competition. In the 1970s and 1980s, many of the industries recruited with incentives closed and relocated overseas. The garment and textile industry

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<sup>34</sup> United States Census Bureau, "Annual Survey of School System Finances: Fiscal Year 2014," 14 June 2017 <https://www.census.gov/programs-surveys/school-finances.html> [accessed 1 August 2017].

<sup>35</sup> Cobb, *The Selling of the South*, 96-121.

<sup>36</sup> Frederick, *Stand Up For Alabama*, 324.



was among the hardest hit. By the middle of the 1980s, waves of closures had devastated the industry and pushed Alabama's unemployment level to among the highest in the nation.<sup>37</sup>

Despite the questions surrounding these incentives, their use has persisted. In the 1990s and 2000s, the Alabama Senate and House of Representatives passed more laws allowing the state and municipalities to issue tax abatements to attract new industries, including automobiles, aircraft, and steel manufacturing. Mercedes, Hyundai, Honda, and Toyota all built new facilities in the state after being offered incentives worth many millions of dollars. Without a doubt, these investments had some obvious salutary effects. When Mercedes announced its decision to locate near Tuscaloosa in 1993, the company was entering a state that had never had an automobile assembly plant of any consequence. By 2016, vehicles had become the state's number one export by value. Over a million cars and many millions more parts were exported, a \$9 billion industry responsible for around 57,000 jobs.<sup>38</sup> The influx of auto-related jobs helped to alleviate the suffering of communities such as Tuscaloosa and Opelika, who had seen their longstanding industries vanish in successive waves of deindustrialization.

Yet despite these successes, Alabama as a whole has not escaped its longstanding problems with poverty and underdevelopment. In terms of quality of life and individual economic success, Alabama continues to be at or near the bottom of American states. Critical measures of economic health such as labor force participation, unemployment, and per-capita income are consistently ranked in the bottom ten for all American states. Coupled with consistent bottom-five finishes in other categories like quality of education,

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<sup>37</sup> Flynt, *Alabama In the Twentieth Century*, 144-145.

<sup>38</sup> Alabama Department of Commerce, "Automotive," *Made in Alabama* <http://www.madeinalabama.com/industries/industry/automotive/> [accessed 1 August 2017].

access to healthcare, and government accountability, there is abundant evidence that Alabama is seemingly unable to break out of a cycle of poverty and underachievement.<sup>39</sup> This begs the question as to why industrial incentives have remained such a consistent feature of Alabama political life up to the present day. If industrial incentives have mostly failed to improve the state's standard of living, why have they remained so consistently popular with politicians and the public? If economic and social transformation had not resulted from previous waves of incentivization, why did Alabama lawmakers hand over \$250 million in guarantees to Mercedes-Benz? Several historians and social science researchers have offered their own theories as to why Alabama (and Southern states in general) are willing to offer so much treasure in the quest to land auto plants.

### **Historiographical Perspectives on Incentivization**

In *The Selling of the South*, James C. Cobb argues that the dire economic necessity of the Great Depression was the catalyst for renewed attempts to bring new industry southwards.<sup>40</sup> The slow collapse of the sharecropper agricultural economy put severe pressure on Southern states, both fiscally and socially. As discussed previously, conservative agricultural interests in the south were losing influence as industrial cities like Birmingham and a new class of progressive Democrats gained in importance. Mississippi's "Balance Agriculture With Industry" program, implemented in 1936, was the first of a new breed of systematic state incentive schemes designed to lure industry to depressed regions in the South.<sup>41</sup> The extreme poverty associated with the Depression

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<sup>39</sup> McKinsey and Co., "U.S. News and World Report States: Alabama," <https://www.usnews.com/news/best-states/alabama> [accessed 1 August 2017].

<sup>40</sup> Cobb, *The Selling of the South*, 1-5.

<sup>41</sup> *Ibid.*, 5-8.

and early twentieth century agricultural turmoil provides a solid answer as to why these schemes were first implemented. Progressive business leaders were willing to tolerate and even encouraged state aid to industry up through World War II, even if the leaders of the largest concerns (such as TCI in Birmingham) turned against subsidies in the postwar era. What poverty alone cannot explain is the persistence of incentivization after the war, at a time when the national economy was generally expanding and the established business class increasingly frowned on attempts to bring new plants southward. As Cobb himself notes, numerous studies have failed to reach any consensus that subsidies and promotion schemes were the deciding factor in the vast majority of postwar industrial relocations. The cost of labor, availability of raw materials, presence of markets for goods, and cost of energy all appear to have been more important factors.<sup>42</sup> Why, then, did industrial recruitment efforts persist if there was limited evidence to support their efficacy? Cobb argues that the intense competition for investment in the South during the 1950s and '60s put state governments in a bind:

In the midst of heated competition for industry a state or community that did not engage in extensive promotional activity was likely to be labeled indifferent or antigrowth. Such a reputation, no matter how undeserved, was extremely difficult to disprove... Once publicly-supported efforts to seduce, subsidize, and otherwise accommodate new industry became the norm, leaders of industry-hungry states and communities had little choice but to participate.<sup>43</sup>

Cobb is arguing for a version of what economists have long dubbed the market leader problem. Market actors (in this case, Southern states) are often forced to follow the lead of dominant interests if they wish to maintain relevance. Cobb cites Louisiana as a state

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<sup>42</sup> Cobb, *The Selling of the South*, 212-213.

<sup>43</sup> *Ibid.*, 228.

whose reputation suffered when it did not engage in industrial promotion efforts to the same extent as its neighbors.<sup>44</sup>

Cobb's reasoning as to why "the selling of the South" persisted is reasonable, but there are further considerations at play. As Cobb notes, studies attempting to assess why industry relocated to the South have tended to focus on quantitative economic factors.<sup>45</sup> Those studies cannot necessarily be read back onto the political class of the South (governors, legislators, and other public figures) as indicative of why they persisted in their industrial recruitment efforts. In a purely quantitative effort to understand these actions, there is no room for such factors as politically symbolic actions. Industrial recruitment deserves to be considered in the same light as other state policies of that era. Consider George Wallace's infamous "stand in the schoolhouse door," an action that was clearly doomed in its surface objective (to prevent the integration of the University of Alabama) but which in reality served the much more important purpose of demonstrating Wallace's principles to his constituency.<sup>46</sup> Why not apply this symbolism to our understanding of industrial recruitment? This seems especially obvious in light of the political career of Wallace, who interwove his state's industrial recruitment efforts with his own electioneering. This included the 1968 presidential election, when Wallace claimed his job-creation efforts had benefitted both black and white citizens in an effort

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<sup>44</sup> Cobb, *The Selling of the South*, 132-133, 228.

<sup>45</sup> *Ibid.*, 224-227.

<sup>46</sup> Carter, *The Politics of Rage*, 133-155 . One may also wish to consider the career of suspended Alabama Supreme Court Justice Roy Moore, a populist in the vein of Wallace. After twice being suspended from the Alabama Supreme Court for defying federal orders on the Ten Commandments and same-sex marriage, Moore is now on the cusp of being elected United States Senator.

to soften his image.<sup>47</sup> Other scholars have drawn more explicit parallels between the role of political power and industrial incentives.

In a political science dissertation registered at Auburn University in 1998, Johnny R. Green argued that the successful campaign to land Mercedes-Benz was just another manifestation of Big Mule power.<sup>48</sup> In Green's view, large landowners have never relinquished their dominant grasp on Alabama political life since the state was founded in 1819.<sup>49</sup> He charts the history of the Big Mule-Black Belt coalition (referring to large landowners as "Plantation Inc."), and finds that despite the increasing animosity of the two groups, landed interests have managed to remain in the driver's seat on public policy. Even as more progressive businessmen clamored for increased industrial development, they were unable to challenge the constitutional provisions that gave landed interests the ultimate say over state pursestrings.<sup>50</sup> The inability to enact fundamental constitutional reform since 1901 means that the interests of the landed class are protected, regardless of what efforts are made to subsidize industrial development. Plantation Inc. could afford to be "ambivalent" about industrial subsidies, confident in the knowledge that funding for such efforts would not come in the form of property tax increases.<sup>51</sup> This dynamic was repeated during the negotiation of the Mercedes deal. In Green's words, "More than any other explanation as to why the large landowning interests did not block the Mercedes package, was that *the incentive package did not alter the distribution of power or the*

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<sup>47</sup> Marianne Worthington, "The Campaign Rhetoric of George Wallace in the 1968 Presidential Election," *The Upsilonian* vol. 4 (Cumberland College, Summer 1992) <http://www.ucumberland.edu/downloads/academics/history/vol4/MarianneWorthington92.html> [accessed 16 May 2017].

<sup>48</sup> Johnny R. Green, "The Big Mules and Mercedes-Benz: Applying Regime Theory to Alabama's Modern Political Economy," PhD Diss (Auburn University, 1998).

<sup>49</sup> *Ibid.*, iv-v.

<sup>50</sup> *Ibid.*, 140-141.

<sup>51</sup> *Ibid.*, 137-142.

*power relationships between and among members of Plantation Inc.* [emphasis in original]”<sup>52</sup> In this view, Project Rosewood was nothing more than the continuation of a long-running power dynamic where large landowners set the terms of every political issue.

Green’s observations about the constitutional protections for large landowners and their outsize influence on the political system are generally valid. No one seriously disputes that Alabama property taxes are artificially low, or that large landowners have historically had outsize influence on the political system. Even so, Green’s analysis is missing too much nuance to successfully explain why Mercedes was even recruited in the first place. For one, his analysis largely ignores that populists have been in control of the governorship of Alabama in the twentieth century more often than they have not. Beginning with Bibb Graves in the 1920s, those populists have generally been unafraid to clash with the prerogatives of economic elites if they felt that this would advance their own power or increase their popularity with constituents. Graves succeeded in passing substantial progressive legislation during his two terms in office, despite the vehement opposition of much of the business and agricultural establishment. Jim Folsom Sr. aggressively pushed numerous reform efforts that antagonized agricultural and business interests in the late 1940s and 1950s, although he struggled to achieve his policy goals.<sup>53</sup> George Wallace took a hard tack on segregation at a time when many in the state’s economic elite were calling for moderation. That stance alienated Alabama’s upper class, but it played well with Wallace’s base.<sup>54</sup> Every one of these governors was constrained by the state constitution, Supreme Court, and a legislature that tended to skew

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<sup>52</sup> Green, “The Big Mules,” 144.

<sup>53</sup> Permaloff and Grafton, *Big Mules and Branchheads*, 246.

<sup>54</sup> Cobb, *The Selling of the South*, 138-139.

conservative. Even so, they were able to build substantial political capital and accomplishments on the strength of their populist appeals.

The same was true for the industrial recruitment efforts that Wallace spearheaded. These were a fundamentally populist project, one designed to appeal directly to constituents and to provide a wedge against long-tenured economic interests in the state. Green demonstrates that the established agricultural and industrial interests of the state were indifferent at best and hostile at worst to the use of industrial incentives to recruit new plants.<sup>55</sup> If this is the case, then it does not make sense to characterize incentives as an outgrowth of monolithic elite control of government. Why would these elites allow incentives programs to flourish if at best they had no stake in their success, or at worst were actively harmful to their interests? By effectively exonerating the Big Mules and Plantation Inc from complicity in the development of these programs, Green has actually introduced a gap in our understanding. Without the backing of established elites, there is no “there” there to explain why industrial recruitment programs were developed and pursued with such vigor. The reality is that industrial recruitment was fundamentally a populist project, one designed to connect directly with voters. Wallace’s constant campaign focus on the number of jobs he claimed to have created reinforces this perception. Every governor since Wallace has attempted to emulate the same model, even if it came at the expense of antagonizing groups like ALFA and the Birmingham steelmakers. Jim Folsom Jr. inherited the populist legacy of his father and Wallace, and the Mercedes project should be viewed in that light.

In conclusion, it is clear that there is a need for a better explanation of why Mercedes and other industrial plants were recruited to Alabama. Providing a more

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<sup>55</sup> Green, “The Big Mules,” 137-141.

nuanced integration of social, political, and economic history can help. There is also the possibility of drawing on theoretical approaches that originate outside of those three subdisciplines. In particular, theories from the history of technology and global history can help us to understand the arrangement and exercise of power in Alabama. In recruiting Mercedes to Alabama, populist political leaders followed in the footsteps of many other twentieth-century rulers in marrying politics to high technology. Alabama populists tried to use Mercedes as a springboard to the kind of transcendent development that the state desperately needed. Despite that desire, they were simultaneously operating under systemic constraints that made those goals impossible to achieve.

### **Understanding Involution: A Theory of Development**

To understand the pervasive persistence of the incentive system in Alabama and other Southern states, it helps to look outside of scholarship devoted exclusively to that region. World historians and historians of technology have proposed models that are useful for understanding the persistence of incentives and the constant desire of populist leaders to recruit new industry.

“Involution,” a term popularized by the Chinese historian Philip Huang, refers to a general concept that is quite useful for understanding the development path of the South in the twentieth century.<sup>56</sup> Huang’s study, *The Peasant Economy and Social Change in North China*, was an attempt to answer, albeit indirectly, the question raised by the late sinologist and historian of science Joseph Needham. Considering Imperial China’s size, population density, natural resources, tradition of stable government, highly developed intellectual culture, and well-documented achievements in science and technology,

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<sup>56</sup> Philip Huang, *The Peasant Economy and Social Change in North China* (Stanford, CA: Stanford University Press, 1985): 8.



Needham asked why a full-scale industrial revolution had failed to develop in the Far East long before it did in Britain.<sup>57</sup> Huang, borrowing a term from the historian Clifford Geertz, argues that the peasant economy in China became “involved.” Instead of transitioning to a fully capitalist, commercialized farming economy, Huang argues that Chinese family peasant farms simply became more labor intensive even as the marginal product of that labor decreased.<sup>58</sup> Harder work enabled Chinese peasants to get more out of the land, but the surplus was mostly pushed back into population gains rather than increased investment in labor productivity. In a country dependent on labor-intensive crops grown on near-subsistence family farms with little access to draft animals, it made sense to have the largest family possible. The small population of relatively wealthy peasants that owned larger farms and employed wage labor to produce commercial crops never reached the level of concentration that it did in Europe. As a result, the Chinese population increased, but agriculture largely failed to become more labor efficient and most peasants lived a subsistence lifestyle.<sup>59</sup>

By the end of the nineteenth century, this system appears to have reached its breaking point. Limited commercialization of farming during this period increased pressure on poor peasants, who were caught between working for inadequate wages and continuing to operate their own farms at a sub-subsistence level.<sup>60</sup> The period of turbulent upheaval beginning with the Taiping Rebellion and stretching through the Communist revolution was at least partially related to this involution of the Chinese peasant

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<sup>57</sup> Justin Yifu Lin, “The Needham Puzzle: Why The Industrial Revolution Did Not Originate in China,” *Economic Development and Cultural Change*, 43 no. 2 (January 1995) <https://public.wsu.edu/~hallagan/EconS391/weeks/week1/needham.pdf> [accessed 20 August 2017].

<sup>58</sup> Huang, *Social Change*, 8.

<sup>59</sup> *Ibid.*, 293-296.

<sup>60</sup> *Ibid.*, 296-297.

economy.<sup>61</sup> Huang stressed that this development was not “illogical” in nature; peasant behavior was still attuned to maximize survival within the given calculus of their existence.<sup>62</sup> Huang points to several factors that could help explain the divergence between the English model of agricultural development and Northern China. In England, aristocratic landlords gradually dismantled the feudal peasant economy and commercialized farming to the extent that the English agricultural peasantry effectively ceased to exist.<sup>63</sup> By contrast, the Chinese Imperial state deliberately encouraged the persistence of peasant agriculture for as long as it was able. Confucian ideals, an aversion to merchant activity, and underdeveloped trade are other factors that help explain the continuation of the peasant economy. Other historians, such as David Landes, have observed how the cultural proclivities of the imperial Chinese state tended to produce a stable but stagnant society.<sup>64</sup> Yet, Huang argues, the fundamental problem is one of capital accumulation. The Chinese peasant economy worked well in its given setting, but it was not set up to accumulate capital in the manner of Western European economies.<sup>65</sup> That lack of long-term investment helped doom China to become a victim of Western imperial power in the nineteenth century.

At first blush, it may be difficult to see how Huang’s work relates to the development of the auto industry in the Southeastern United States. To understand the comparison, it is necessary to strip away the particularities of Huang’s work and reduce it to a formal model. In the system Huang describes, a society follows a development path

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<sup>61</sup> Huang, *Social Change*, 293.

<sup>62</sup> *Ibid.*, 296.

<sup>63</sup> *Ibid.*, 9.

<sup>64</sup> David Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor* (New York, NY: W.W. Norton, 1999): 335-349.

<sup>65</sup> Huang, *Social Change*, 300-301.

that seems illogical to an outsider. Within that society, the same solution (peasant farming) is applied to the same problem (namely, basic subsistence) over and over again and with greater and greater intensity. This occurs despite the fact that the solution appears to be either producing a stagnant or degenerating standard of living for the great majority of the population, even as more energy and materials are poured into its application (in other words, it generates diminishing marginal returns). Yet, on closer examination, it becomes apparent why the system continues to persist. Without an accumulation of capital (which can be understood as human, intellectual, or monetary), there is nothing to invest in improving the system's performance at a fundamental level. Furthermore, the society's institutions are all geared toward continuing the system and optimizing its performance using known techniques. Involved systems can thus persist for a long time before they encounter insurmountable problems. Government, institutions of learning, and various experts and bureaucrats promote the continuation of the involved system; they actively oppose revolutionary or transformational change. The desire of elites to preserve their position is nothing surprising, but there are practical reasons for the peasantry or working class to go along with this reasoning as well.

In an economy operating at the margins of subsistence, every experiment is potentially fatal. From the perspective of survival, it makes more sense to continue using imperfect known techniques that work most of the time than to adopt revolutionary new methods with a high risk-reward ratio. The wisdom of this reasoning has been demonstrated time and again throughout world history, as James C. Scott and numerous other scholars can attest.<sup>66</sup> Yet, even the most stable involved system is highly

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<sup>66</sup> James C. Scott, *Seeing Like A State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven, CN: Yale University Press, 1998).

vulnerable. If involution continues indefinitely, the growth of the system will eventually reach a breaking point. A crisis such as a drought or a war will fatally destabilize a system already stretched thin for resources. Lastly, the appearance of a better-equipped, more highly developed external rival (such as an imperial military power or a competing industrial economy) may doom the involuted society once the rival begins to throw its weight around. When that happens, the collapse of the involuted system is often disruptive and enormously costly.

Now consider the involution concept as it applies to attempts to recruit automobile plants to the American South, specifically Alabama. By the time that the Mercedes deal was announced in 1993, Alabama had the characteristics of an involuted society. Relative to most other American states, Alabama was poor. It no longer had an economy based on peasant farming, but most of its industrial development was in low-wage processing and extractive industries. The owners of many of those industries were located outside of the state, primarily in the North. Successive waves of state subsidies and incentives packages had failed to break the cycle of underdevelopment. However, incentives were at least credited with the provision of stable industrial jobs that enabled Alabamians to eke out a living. As other regions of the United States developed greater accumulations of intellectual, physical, and monetary capital, Alabama was left behind. In fact, the plight of the average Alabamian intensified during the 1970s and '80s, when many employers in the metallurgical and textile industries began to close. As a result, there was a renewed sense of urgency among the state's governing elite to promote economic development. However, this did not result in fundamental reform to the state's ailing education, taxation, or governing systems. There were major obstacles to such

reform, ranging from the state constitution to the opposition of established stakeholders such as ALFA and the Big Mules. Alabama politicians of multiple ideological backgrounds instead fell back on the time-tested method of industrial incentives. The scale of the deal was unprecedented, but the methods and reasoning behind it were not. The Mercedes deal was pitched as transformational, but it actually followed a longstanding pattern characteristic of Alabama's involuted economy. The recruitment of Mercedes represented an extension and intensification of existing techniques and policies; much like Huang's peasant laborers trying to eke more and more out of the same patch of ground.

### **Political Regimes and High Technology**

Over the last thirty years, scholars have extensively examined many facets of the relationship between technology and political regimes. They have examined how liberal regimes deploy technology-dependent strategies such as confidential postage to maintain and enforce their legitimacy.<sup>67</sup> Others have examined how supposedly subversive or neutral technologies can be co-opted for the purpose of policing ostensibly free societies, such as CB radio and mass media.<sup>68</sup> Others have illuminated the way in which state support for fledgling technologies can have major impacts on the development of society, such as the dominance of the automobile over passenger rail in the United States.<sup>69</sup> Of greatest importance to this dissertation is the body of scholarship that focuses on how regimes deploy technology as a way to enhance and reinforce their political legitimacy.

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<sup>67</sup> Patrick Joyce, *The State of Freedom: A Social History of the British State Since 1800* (Cambridge: Cambridge University Press, 2013).

<sup>68</sup> Jeremy Packer, *Mobility Without Mayhem: Safety, Cars, and Citizenship* (Durham, NC: Duke University Press, 2008).

<sup>69</sup> Stephen B. Goddard, *Getting There: The Epic Struggle Between Road and Rail in the American Century* (Chicago, IL: The University of Chicago Press, 1994).

Numerous scholars have studied the correlation between the legitimacy of political regimes and the ability of those regimes to deploy large-scale technologies and technological systems.

The twentieth century is replete with examples of political regimes that embraced high technology as a means of impressing their own political elites, outside actors such as foreign corporations and non-governmental organizations, and their own subjects or constituents. This behavior was especially pronounced in regimes that could not easily look to traditional sources to legitimize their power, such as religion, heredity, or the backing of longstanding elites. This includes revolutionary regimes displacing existing state structures, newly formed post-colonial states in the 1950s and 60s, and populist politicians in Western or Westernized democracies operating without the support of the so-called “Establishment” in political parties, the media, or the economy.<sup>70</sup> Of great importance is the type of technology that these regimes and political actors choose to deploy. The technologies favored by these regimes tend to be large in scale and scope, near the cutting edge of innovation, managed by a technocratic expert class, highly visible to both subject peoples and foreign observers, and above all, widely perceived as “modern.” This includes technologies of industry as well as technologies of organization.

James Scott argues that technologies of organization are important because they are often used to increase the legibility of subject populations, so as to facilitate social management and resource extraction by the state. They are also meant to transform traditional social structures in modern, sometimes revolutionary new forms.<sup>71</sup> This

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<sup>70</sup> Danielle Kurtzleben, “People Keep Talking About ‘The Establishment.’ What Is It, Anyway?” *National Public Radio*, 11 February 2016 <http://www.npr.org/2016/02/11/466049701/how-establishment-became-the-buzzword-of-the-2016-election> [accessed 22 August 2017].

<sup>71</sup> Scott, *Seeing Like a State*, 4-6.

includes social engineering experiments such as Soviet collectivization of agriculture. Collectivization was meant to transform the Russian agricultural economy and the Russian peasantry simultaneously: from “backward” practitioners of the old Tsarist order to new agents of industrialized modernity. That modernization effort was disastrous, Scott argues, because it ignored the longstanding patterns of social organization and the body of received knowledge built up over many centuries.<sup>72</sup> Yet, it persisted because collectivized farms were the key to “modern” agriculture in the eyes of Stalin and his successors. The need to appear modern and to reinforce the power of the state to direct change overrode the fact that Soviet farms proved to be far less productive than those in the capitalist West. Technologies of industry can also have a transformational effect, albeit in a more indirect manner than radically restructuring the social order.

Gabrielle Hecht has studied how nuclear power became central to the identity of the postwar French state.<sup>73</sup> After the national humiliation of World War II, French elites sought redemption in the national embrace of nuclear technology. Nuclear power (and eventually, atomic weapons) became crucial pillars of the postwar order, restoring the “radiance of France” by demonstrating the technological bona fides of the nation on an international stage. This went as far as the “nationalization” of nuclear technology, when French scientists modified reactor designs in ways that made them unique to the country.<sup>74</sup> This embrace of high technology changed the very landscape of France. As Hecht writes, “it is scarcely possible to imagine what France might look like today without a nuclear industry. North to south, east to west, nuclear places permeate the

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<sup>72</sup> Scott, *Seeing Like a State*, 220-222.

<sup>73</sup> Gabrielle Hecht, *The Radiance of France: Nuclear Power and National Identity After World War II* (Cambridge, MA: MIT Press, 1998).

<sup>74</sup> *Ibid.*, 1-8.

French landscape.”<sup>75</sup> This technological transformation bolstered the claims of the Gaullist regime that France still occupied a leading role in global affairs. Hecht has also researched the African uranium industry and the links between nuclear technology and the legitimacy of post-colonial African rulers.<sup>76</sup> It is widely accepted that nuclear power and nuclear technology lend credibility to political regimes, if for no other reason than their destructive potential. The complexity, expense, and difficulty of mastering nuclear technology mean that regimes that possess it can obtain the respect of other regimes, even if the human development of the society they govern is low by world standards. However, nuclear is far from the only technological system that has been adopted by a political regime to increase its prestige and domestic legitimacy. An automotive industry is another example of a technological system that can confer an aura of modernity on a country or political regime. There are several examples of world political regimes that have sought to foster an automotive industry for this reason, among others.

In *Autos and Progress: The Brazilian Search for Modernity*, author Joel Wolfe describes how political leaders sought to foster the development of an automotive industry as a way to promote the modernization of Brazil.<sup>77</sup> Wolfe writes that in Brazil, “automobility took on an almost mythic status as the key to Brazilian national unification, social peace, and economic development... to [Brazilian] elites, the automobile was the perfect tool for bringing about progress through order.”<sup>78</sup> Automobiles also captivated the non-elite population, who widely aspired to own them as a sign of middle-class success.<sup>79</sup>

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<sup>75</sup> Hecht, *The Radiance of France*, 341.

<sup>76</sup> Gabrielle Hecht, *Being Nuclear: Africans and the Global Uranium Trade* (Cambridge, MA: The MIT Press, 2016).

<sup>77</sup> Joel Wolfe, *Autos and Progress: The Brazilian Search for Modernity* (Oxford: Oxford University Press, 2010).

<sup>78</sup> *Ibid.*, 8.

<sup>79</sup> *Ibid.*, 9, 114-115.



Successive generations of national leaders would try to implement policies that promoted the development of roads, bridges, and automobile factories as agents of modernity in Brazil. Among these leaders was Juscelino Kubitschek, who became president in 1955. Under the slogan “Fifty Years of Progress in Five,” Kubitschek pushed to make automobility and the auto industry pillars of Brazilian economic and social life. It was under Kubitschek that the Brazilian auto industry grew and expanded, as his government implemented policies aimed at expanding foreign investment in the automotive sector.<sup>80</sup> In some ways, Kubitschek’s policies mirrored those of the Ministry of International Trade and Industry (MITI) in Japan. MITI provided state direction and support to the development of the Japanese auto industry, which became a major component of that country’s postwar revival and emergence as a global economic power.<sup>81</sup>

Non-capitalist countries also developed automotive industries for many of the same reasons that Brazil did. In the Soviet Union, automobile factories were symbols of progress and modernity even though private car ownership was rare. Early Soviet leadership was highly influenced by the work of Henry Ford in the development of the assembly line, and sought to bring his success with mass production to the Soviet Union.<sup>82</sup> Lewis Siegelbaum writes that the Soviet elite embraced the automobile factory and the assembly line because of their modernist qualities, even though they questioned the place of the automobile in a socialist society.<sup>83</sup> Despite lacking the infrastructure to support mass car ownership, the early Soviet leadership invested a great deal of time and effort in its quest to build up the domestic auto industry. Siegelbaum notes that Stalin and

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<sup>80</sup> Wolfe, *Autos and Progress*, 113-143.

<sup>81</sup> Halberstam, *The Reckoning*, 17-18.

<sup>82</sup> Nye, *America’s Assembly Line*, 1.

<sup>83</sup> Lewis H. Siegelbaum, *Cars for Comrades: The Life of the Soviet Automobile* (Ithaca, NY: Cornell University Press, 2008): 2-3.

other Soviet functionaries greatly admired Detroit and Fordist production methods, and they sought to replicate them in Russia.<sup>84</sup> The Soviets created entire cities dedicated to the production of cars and trucks, with impressive factories as their crown jewels. Siegelbaum contends that, ironically, the mass production of automobiles (and specifically passenger cars) may have contributed to the undoing of Soviet socialism. As more and more cars entered private ownership, state control of property slipped. Auto parts and fuel became a major source of black market trade, and public transportation languished. The inability of the planning system to deliver quality automobiles, and the increasing dysfunction in automobile factories, contributed to the economic and social malaise that gripped the Soviet Union by the late 1970s.<sup>85</sup> Even so, automobile factories were clearly part of the Soviet plan to be as modern and forward-looking as the capitalist world.

In the next chapter, I will discuss the specifics of Alabama's embrace of Mercedes-Benz. The Mercedes deal provided an opportunity for Alabama's governing coalition to demonstrate to its constituents, and to the rest of the world, that the state was forward-looking and modern. According to those who promoted it, Mercedes would wash away the negative perception of Alabama and invite a new age of industry and development. Although Mercedes was pitched as a revolutionary turn in Alabama's fortunes, it turned out to fit a familiar pattern: development projects that failed to live up to their billing as transformational ventures.

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<sup>84</sup> Siegelbaum, *Cars for Comrades*, 2-3.

<sup>85</sup> *Ibid.*, 212-251.

### **Chapter 3: Mercedes And The Politics of Technology in Alabama**

On April 20, 1994, Alabama Governor Jim Folsom Jr. gave a speech to the Homewood Chamber of Commerce. In his address to the business leaders of that Birmingham suburb, he focused on the two topics that would define his abbreviated tenure as Governor: education reform and economic development. Those issues were “two sides of the same coin,” Folsom argued. Without improving education, economic growth would falter. Education may have been Folsom’s first priority, but he devoted the bulk of his speech to talking up an economic milestone from the previous September: the announcement that Mercedes-Benz would build a new factory in Tuscaloosa County.

“I do not believe that I am overstating the facts when I say I believe this project will change the face of Alabama’s economic future,” Folsom boldly declared.<sup>1</sup> There were good reasons to believe his claim. The presence of the German automaker signaled a change in direction for the state, which had never before had an automobile factory of any appreciable size. The prospect of billions of dollars in investment, tens of thousands of new jobs, and the imprimatur of one of the world’s oldest and most prestigious automakers had created enormous buzz within Alabama and beyond. Yet there were skeptics, who largely objected to the terms of the deal that had landed the plant: over \$300 million in incentives, of which direct payments and other taxpayer-funded expenditures were a large portion. Project Rosewood, as the deal was code-named, represented a huge expenditure by a poor state struggling to provide even a basic level of social services. Folsom responded to critics in his speech, asking his audience “Was it worth it? I’ll let you business leaders decide. You invest substantial up front money in a

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<sup>1</sup> Jim Folsom Jr., “Governor’s Remarks to Homewood Chamber of Commerce,” pg. 4, box #SG020420 (ADAH).

world class, financial[ly] sound company... You have the chance to gain worldwide positive media exposure for this state that you couldn't afford to buy... You win a contest against 75 percent of the states in this nation for the economic coup of the decade... You tell me, as business leaders, what would you have done?"<sup>2</sup> He related an anecdote of a TV news crew that had interviewed two children on the day of the Mercedes announcement. Instead of moving away to find good jobs after finishing school, the children said, now they could work for Mercedes. "I think you'd all agree that's reason enough right there to welcome Mercedes as our new corporate citizens," declared Folsom.<sup>3</sup> On the heels of that observation, the Governor laid down his ace:

For far too long our state has suffered from an out-dated image left over from the '50s and '60s... landing the Mercedes plant gave Alabama the image boost it needed in order to compete with other Sunbelt states. This has let the rest of the world know that Alabama is ready to do business on an international scale... Alabama has become an international player now and the beneficiaries of that will be your children and my children.<sup>4</sup>

The argument for Mercedes advanced by its major proponents extended beyond its immediate economic impact. Mercedes would bring a major boost in economic growth, but more importantly, it would have a transformational effect on Alabama society and its perception by outsiders. No longer would Alabama be associated with grinding poverty and the brutal newsreels of the Civil Rights era. Instead, Alabama would become a center of high-technology manufacturing with a global presence, exporting a quintessentially modern product (the automobile) to markets around the world.

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<sup>2</sup> Jim Folsom Jr., "Governor's Remarks to Homewood Chamber of Commerce," April 20, 1994, pgs. 8-9, box #SG020420.

<sup>3</sup> Jim Folsom Jr., "Governor's Remarks to Homewood Chamber of Commerce," April 20, 1994, pg. 9, box #SG020420.

<sup>4</sup> Jim Folsom Jr., "Governor's Remarks to Homewood Chamber of Commerce," April 20, 1994, pgs. 9-10.

The spark ignited by Mercedes would help Alabama overcome its legacies of poverty, racism, and oppression: time and again, the Governor, his administration, and his allies in commerce and the press would advance this narrative. They did so in the face of criticism that the state had overpaid and overcommitted to the project. The allure of industrial modernity helps explain why Alabama's political leadership largely supported the project, despite the constitutional and public-relations obstacles it faced. Even as the legal and economic obstacles to completing the deal mounted, the project's supporters pressed ahead. In the end, they succeeded in bringing Mercedes to Alabama, as well as numerous other automotive manufacturers. But the promised social transformation of Alabama society never matched its proponents' claims.

### **Industrial Populism in the Wallace Era**

Industrial recruitment and infrastructure projects were cornerstones of George Wallace's long political career. Wallace consistently identified his industrial recruitment efforts as the most important part of his legacy, arguing that his efforts had helped advance Alabama's economic development and provided jobs to its citizens. Historians have been mostly negative in their assessment of the efficacy of these efforts. Wallace biographer Dan Carter argues that Wallace's recruitment of low-wage, low-skill industries did little to alleviate the long-term stagnation and decline of Alabama's working class.<sup>5</sup> Historian Jeff Frederick has made a similar assessment. Frederick argued that Wallace's obsession with industrial recruitment was part of his overall political strategy: "industrial development meant respect from outside the state and validated Wallace's self-appointed credentials as a champion of free enterprise."<sup>6</sup> Although many

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<sup>5</sup> Carter, *The Politics of Rage*, 77.

<sup>6</sup> Frederick, *Stand Up for Alabama*, 44.

of the jobs he attracted were low-wage and low-skill, they helped Wallace keep a loyal voter base and distract from the economically damaging effects of the segregation battle.<sup>7</sup> Industrial recruitment was a crucial issue for Wallace, one that served him well in campaigns spanning the full arc of the Civil Rights era and beyond. It was a useful “neutral” issue that would continue to serve him well after his fiery racial rhetoric had become outmoded. The same was true of infrastructure projects. Wallace used these as both a form of patronage and a way to build his own personal brand. The industrial recruitment rhetoric set by Wallace would be imitated by other governors that followed him.

Wallace understood the power of high-visibility development projects to provide a modern image for his state, especially at a time when it was wracked by social controversy. In the mid-1960s, Wallace helped initiate the construction of a gleaming new building at the State Docks in Mobile. Called the International Trade Center, it housed a private club for businessmen and trade representatives as well as office space for commerce groups and government bureaucrats. State Docks Director Houston H. Feaster, a Wallace appointee, oversaw the design and construction of the International Trade Center. Its cost of \$1.5 million was paid for with state bonds, backed by the revenue generated by the State Docks.<sup>8</sup> The use of state and city-backed revenue bonds to fund these types of projects was a favored Wallace tactic, one that dated back to his authorship of the Wallace-Cater Act. Wallace himself presided over the dedication of the Center in October of 1966, when he was feted by Mobile’s business community and fawned over by the press. As a high-ranking official with the local Chamber of

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<sup>7</sup> Frederick, *Stand Up for Alabama*, 45.

<sup>8</sup> “International Hope Fulfilled,” *Mobile Register*, 20 October 1966, pg. 4-D.

Commerce noted, “We feel the International Trade Center will be an instrument of action and vitality in producing an ever-increasing flow of trade through the Port of Mobile.”<sup>9</sup>

Wallace’s sponsorship of this project bought him goodwill with the Mobile business community, even as Alabama’s businessmen were increasingly critical of his stance on segregation and hostility to the federal government.<sup>10</sup>

In terms of design, the Center was meant to be an impressive monument to Alabama’s international connections- and also to the magnanimity of George Wallace and his Docks Director. The *Mobile Register* approvingly noted the grandness of the “gleaming white” building and its manicured surroundings. The paper also described how the twenty-three flags of the nations with consular representation in Mobile were arranged on a crescent-shaped drive in front of the building. In the center were the American and Alabama state flags on the highest poles. Inside the atrium of the building, the Alabama state seal was cast into the marble floor. On the wall was a large bronze plaque with the images of Wallace and Houston Feaster.<sup>11</sup> The International Trade Center was thus transformed into an explicitly political space freighted with symbolic meaning. The building became more than just a convenient place for businessmen and trade representatives to meet. It was also a political monument, designed to cast the Wallace administration as an outward-looking regime dedicated to promoting international exchange.

Another well-known example of a Wallace-sponsored infrastructure project was the George C. Wallace Tunnel in Mobile Bay. Completed in 1973, this tunnel carried the I-10 freeway under the Mobile River as part of the expansion of the federal interstate

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<sup>9</sup> “C. of C. to Have Trade Center Office in Mobile,” *Mobile Register*, 20 October 1966, pg. 7-D.

<sup>10</sup> Cobb, *The Selling of the South*, 142-146.

<sup>11</sup> “Gov. Wallace to Dedicate Trade Center,” *Mobile Register*, 20 October 1966, pg. 2-D.

highway system. A joint project of the federal government and the state of Alabama, the tunnel represented a major engineering achievement and cost \$50 million to complete.<sup>12</sup> Wallace promoted the project in Alabama, and United States Representative Bob Jones secured the federal portion of the funding.<sup>13</sup> The tunnel was named after Wallace, meaning that one of Mobile's most important freeway routes now bore the name of the then-sitting governor and would be witnessed by tens of thousands of people each day. Wallace was intimately involved with the construction of a statewide community college system, innumerable roadway projects, and major expansions of municipal airports. In the case of the airports, Wallace was directly motivated by his desire to campaign swiftly and easily throughout the entire state.<sup>14</sup> The airports also served indirectly as monuments to Wallace, even if many of them were rarely used. Overall, Wallace was highly successful in promoting infrastructure projects to burnish his personal brand. This same strategy extended to the recruitment of private industry to Alabama. In most cases, Wallace was able to piggyback off of private investors as a way to demonstrate his dedication to the state.

### **The Jim Folsom Jr. Story**

Jim Folsom Jr's ascent to the Alabama governorship encompassed many twists and turns. The son of former governor "Big Jim" Folsom, Jim Jr. had both a political pedigree and significant name recognition. Folsom Jr. launched his political career at a time of considerable realignment and retrenchment in Alabama politics. By the end of the

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<sup>12</sup> Alabama Highway Department, "George C. Wallace Tunnel," (pamphlet) <http://alletting.dot.state.al.us/OfficeEngineer/Docs/GeorgeCWallaceTunnelPublicationeditedforweb.pdf> [accessed 20 November 2017].

<sup>13</sup> Angela Levins, "How to get to the other side? Vintage photos document storied past of Mobile's tunnels and roadways," Al.com, 19 June 2015 [http://www.al.com/news/mobile/index.ssf/2015/06/how\\_to\\_get\\_to\\_the\\_other\\_side\\_v.html](http://www.al.com/news/mobile/index.ssf/2015/06/how_to_get_to_the_other_side_v.html) [accessed 20 November 2017].

<sup>14</sup> Frederick, *Stand Up For Alabama*, 44.



1970s, the so-called “Solid South” was showing serious cracks. Shifts in the composition of the electorate, changes to party platforms, and the recent traumas of the 1960s and ‘70s all played a role in this development. The Republican Party had made significant inroads in the region through a two-pronged strategy. Republican candidates appealed to ideologically conservative suburban and middle-class voters on issues such as regulation and taxation, and to disaffected whites angered by the Democratic Party’s liberal turn on racial issues in the late 1960s. What Republican consultant Lee Atwater described as the “Southern Strategy” helped rebuild the party’s fortunes in a region where it had struggled to achieve success since the end of Reconstruction.<sup>15</sup>

Beyond the Republican resurgence, there was the question of George Wallace’s legacy. Since surviving his 1972 assassination attempt, Wallace had been confined to a wheelchair and struggled with health issues. Nevertheless, he won another re-election bid in 1974 and was in office when Folsom Jr. won election to the state’s Public Service Commission in 1978. Wallace was constitutionally obliged to sit out the 1978 gubernatorial election, when he was succeeded by Fob James (then running as a Democrat). Wallace came back in 1982 and managed to win yet again. Ever the deft politician, Wallace had triumphed partly based on the strength of his support among black voters who accepted his repudiation of segregation. However, Wallace was in frail health and he struggled to work in the governor’s office for more than a few hours a day. In 1986, he declared that he would not run again.<sup>16</sup> Wallace’s retirement left a vacuum in a state whose political life had been dominated by his outsized influence for two and a

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<sup>15</sup> Alexander P. Lamis, “The Two-Party South: From the 1960s to the 1990s,” in *Southern Politics in the 1990s*, ed. Alexander P. Lamis (Baton Rouge: LSU Press, 1990): 8-9.

<sup>16</sup> Carter, *The Politics of Rage*, 464-466.

half decades. Without Wallace as a cornerstone, the state Democratic Party fell into disarray.

The 1986 campaign season was defined by controversy. A dispute over the eligibility of primary voters led to several court cases that pitted Democratic candidates against one another. This infighting worked to the advantage of a resurgent Republican party. In the end, Guy Hunt became the first Republican governor of Alabama since Reconstruction, winning 52% of the vote.<sup>17</sup> Jim Folsom Jr. escaped the drama in the Democratic Party and was elected lieutenant governor that year. He was re-elected alongside Guy Hunt to a second term in 1990. In his second term, Hunt was plagued by campaign finance scandals and was eventually brought to trial on felony ethics charges. On April 22, 1993, he was convicted and thereby removed from office under the terms of Alabama's ethics laws. Folsom Jr. was sworn in immediately as his successor, and began his brief term as governor. Folsom Jr. and his influential wife Marsha encountered many obstacles in enacting parts of their agenda, but the successful recruitment of Mercedes proved to be a major achievement. Even so, Mercedes was not the bulletproof political win that his administration had envisioned. Instead of galvanizing Folsom's political future, Mercedes turned out to be a stumbling block for his career.

### **Technical Symbolism within Project Rosewood**

Mercedes demanded strict confidentiality during the Project Rosewood negotiations, a requirement that was demanded by many automakers. In the final version of the contract, Mercedes representatives reserved the sole right to control and edit all government press releases relevant to the new factory. The contract even included a

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<sup>17</sup> Patrick R. Cotter and James Glenn Stovall, *After Wallace: The 1986 Contest For Governor and Political Change in Alabama* (Tuscaloosa, Alabama: University of Alabama Press, 2009): 162.

clause that in the event Alabama was not selected as the site for the new factory, both Mercedes and state officials would “coordinate to respond, in a positive light for all parties, to inquiries about the decision not to select the State of Alabama.”<sup>18</sup> Such promises of confidentiality have rankled civil libertarians and open government advocates, but states and manufacturers have repeatedly insisted that they are necessary to protect trade secrets and pull off deals.<sup>19</sup> Regardless, some details of the deal leaked to the press before the official declaration that Alabama had been chosen. By the time of the grand public announcement on September 30, 1993, the Project Rosewood deal was already under intense public scrutiny.

What is most historically fascinating about the Project Rosewood contract and its surrounding documentation is how they carry the imprint of Alabama institutions and priorities. By reading between the lines, one can see a long legacy of Alabama politics and industrial development techniques baked into the project from the very beginning. Although the Mercedes plant was marketed as a cutting-edge, completely new form of development for Alabama, it was built on the same rock as countless development projects before it. Mercedes was thus a highly advanced technology project suspended within the ether of long-running institutions and ideas. This is not to say that the contract contained no novel elements at all. Despite projecting an aura of political and legal certainty at the time of the announcement, the Folsom administration and its allies were clearly pushing into uncharted waters with some of the contract’s provisions. The more aggressive clauses, especially the state’s promise to purchase vehicles made at the plant, became the grounds of the most dramatic controversies surrounding the project’s

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<sup>18</sup> Project Rosewood Agreement, Section 7.8-7.9, pg 47-4: Box SG020424 (ADAH).

<sup>19</sup> Douglas J. Watson, *The New Civil War: Government Competition for Economic Development* (Westport, CN: Praeger, 1995): 1-12.

completion. An examination of those clauses, and some theories for the rationale behind them, is clearly in order.

The Rosewood contract begins with two clauses that instantly cement the project as part of a broader political vision. “Whereas the Governor of the State of Alabama, on behalf of the State Government, the Agencies and the Local Government, jointly and enthusiastically support and encourage business and industrial development in the State of Alabama... And whereas, [they] jointly and enthusiastically support education and training as an element of business and economic development...”<sup>20</sup> From the very beginning, the Rosewood contract was situated within the context of the populist booster tradition of industrial recruitment. The project was also conceptualized broadly as part of the Folsom administration’s educational reform agenda. As previously noted, Folsom dedicated much of his energy and political capital to advancing a major educational reform package during his short time in office. In an ironic twist, the Mercedes project would ultimately be a major factor in the derailment of that reform effort. In the short term, however, landing Mercedes was treated as an extension of the administration’s educational agenda. This was most clearly reflected in the portion of the contract that dealt with the construction of a training center for the plant’s new employees.

One of the most crucial portions of the Rosewood agreement was the state’s commitment to pay for a new training facility. Under the terms of the contract, the state agreed to pay for the cost of constructing and equipping the facility.<sup>21</sup> In addition to the equipment costs, the state would cover all expenses related to the “start-up training” of numerous managerial and salaried employees, round trip airfare for some of these

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<sup>20</sup> Project Rosewood Agreement, pg. 1

<sup>21</sup> Project Rosewood Agreement, Section 5.1, pgs. 32-33.

trainees to Germany, free office space in Tuscaloosa for the company to use during the construction period, and five million dollars a year to defray the costs of running the training center once it was completed.<sup>22</sup> In return, Mercedes promised to operate the training center not only for the benefit of its own employees, but for the general public as well. Once the initial training program for the factory's new hires was complete, Mercedes committed to offering general apprenticeship programs to the public as well as training for the employees of suppliers.<sup>23</sup> Conceptualizing the training center as an educational institution intended for the general benefit of Alabamians made the facility easier to sell politically. The reality was that the state had committed to pay the wages of workers in the employ of private industry for an extended period of time, a realization that caused considerable controversy. A column in the *Birmingham News* memorably labeled such commitments "civic prostitution" after details of the race to land Mercedes became public.<sup>24</sup> Even so, the training center represented a symbol of Alabama's increasing technical capability due to the involvement of Mercedes. The training center would take in Alabamians lacking advanced skills and turn them into the highly skilled technologists of the future.

As part of the campaign to build popular support for Project Rosewood, state officials agreed to sponsor an economic impact study. From the very beginning, it was conceived that this study would serve to justify the state's massive investment. Section 1.11, "Economic Impact Report," declared that "The State of Alabama agrees to prepare...an economic impact report and analyses to highlight the economic benefits to

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<sup>22</sup> Project Rosewood Agreement, Sections 5.3, 5.4, 5.5, and 5.6, pgs. 36-39.

<sup>23</sup> Project Rosewood Agreement, Section 5.1, pg 34.

<sup>24</sup> Jerry Shinn, "The states' degrading pursuit of Mercedes," *The Charlotte Observer*, reprinted in the *Birmingham News*, 28 September 1993, editorials.

the State of Alabama and its citizens associated with the realization of Project Rosewood.”<sup>25</sup> The state effectively guaranteed that the official study used to support the investment of taxpayer dollars would have a predetermined conclusion. If there was going to be a study that critically assessed the value of tax breaks and other incentives to Mercedes, it would have to come from elsewhere. Alabama was far from unique in this regard. As other scholars have noted, such official impact studies are rarely objective documents.<sup>26</sup> The state-sponsored study for Project Rosewood was produced by academics at Troy State University in cooperation with Fluor Daniel, the private consulting firm that Mercedes had retained to navigate the site-selection process.<sup>27</sup> Many of the figures in that study would eventually be the target of pointed critique, as Project Rosewood failed to live up to its projections.

The contract also displayed the negotiating team’s concern with the aesthetic preparation and presentation of the factory site itself. As part of the incentives package, the state agreed to absorb all costs of site preparation before construction of the actual factory buildings in Section Three of the contract. In Section 3.2, the state agreed to provide the site with access to the directly adjacent Interstate 59. What is particularly interesting about this clause is the way in which the landscaping and aesthetic appearance of the factory site is discussed in detail. By the terms of the contract, engineers and workers at the state department of transportation would work with Mercedes to landscape the site in an aesthetically pleasing manner. “Low growing plants, shrubs, and wild

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<sup>25</sup> Project Rosewood Agreement, Section 1.11, pg. 10.

<sup>26</sup> Jacobs, *The New Domestic Automakers*, 422-427.

<sup>27</sup> Mac R. Holmes, Troy State University Sorrell College of Business, and Fluor Daniel Siting and Consulting Services, “Economic Impact Analysis of the Mercedes-Benz A.G. Multipurpose Vehicle Production Facility for the State of Alabama,” Troy State University, 1993, box #SG014281 (ADAH).

flowers” would decorate the median and the edges of the interstate.<sup>28</sup> The net effect of this aesthetic package would be to leave the Mercedes Visitor’s Center, Training Center, and much of the plant itself in full view of passing traffic on Interstate 59. The landscaping clause was part of a broader effort to carefully craft the presentation of the plant as an example of Alabama’s technological bona fides, and thereby its modernity.

Section 3 also functions as an example of the extent to which the Alabama negotiating team was willing to push the limits of legality in order to land the deal. In subsection 3.9, the government negotiating team committed to literally rewriting portions of state law that dealt with the ability of industrial development boards to grant zoning variances. According to this subsection, if Mercedes agreed to the contract, the Tuscaloosa County Industrial Development Authority (TCIDA) and Tuscaloosa County would immediately begin to lobby the Alabama Legislature for changes to existing zoning law. TCIDA would seek the legal authority to permanently rezone the Mercedes building site for industrial use. It would also assist the company in appointing one of Mercedes’ own representatives to the relevant zoning board. Furthermore, TCIDA pledged to use its newfound powers to prevent any zoning changes on parcels of land near the plant that would threaten the interests of Mercedes. The Alabama Development Office (ADO), the cabinet-level agency tasked with managing industrial recruitment efforts, promised to aid in this lobbying process.<sup>29</sup>

It is worth reflecting on these commitments and the extent to which they subverted or warped the democratic process. There is something disquieting about multiple government entities offering to lobby the elected legislature of a state on behalf

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<sup>28</sup> Project Rosewood Agreement, Section 3.2, pgs 18-19.

<sup>29</sup> Project Rosewood Agreement, Section 3.9, pgs. 25-26.

of a private corporation. The industrial-recruitment apparatus claimed to act in the interest of the state's citizens, even as it promised to foreclose their ability to protest the investment of their tax dollars. This internal conflict of interests can further be seen in Section 2.4, "Current Residents." In that clause, the state assured Mercedes that all residents remaining at the parcel of land intended for the factory would be "removed as promptly as practicable," with the caveat that the rights of residents to remain at their homes and businesses would have to be adjudicated through the legal process.<sup>30</sup> Even so, the clause amounted to a promise that the state would aggressively take the side of Mercedes in any disputes over property values. No matter how well-intentioned the state's negotiators might have been, their agreement inevitably stacked the deck against some of the citizens whose interests they claimed to represent.

It was in Section Six, "Goodwill and Community Involvement," that the state committed to aggressively promoting Mercedes' interests among the Alabama citizenry. In Section 6.1, the state outlined how it would engage in a public relations campaign designed to ensure the success of the plant. In subsection A, the state committed to spending \$1.5 million a year for five years on publicity for the factory and the Mercedes-Alabama partnership. This advertising would be coordinated between Mercedes-Benz and the ADO.<sup>31</sup> In subsection B, the state made what would turn out to be one of its most controversial commitments. The state promised to purchase and maintain a fleet of vehicles produced at the plant, obtained at "competitive pricing levels" using public funds.<sup>32</sup> In a letter to Andreas Renschler, the chief Mercedes executive responsible for Project Rosewood, ADO Director Billy Joe Camp committed to purchasing not less than

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<sup>30</sup> Project Rosewood Agreement, Section 2.4, pgs. 13-14.

<sup>31</sup> Project Rosewood Agreement, Section 6.1, subsection A, pgs. 39-40.

<sup>32</sup> Project Rosewood Agreement, Section 6.1, subsection A, pg. 40.



100 of the new Mercedes-Benz SUV's a year over a 10-year period. Camp estimated that the state and various other public agencies (including institutions of higher learning and city and county governments) would purchase around 2,500 new Benz utilities. He also offered to rename Interstate 59 the Mercedes-Benz Highway. This letter was included as an exhibit with the Project Rosewood contract as evidence of the state's commitment.<sup>33</sup> Despite the state's promises, the plan never went into effect. A combination of popular political backlash and legal scrutiny led to it being abandoned without a single vehicle being purchased. Lastly, the state promised \$5 million to Mercedes if the company decided to build an international delivery center for its customers.<sup>34</sup> This was an application of an idea that the German automakers had popularized with their wealthy American clients in the 1960s. American customers would travel to German factories to take direct delivery of the cars they had ordered. Then, they could tour the *autobahn* and the rest of Europe at their leisure before having their new cars shipped back to America. The Folsom administration hoped that it could copy this idea, "in order to promote both customer relations of MB and tourism in Alabama."<sup>35</sup> Unfortunately, the international delivery concept never came to fruition. However, Mercedes did build a visitor center at the plant that was funded with public money. That visitor center would turn out to be a key piece of the modernist edifice of the factory, a tableau that was on display to both tourists and passersby.

Alabama officials wasted no time in using the successful recruitment of Mercedes to burnish the state's image. Within a month of the announcement, state development officials had taken out advertisements in newspapers and magazines around the world

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<sup>33</sup> Project Rosewood Agreement, Exhibit N.

<sup>34</sup> Project Rosewood Agreement, Section 6.1, pg. 40.

<sup>35</sup> Project Rosewood Agreement, Section 6.1, pg. 40.

trumpeting the arrival of Mercedes. In the London *Financial Times*, the Frankfurt *Handelsblatt*, and the *Wall Street Journal*, the officials drew a direct line between Alabama and the modernity and prestige of Mercedes. A full-page advertisement that appeared in both the *Financial Times* and the *Handelsblatt* contained a quote from a Mercedes executive commending Alabama's university system, transportation network, and economic vitality.<sup>36</sup> The ad appearing in the *Wall Street Journal* was perhaps the most famous piece of post-Mercedes advertising. Entitled "Stars Fell on Alabama," it depicted Mercedes hood ornaments with the famous three-pointed star logo raining from the sky. The ad claimed that Alabama's economy had continued to expand and grow, despite "initial perceptions" that had deterred some unnamed firms from expanding. However, "Mercedes-Benz is the company the whole world was watching," and the state was both grateful and elated that it had been selected as the site for the new plant.<sup>37</sup> This riff on the well-known song title was instantly memorable, and destined to be widely repeated in news coverage of the plant.

*The Tuscaloosa News* produced a special insert booklet for its Sunday, 10 October 1993 edition whose cover closely mimicked the "Stars Fell" ad. Titled "A New Star Rising In Alabama," the cover featured a stylized painting of the Mercedes star logo.<sup>38</sup> The insert was filled with advertisements from local businesses and community organizations, welcoming Mercedes to the community, and it was filled with numerous columns on Mercedes's history and the lobbying effort that went into securing the plant. It also included a short article on the overcrowding in local schools, noting that the expansion of the plant could tax an already overcrowded system. Even so, school

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<sup>36</sup> "They'll look twice at Alabama," *The Birmingham News*, 10 October 1993, pg 1D.

<sup>37</sup> "Stars Fell on Alabama," advertisement, *The Wall Street Journal*, 6 October 1993.

<sup>38</sup> "A New Star Rising in Alabama," *The Tuscaloosa News*, 10 October 1993 (special insert).

officials expressed the hope that the development surrounding Mercedes would bring an influx of tax dollars into the district.<sup>39</sup>

### **Factories Versus Schools**

At the same time Alabama was pledging hundreds of millions of dollars to build the Mercedes plant in Tuscaloosa County, area schools were stretched to the breaking point. In Vance, the small town directly across from the plant site, the only elementary school housed 430 students in a building originally meant for 290. All across the Tuscaloosa County School System, students were housed in overflow trailers as rising enrollments strained antiquated school buildings. Some school officials were optimistic that the new plant would bring an influx of money and resources into local schools, but others wondered how they would cope if enrollments rose any further. By the time that the training center had come online, the situation in Tuscaloosa primary schools had grown acute. In November of 1997, the *Montgomery Register* ran a damning article on this contrast. Entitled "Study in Contrasts," the article juxtaposed photos of the training center with Tuscaloosa County public schools. The white halls of the training center and its state-of-the-art equipment contrasted sharply with images of schoolchildren crammed into overcrowded temporary trailers. The paper noted that Tuscaloosa County held 261 portable classroom trailers- the highest per-capita number in Alabama. The original state-sponsored economic impact study had claimed Mercedes would generate \$2.5 million worth of property taxes for local schools once it was up and running. Tuscaloosa schools officials reported that the company had in fact paid only around \$400,000 in its first year, and they projected annual plant-generated tax revenues would only grow to about a

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<sup>39</sup> Joan Ladd, "County schools foresee major growth," *The Tuscaloosa News*, 10 October 1993 (special insert), pgs. 10J-11J.

million dollars. The article noted that many residents continued to defend the tax breaks given to Mercedes, despite the shortfalls in expectations. Defenders noted that the company's "presence challenges old perceptions of the state as backward and consumed with racial strife."<sup>40</sup> In fairness to Mercedes, Tuscaloosa County voters had rejected a referendum during the previous fall that would have more than doubled the millage rate on property taxes to pay for expansions of school facilities. Even so, the searing difference in state funding priorities was stark. David Thompson, the principal of Vance Elementary, expressed gratitude for Mercedes' investment in the county. He also noted that the state had paid for water and sewer lines to be connected to the Mercedes plant; his own school's septic tank had recently overflowed, spilling raw sewage into the yard.<sup>41</sup>

What accounts for this disparity in outcomes? Alongside the recruitment of Mercedes, the Folsom administration had made education reform a priority. In the philosophy of the administration, the recruitment of high technology industries and the improvement of public education were closely intertwined. In a speech before a gathering of presidents of the state's historically black colleges and universities, Folsom closely tied higher education to sustained economic growth. "Alabama is experiencing economic growth and expansion unparalleled in the history of our state. A strong, viable, and quality education system is the key to maintaining that growth."<sup>42</sup> HBCUs and other educational institutions would help to "move Alabama forward into the 21<sup>st</sup> century."<sup>43</sup> Folsom's administration was responsible for numerous initiatives that were designed to link education more closely with technology. There was the aforementioned Mercedes

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<sup>40</sup> Hodges, "Study in Contrasts," 1A.

<sup>41</sup> Hodges, "Study in Contrasts," 14A.

<sup>42</sup> Folsom Speech to HBCU Presidents, 24 August 1993, pgs. 6-7, Box #SG020420 (ADAH).

<sup>43</sup> Folsom Speech to HBCU Presidents, 24 August 1993, pg. 6.

apprenticeship program, as well as a partnership with the University of Alabama in Tuscaloosa. Folsom signed Executive Order 19, which established a set of pilot programs for introducing advanced teaching technologies (such as computers and audiovisual systems) into Alabama classrooms.<sup>44</sup> The centerpiece of Folsom's education reform efforts was a comprehensive legislative package that the administration labeled Alabama First. That reform package, which aimed to increase school funding by over a billion dollars, make numerous changes to the way schools were administrated, and substantially reform the curriculum, turned out to be a political impossibility.

The catalyst for Alabama First stemmed from a court ruling handed down in March of 1993. In a far-reaching verdict, Montgomery Circuit Court Judge Gene Reese declared Alabama's school funding system to be grossly inadequate and in violation of the state's own Constitution. Citing decrepit school facilities, overcrowded classrooms, and vastly divergent access to resources, Reese ordered the state to come up with a comprehensive reform plan.<sup>45</sup> After his installation as governor, Folsom appointed an advisory panel to devise a reform package. The plan that they devised was far from guaranteed to solve all of Alabama's educational woes, but it did include substantial institutional reform and a massive boost to the amount of resources flowing toward education. Tax increases at the state and local levels would generate nearly a billion more dollars in annual revenue for education. There would be wholesale changes to the way Alabama schools were administrated, including the creation of local advisory boards for school budgets, the end of tenure for principals, and a movement toward appointing

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<sup>44</sup> Jim Folsom, Executive Order 19, May 6 1994, Folder 30, Box #SG20387 (ADAH).

<sup>45</sup> Peter Applebome, "Its Schools Ruled Inadequate, Alabama Looks For Answers," *New York Times*, 9 June 1993 <http://www.nytimes.com/1993/06/09/education/its-schools-ruled-inadequate-alabama-looks-for-answers.html?pagewanted=all> [accessed 13 January 2018].

superintendents rather than electing them. The state would increase oversight of teacher discipline, local school budgeting, and other matters. The school year would be lengthened, smaller class sizes targeted, teacher pay raised, and substandard school buses replaced with new ones.<sup>46</sup> Many of the individual provisions would turn out to be controversial with interest groups, most notably the Alabama Education Association, the state teachers' union. However, it was indisputable that Alabama First represented a meaningful overhaul of a system that was almost universally regarded as broken. The contrasting outcomes of the controversy over Mercedes' incentive package and the fight over Alabama First displayed the ingrained, involuted nature of Alabama's social and political institutions. Like Philip Huang's Chinese peasants gleaning rice out of ever smaller patches of land, Alabama politicians found it far easier to return to a past legacy of industrial promotion than to enact wholesale reform of a broken system.

The Folsom reform package quickly ran into determined, and eventually fatal, opposition. Major constituencies within Folsom's own party were aggressively opposed to key provisions of the law. Much of the membership of the Alabama Education Association objected to the loss of teacher privileges spelled out in the plan, including changes to the tenure system and new standardized testing regimes for students. Under the leadership of Paul Hubbert, the AEA had become one of the most powerful lobbies in Alabama. Folsom delivered a speech at the 1994 AEA convention calling on teachers to support his plan, arguing that it gave them more flexibility and funding in exchange for greater accountability.<sup>47</sup> By that point, opposition to Folsom's plan had become

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<sup>46</sup> "Alabama Governor Plans Educational Overhaul To Address Ruling," *The New York Times*, 26 November 1993 <http://www.nytimes.com/1993/11/26/us/alabama-governor-plans-educational-overhaul-to-address-ruling.html> [accessed 13 January 2018].

<sup>47</sup> Folsom, "Governor's Remarks to AEA Convention," 27 March 1994, Box #SG020420.

intertwined with election year politics. At the same time that AEA announced its opposition to the plan in early 1994, Hubbert was running against Jim Folsom Jr. for the Democratic gubernatorial nomination.<sup>48</sup> The AEA released its own competing plan, SCORE 100, which would have increased funding levels but with minimal bureaucratic reforms. In some sense, the AEA's opposition to reform was justified. For decades, Alabama teachers had grappled with a sclerotic and corrupt state government that had been indifferent to education during the best of times. Giving up hard-fought gains in teacher job security and autonomy for breakable promises of future benefits was a questionable bargain. The opposition of the AEA illustrated how hard it would be to make meaningful institutional reforms to a system where all of the parties had valid reasons for distrusting one another.

In addition to the opposition of the AEA, Folsom had to confront other groups that were skeptical of his reform package. AEA vice president Joe Reed was also the chairman of the Alabama Democratic Conference, the state's largest black political organization. In February of 1994 he sent a letter to black legislators and community leaders urging them to oppose the bill, arguing that it would undermine the position of black teachers. He warned that changes to Alabama's teacher tenure law would enable the wholesale firing of black educators, and strip away local control of schools in majority-black districts.<sup>49</sup> Reed's letter helped stoke skepticism in the black community about the Folsom reform efforts. Outside of Folsom's own party, a large number of Republican legislators opposed the legislation on grounds of cost, arguing that current tax levels were high enough to support an adequate school system. The reform package was

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<sup>48</sup> Flynt, *Alabama In the Twentieth Century*, 231-232.

<sup>49</sup> Joe Reed, letter to Alabama Democratic Conference, 15 February 1994, folder 11, box #SG020387.

opposed by the agriculture lobby, which generally objected to any effort to increase taxes. In the end, the Folsom reform law did not even make it out of committee in the Alabama legislature. Although he vowed to call a special session of the legislature to further debate education reform, it was not to be.<sup>50</sup> Folsom's office released a memo in July pronouncing education reform to be impossible with the current legislature, putting the brakes on any plans to call a special session. Instead, he urged Alabamians to elect pro-reform legislators who would have the willingness to tackle comprehensive education reform.<sup>51</sup>

Folsom's experience attempting to pass education reform contrasted sharply with the legislature's support of the Mercedes deal. Even before the announcement in September of 1993 that Alabama had won the plant, the legislature had lined up to support the recruitment of Mercedes. In August of 1993, the Alabama House passed a sweeping set of laws designed to give the executive branch the authority and financial wherewithal to complete the deal. Acts 93-851 and 93-852, which together formed what would become popularly known as the "Mercedes Law," granted power to the State Industrial Development Authority (SIDA) to issue bonds in support of industrial development projects and to issue tax abatements.<sup>52</sup> The laws were passed with little fanfare or debate, and an easy legislative majority. In authorizing the SIDA to seek out industrial development projects, the Alabama legislature was proceeding down a well-trod path. Once again, the executive branch of government was explicitly tasked with recruiting outside industries to lay down roots in Alabama.

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<sup>50</sup> Jim Folsom, "Governor Folsom's Weekly Radio Address," 19 February 1994, box #SG020420.

<sup>51</sup> Jim Folsom, "Re: Announcement of No Special Session," 13 July 1994, box #SG020420.

<sup>52</sup> "Mercedes-Benz Legislation, Act No. 93-851 and 93-852," folder 9, box #SG020391.



The authority of SIDA to issue bonds was not limited purely to the Mercedes plant. Instead, it was a wide-ranging authority designed to allow the agency to review and support many different industrial development projects. The bonds issued by SIDA would be collateralized against the value of the projects they supported (namely, the infrastructure, industrial plant, and real estate) and not against general tax revenues.<sup>53</sup> The SIDA was also allowed to issue credits to different firms on their corporate and employee income taxes. In other words, the board was granted the authority to waive tax burdens for some businesses while others would remain unaffected. This power later became the source of substantial criticism and legal scrutiny. By structuring the financial authority in this way, the legislature hoped to avoid constitutional conflicts over the transfer of tax dollars and debt-issuing authority.

In some ways the spiritual successor to the Wallace and Cater acts, the Mercedes law doubled down on the strategy of industrial incentivization. Like those acts, it was designed as a work-around to the pesky Article 213 of the state constitution, which forbids the state to take on more than a trivial amount of public debt.<sup>54</sup> Regardless, the Mercedes law would soon face serious outside scrutiny as its implications became clear. Many other businesses sought incentives packages under the law, leading to the issuance of an ever-greater number of bonds and tax abatements. By 1995, 62 companies had qualified for incentives packages under the terms of the law.<sup>55</sup> Although the legislature had included guidelines with the incentives legislation designed to limit the state's exposure to debt and loss of tax revenue, there were a number of "escape clauses" that

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<sup>53</sup> "Act No. 93-851," pgs. 7-8.

<sup>54</sup> Alabama Constitution of 1901, Article 213 <http://law.justia.com/constitution/alabama/CA-245756.html> [accessed 15 January 2018].

<sup>55</sup> "Alabama Development Office New Incentive Works: Alabama Act 93-851," pg. 1, folder 10, Box #SG014281 (ADAH).

allowed minimum requirements for project financing to be waived. In particular, SIDA could allow companies exemption from minimum wage, capital, and employment thresholds if it determined that the project would be undertaken in an economically depressed area.<sup>56</sup> The fallout over the unintended consequences of the law would drag on well into the late 1990s. Concerns over debt, taxation, and a threatened lawsuit by the AEA over the constitutionality of the program would eventually lead to a wholesale restructuring of Alabama's incentives regime.

The question remains: why did Alabama succeed in passing an expensive new industrial incentives program but not a fix for its crumbling public schools? It is clear that there are many factors that contributed to that divergent outcome, ranging from the power of the state teachers' union to opposition by entrenched agricultural lobbyists. However, it is clear that the historical inheritance of Alabama institutions and policies played the largest role. The recruitment of Mercedes represented a continuation of longstanding policies and ideas about how to stimulate development. It drew upon the many different kinds of infrastructure that had been established over decades to support these kinds of endeavors: legal frameworks, government bodies, networks of elites with public and private influence, and populist political traditions. Furthermore, the Mercedes plant had a sort of reverse-legitimizing effect on these institutions. By recruiting Mercedes, actors within this particular network justified their existence and perpetuated the lifecycle of their institutions. By contrast, Folsom's proposed reform to the education system represented a major break with the past. It seriously challenged established notions of how education should be financed, administrated, and even understood as a general

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<sup>56</sup> "State Industrial Development Authority Project Approval Criteria," pgs. 1-4, folder 10, Box#SG014281 (ADAH).

concept. More than merely threatening the position of established lobbies, it would have required the creation of a new set of understandings about the role of the state, local governments, administrators, teachers and parents in the educational process. The Mercedes deal reaffirmed the importance of existing traditions and infrastructure; the education reforms challenged them head on. This, more than any sum of money or financial risk, explains why one succeeded and the other failed.

### **Vision Alabama**

The excitement over Mercedes consumed much of the media attention in Alabama available in late 1993 and early 1994. Journalists and lawyers pored over the Project Rosewood contract and the state's new incentives act, putting every part of both under the microscope. At the same time, however, a group of influential businesspeople, educators, and government officials were laboring over a broad policy document that received considerably less public attention. "Vision Alabama: A Plan For Quality Growth" was released in February 1994 as a joint project between the Economic Development Partnership of Alabama (EDPA) and the Economic Development Association of Alabama (EDAA).<sup>57</sup> Coming in at slightly over 100 pages, this white paper was both a survey of Alabama's social and economic condition and a set of policy prescriptions for shaping the state's future. As a historical artifact, the report offers a window into how a broad cross-section of influential Alabamians thought about the role of industry and technology in shaping the state's future. It also captures how ostensibly progressive ideas about education and innovation were actually situated on the bedrock of the long-established populist booster economic tradition.

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<sup>57</sup> "Vision Alabama: A Plan For Quality Growth," Economic Development Partnership of Alabama, 14 February 1994, Box #SG020424.

Vision Alabama represented the collaboration of many individuals and groups outside of its two sponsoring institutions. The EDPA was a business trade group, founded in 1991, that lobbied broadly for trade-friendly reforms. The EDAA represented a collection of development professionals from a wide variety of backgrounds, including both the public and the private sectors. In addition to those two interest groups, the study counted the Public Affairs Research Council of Alabama, the University of Alabama's Center for Business and Economic Research, the Alabama Development Office (ADO), and the Alabama Department of Economic and Community Affairs (ADECA) among its contributors. The participation of ADO and ADECA was particularly significant, as these were both state agencies tasked with encouraging state development, broadly defined. The Vision project was the product of a forty-seven member committee drawn from these organizations and a variety of professional backgrounds.<sup>58</sup> In general, the Vision panel represented a collection of progressive business interests, education advocates, and other moderate reformists. In many respects, this was the same coalition that had supported reform efforts going back to the time of Bibb Graves. Throughout the twentieth century, they had tussled with populists such as George Wallace and the conservative Big Mules. Much of the rhetoric in the Vision report aligned with the positions of the Folsom Jr. administration. But, as time would tell, the progressive aspects of the Vision agenda would fall into the same cyclical trap that had bedeviled Alabama reformers for so many years.

In its opening pages, the Vision authors made a succinct statement of their guiding principle: "All citizens of Alabama must take responsibility for— and must from government, business, education and community leaders— a dynamic economy that

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<sup>58</sup> "Vision Alabama," 3.

provides sustainable growth and the highest quality of life available.”<sup>59</sup> From the beginning, economic growth is assumed to be the handmaiden of rising standards of living. Furthermore, that goal can only be achieved by aligning capital, labor, and government together in a collaborative fashion. This assumption is reflected in the additional set of “Goals” listed on the same page as the guiding statement. Among those goals were several emphasizing the collaborative nature of the authors’ economic vision and the role of technology in shaping the future:

To provide a world-class education system that raises the capabilities and expectations of its citizens while producing a highly-skilled and adaptable workforce... To develop and maintain the resources and image necessary to create new jobs through business recruitment... To aggressively and competitively pursue business development in a globally competitive marketplace... To foster relationships between government, education, and business that creates an environment conducive to optimum economic diversity and growth.<sup>60</sup>

The progressive veneer of some of these goals is not enough to obscure their deeply-rooted antecedents. The desire of business interests to shape education to their needs is a path well-trod by scholars.<sup>61</sup> Partnerships between education and private industry were a continuing obsession of the Wallace administration. Wallace oversaw a major expansion of the community college system, even as public primary schools continued to be grossly underfunded. The recruitment of business by industry was, of course, a tradition of long standing in Alabama. The Vision participants were presenting themselves as charting a new course for the future, but much of their agenda encapsulated ideas and policies that had been in general currency for decades.

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<sup>59</sup> “Vision Alabama,” i.

<sup>60</sup> “Vision Alabama,” i.

<sup>61</sup> David F. Noble, *America by Design: Science, Technology, and the Rise of Corporate Capitalism* (New York, NY: Alfred A. Knopf, 1977); Ruth Oldenziel, “Boys and Their Toys: The Fisher Body Craftsman's Guild, 1930-1968, and the Making of a Male Technical Domain,” *Technology and Culture* 38 no. 1 (Jan 1997): 60-96.

One aspect of the Vision agenda that could credibly be considered novel was the emphasis on partnerships between labor, capital, and government. Portraying the relationship between businesses and their workers as a collaborative partnership was very much in vogue among the professional business class in the 1980s and '90s. This was largely due to the influence of Japanese business practices, the details of which became an obsession among American managers in the 1980s. Alternately threatened and fascinated by the rise of Japan, America's business class was a ready target for a steady stream of managerial consultants ready to sell the virtues of Japanese methods. Experts such as Dr. Hajime Karatsu argued that Japan had overcome the factory-floor struggles that characterized American production. According to Karatsu, the combination of advanced managerial techniques and sophisticated machinery had created a form of "control technology" that produced stability and harmony in the workplace.<sup>62</sup> Harmony on the factory floor was a meme pushed aggressively by the advocates of the Japanese approach, contrasted with the contentiousness and disunity of Western methods. The so-called lean production method of factory operation was widely perceived as the key to Japanese economic success, and after an initial period of resistance many American companies strove to emulate it.<sup>63</sup> Among the aspects of the lean production system were "quality circles," where workers would meet with management on a regular basis and offer suggestions to improve product quality and production efficiency.<sup>64</sup> There was some real substance in the observations that Japanese companies had developed better quality-control methods, more efficient production systems, and were better at

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<sup>62</sup> Hajime Karatsu, *Tough Words For American Industry* (Cambridge, MA: Productivity Press, 1987): 103-105.

<sup>63</sup> Womack et al, *The Machine That Changed the World*, 256-275.

<sup>64</sup> John Mohr, "Quality Circles," in *The Encyclopedia of Diversity and Social Justice*, ed. Sherwood Thompson (Lanham, MD: Rowman and Littlefield, 2014): 579-580.

encouraging their workers than American companies. Yet few contemporary admirers of Japanese methods were willing to admit that low wages, unabashedly protectionist trade policies, weak unions, and cheap money were just as great a component of the economic miracle, if not greater. The appreciation of the yen and the subsequent bursting of the Japanese economic bubble in the early 1990s, followed by a “lost decade” of stagnation, deflated much of the mystique surrounding Japan’s business culture. The use of techniques such as quality circles declined in the United States, and the more faddish aspects of lean production were quietly shelved.<sup>65</sup> Even so, the dream of a labor-capital détente lived on in progressive business circles. Vision Alabama reflected that zeitgeist.

Vision Alabama also placed great hope in the ability of high technology to cure the state’s myriad economic and social ills. In the introduction to a section breaking down the underwhelming economic and quality-of-life statistics of Alabama, the authors blamed “decades of underinvestment” in both “human and natural resources” as the source of the state’s ills. Yet they noted that there were “signs of progress”—including the Mercedes plant.<sup>66</sup> The Mercedes plant, the authors argued, was part of the wave of the future: “The past was about abundant low-cost land, labor, and raw materials. The future is about job skills, technology, information, people, and processes capable of adding value to products and services.”<sup>67</sup> The authors drew a stark dividing line between the old economy of cotton mills, lumber, and steel, and the new economy of high-tech manufacturing and value-added services. To advance the economy, the government should adopt an industrial clustering strategy. After identifying several economic sectors that relied on high technology (telecommunications, aerospace, and auto manufacturing

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<sup>65</sup> Mohr, “Quality Circles,” 580.

<sup>66</sup> “Vision Alabama,” 1.

<sup>67</sup> “Vision Alabama,” 1.

to name a few), the authors suggest that government policy should be tailored toward attracting businesses operating in those fields.<sup>68</sup> High technology is consistently presented as the savior that will put Alabama on the path to growth and modernity. Mercedes fits this vision of the future, where Alabama becomes universally perceived as a modern, technologically advanced state. This meant directing more attention to economic sectors that were considered futuristic or otherwise dependent on high technology.

Besides the Mercedes plant, the Vision Alabama participants identified biotechnology, computer software, robotics, aerospace, advanced materials, and microelectronics as desirable areas of economic diversification.<sup>69</sup> According to the Vision authors, these sectors would be primed for maximum growth in the future. They were also sectors that were relatively immune to the kinds of industrial recruitment techniques that had been common in Alabama up to that point. As the Vision authors admitted, by the 1990s more and more communities were chasing the few traditional plant relocation opportunities left.<sup>70</sup> Instead of chasing factories reliant on semiskilled labor, Alabama needed to diversify if it wanted to survive into the future. The high technology sectors identified by Vision were more dependent on human capital and industrial clustering than Alabama's established industries. The Vision authors argued that Alabama needed to build more human capital to compete in these sectors, and therefore needed systemic education and government reform. It was a conception of the future that offered the hope of making Alabama a wealthy, technologically advanced society, but it was also highly technocratic and overly utopian in its outlook. It

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<sup>68</sup> "Vision Alabama," 11-12.

<sup>69</sup> "Vision Alabama," 39.

<sup>70</sup> "Vision Alabama," 40.



downplayed the role of long-standing industries in building a working class that was, if not wealthy by national standards, relatively stable— and which provided a wide variety of opportunities for persons from modest educational and financial backgrounds.

The Vision authors rested on the assumption that Alabama’s traditional industries were in inexorable decline and would continue to do so. By the early 1980s, Alabama and the South in general had been hit hard by a new wave of foreign competition, particularly in textiles. Textile mills and garment producers were undercut by sweatshops in South America and Asia as low-cost producers flooded the American market. American companies moved their production wholesale to these low-cost locales, taking advantage of the cheap labor and leaving many communities out to dry.<sup>71</sup> This process was accelerated by the North American Free Trade Agreement (NAFTA), which had come into force at the beginning of 1994. As the Vision authors warned, “Many of Alabama’s strongest industries today are vulnerable to NAFTA/foreign countries offering lower labor and land costs than Alabama.”<sup>72</sup> Textiles, forestry, food processing, auto parts (including Alabama’s multiple tire plants, but not Mercedes), and garments were all listed as industries potentially threatened by the agreement. Despite this, the wisdom of signing NAFTA (and other trade deals) was left unquestioned. Textiles and the other industries listed as belonging to the “current” economy received little attention in the report. The authors did argue that the state should divert more resources to already-existing industries instead of spending public funds exclusively on recruiting new ones; however, the specifics of this plan were left unaddressed.<sup>73</sup> The underlying assumption was clearly that

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<sup>71</sup> Beth English, *A Common Thread: Labor, Politics, and Capital Mobility in the Textile Industry* (Athens, GA: UGA Press, 2006): 1-6.

<sup>72</sup> “Vision Alabama,” 11.

<sup>73</sup> “Vision Alabama,” 18.

these industries would inevitably decline, giving way to a future bolstered by high technology. The social costs of this transition might be painful, but they would be worth it. It is also worth noting who the Vision authors believed would bear most of the costs of facilitating this transition. The authors advocated a major increase in the expenditure of public funds on worker training programs.<sup>74</sup> It would primarily be tax money that would train the workers of the future, not private funds. This would play out in dramatic fashion with Mercedes, as the state assumed costly liabilities for recruiting and training the workforce at the new plant.

Overall, the Vision authors were deeply concerned with Alabama's external image. The Vision report stressed the need to change negative perceptions of the state and its people by outsiders. Under the subheading "Image of Alabama," the authors wrote (emphasis added): "*Alabama must change its perception before it can change reality.* There is a great deal of negative press about Alabama and perception in the nation and the world is generally negative or non-existent. It is essential to tell Alabama success stories to the nation and world."<sup>75</sup> The overwhelming outside view of Alabama, according to the Vision authors, was that the workforce was only fit for "low skill/low tech" positions.<sup>76</sup> This closely paralleled the rhetoric of the Folsom administration in its justification of the Mercedes deal. Although Alabama had a long-established presence in many key industries, from lumber to textiles to oil refining, these were not enough to polish the image of the state to outsiders. Accommodating Mercedes, by virtue of its powerful brand and association with high technology, would overcome that image problem. This concern with image highlighted one key change from the Wallace years.

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<sup>74</sup> "Vision Alabama," 48-50.

<sup>75</sup> "Vision Alabama," 85.

<sup>76</sup> "Vision Alabama," 85.

No longer was industrial recruitment justified purely on the perceived need to provide jobs to state residents and develop a higher standard of living. In the post-Civil Rights era, the professional class especially felt there was a need to clean up the state's image. Mercedes, and high technology generally, promised to erase the painful images of Bull Connor's attack dogs and Bloody Sunday at Selma.

#### **Chapter 4: “Wilkommen in Alabama:” Building Modernity in a Deep South State**

The announcement that Mercedes would be building its new factory in Tuscaloosa County in September of 1993 generated immense excitement. This was true even among many of those who would eventually criticize the process of wooing Mercedes and the expense of bringing the project to fruition. There was an overwhelming sense that Mercedes would impart the stamp of sophisticated technological modernity on a region that had struggled to shed the negative perceptions of outsiders. In Tuscaloosa, Mercedes dealership owner Jack Leigh argued that this aura of modernity was at least as important as the tangible economic impact that the new factory would have. “If one of the coal mining companies had decided to expand with 1500 employees or open a new mine it would have been a one-day story in the paper. Mercedes scouring the whole country, even looking all over the world, then deciding on Alabama allowed us to get rid of a lot of baggage we’ve been carrying for years about being the old South with the dogs under the porch and that sort of thing. Mercedes put us more in the new South, with Georgia, the Carolinas and Tennessee.”<sup>1</sup> Leigh’s distinction between the intangible values associated with different kinds of investments was a clear illustration of the logic that animated supporters of the Mercedes project. A coal mine expansion might bring about greater employment and material security to a large number of people; yet it had none of the prestige associated with one of the twentieth century’s most admired automotive brands building a factory for a brand-new model. That prestige was invaluable to a region whose economic and political leaders believed needed a serious image overhaul. Leigh had a direct financial stake in the success of the plant as a Mercedes dealer, but he was

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<sup>1</sup> John Lamm, *Mercedes-Benz M-Class: The Complete Story Behind the All-New Sport Utility Vehicle* (Osceola, WI: MBI Inc., 1997): 44.

far from alone in expressing this sentiment. Throughout the state, supporters of the project would deploy similar arguments to justify the ever-rising cost of the factory.

Enthusiasm for Project Rosewood was plentiful, especially in the early stages, but it was never universal. As it became apparent that the real costs and rewards of the project were far from the sunny initial projections of its advocates, a chorus of voices rose to demand change. This chapter discusses the history of Project Rosewood after the state and Mercedes-Benz reached a formal agreement to bring the plant to Tuscaloosa. As it turned out, the signed contract between the state and the company was just the beginning of a legal and political odyssey that would stretch on for years. The closed and secretive nature of the Project Rosewood negotiations contrasted sharply with the highly public disputes over the fulfillment of the state's commitments. The often grandiose paper promises of the Project Rosewood contract quickly collided with real-world economic, political, and social obstacles. Who would pay for the project, how much it would cost, who would build the factory, who would work at the finished plant, and how its products would be promoted all emerged as arenas of conflict.

In the midst of this, ordinary Alabamians were interpreting the broader meaning of Mercedes to their state in their own ways. Some saw Project Rosewood as a positive development, while others were inclined to be skeptical or even loudly opposed. Many others found themselves somewhere in-between: excited at the prospect of gaining a major new industry backed by an internationally-famous company, while concerned about its impact on the economy, social services, education and the environment. This is not to dismiss the positive economic, cultural and social changes that followed in the wake of Project Rosewood. These were very real legacies, but they did not emerge

without a struggle. Legal, social, and political conflicts characterized Project Rosewood from the outset, leaving a mixed legacy of victories and defeats. These stories offer an important counter-narrative to the triumphal proclamations of the South's industrial booster class. They are a reminder that the dazzling facades of ultramodern production facilities do not erase the everyday concerns of working people trying to get by in a capitalist economy.

### **The Real Purpose of Economic Impact Studies**

One way to convey the contested nature of Project Rosewood is to demystify the role of economic impact studies in this entire saga. As previously noted, the Project Rosewood contract contained a provision calling on the state to fund an economic impact study of Mercedes's investment. This study was authored by faculty at the Sorrell College of Business at Troy State University, in collaboration with Fluor Daniel, Mercedes's siting consultant. This study was not a cost-benefit analysis, only focusing on the projected positive effects of the Mercedes investment and not the cost to the state. The study gave two estimates: one focused on the immediate impact of the capital investment, and the other on investment over a twenty-year window. The study's authors noted that Mercedes had committed a minimum of \$520 million in capital investment to the facility, with "potentially significantly more" to follow. Over twenty years, the study estimated that 4,375 jobs would be created in the manufacturing sector as a result of this investment. This would include 1,500 jobs at the Mercedes plant itself, and thousands more at parts and component suppliers. Over that twenty-year period, that manufacturing

sector would generate \$3.1 billion worth of payroll expenses.<sup>2</sup> In addition, the study estimated that 5,200 jobs in sectors such as trucking, shipping, and business services would be created. This would lead to another \$2.8 billion in payrolls.<sup>3</sup>

The capital investment and expanded payrolls would translate into a significant expansion of the state's tax base. Over the course of twenty years, the study estimated that \$60 million would be paid by Mercedes and its suppliers in ad valorem school taxes, and an additional \$320 million in payroll, sales, franchise, and property taxes.<sup>4</sup> An appendix to the main study indicated that further economic development worth tens of millions of dollars would occur in other economic sectors as a result of the general stimulus offered by the plant.<sup>5</sup> The impact on these figures of the various tax breaks and other incentives offered to Mercedes as part of the Project Rosewood agreement was not addressed. Neither was any attempt made to discuss the potential opportunity cost involved in channeling state funds to this project as opposed to other spending priorities (such as education). Overall, the report unapologetically boosted Mercedes and touted the investment as a boon that would transform the state. "This project is a clear demonstration that Alabama has real comparative advantages for corporate investment. The state now has an increased level of national and international visibility in its economic development programs. The stars are falling on Alabama today, and they have three points on them."<sup>6</sup> Mercedes would contribute to the development of a positive image for the state, and in so doing, it would justify long-held beliefs about the proper

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<sup>2</sup> Mac R. Holmes, Troy State University Sorrell College of Business, and Fluor Daniel Siting and Consulting Services, "Economic Impact Analysis of the Mercedes-Benz A.G. Multipurpose Vehicle Production Facility for the State of Alabama," Troy State University, 1993, box #SG014281 (ADAH).

<sup>3</sup> Ibid., 2.

<sup>4</sup> Ibid., 2-3.

<sup>5</sup> Ibid., Appendix IV.

<sup>6</sup> Ibid., 1.

way to stimulate economic growth. Landing Mercedes would inject credibility into Alabama's longstanding industrial recruitment tradition by giving the state a heavy dose of late-twentieth-century technological grandeur. The sunny economic projections included in the report were in service of that broader goal, and were not an end unto themselves.

In contrast with the state's own rosy assessment of the plant's impact on the community, outside observers have been more circumspect. Multiple attempts to quantify the economic and community impact of Mercedes-Benz have yielded a cloudier assessment than the sunny projections of the initial state-backed study. This is not to say that re-assessments of Mercedes have been universally negative. At a minimum, studies of the plant have tended to agree that the combination of public and private investment had salient effects on the Alabama economy. Two researchers at Tuskegee University in Tuskegee, Alabama, published an economic study in 1999 which asserted that the plant had a "sizable" impact on employment, tax revenue, and capital investment.<sup>7</sup> Using an economic model developed by the United States Department of Agriculture, the authors estimated that the "payoff period" for the incentives used to recruit the plant would be somewhere in the four-to-seven year range after the beginning of production. Total estimated economic impact (including taxes paid, employment, output, and some state incentive spending) was estimated to be in the range of \$2.3 to \$2.5 billion by the second year of full production.<sup>8</sup> Despite this impact, the study pointedly noted that the fruits of this industrial expansion would not be spread evenly throughout Alabama. The positive economic effects of the plant would be overwhelmingly concentrated in the upper north

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<sup>7</sup> Ellene Kebede and Mudiayi Sylvain Ngandu, "The Economic Impact of the Mercedes Benz Investment on the State of Alabama," *Journal of Agricultural and Applied Economics*, 31 no. 2 (August 1999): 371-82.

<sup>8</sup> *Ibid.*, 379.



and northeastern parts of the state. Pre-existing reserves of social and physical capital permitted the growth of an “agglomeration economy” that had benefitted from previous expansions in industries such as aerospace.<sup>9</sup> This admission underscores a critique that can be found in many scholarly studies of the impact of the Mercedes plant: that total benefit was narrowly concentrated and tended to accumulate to communities and entities that were already prosperous.

A 2001 paper by researchers at the University of North Carolina attacked the conclusions and the methodologies of studies used to justify public subsidies for BMW in South Carolina and Mercedes in Alabama.<sup>10</sup> This paper assessed the incentives packages provided to BMW in 1992 and Mercedes in 1993, and their efficacy in terms of the deployment of public funds. The authors argued that in both cases, the researchers behind these publicly-funded studies had double-counted the number of jobs that were anticipated to arise from investment in supply chains for each plant. This double-counting produced an exaggerated estimate of the total economic impact arising from each investment, helping to justify a large public subsidy package.<sup>11</sup> The authors also took issue with the “multiplier” effect used to estimate the total value of plant-related investment to the state economy. In an economic impact study, the multiplier is a number used to compute the total economic value of each dollar in a capital investment project as it circulates through the local economy. This is based on the realization that capital investment has beneficial effects on an economy that resonate beyond the initial project. As money enters an economy, the net effect of each dollar is multiplied as it is passed on

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<sup>9</sup> Kebede and Ngandu, “The Economic Impact of Mercedes-Benz,” 371-374, 380-381.

<sup>10</sup> John E. Connaughton and Ronald A. Madsen, “Assessment of Economic Impact Studies: The Cases of BMW and Mercedes-Benz,” *The Review of Regional Studies* 31 no. 3 (2001): 293-303.

<sup>11</sup> *Ibid.*, 301-302.

to different persons and businesses. To cite a mundane example of this phenomenon, consider the upsurge in revenues experienced by gas stations and convenience stores near a construction site as workers spend their money at those establishments. The existence of the multiplier effect is a matter of broad consensus in mainstream economics, but actually assigning a value to this effect is a highly contentious and esoteric endeavor.

In the case of BMW and Mercedes, the authors of the critical re-assessment argue that the multiplier effect was set too high. In determining what numerical value to set, the writers of the original impact studies generated multiplier numbers that exceeded even those of the highly industrialized economies of Michigan and Ohio. This was taken as further evidence that some employment effects had been double-counted by the authors of the original studies.<sup>12</sup> Using five years' worth of data from the U.S. Department of Commerce on automobile parts suppliers in South Carolina, the authors argued that the new plant in Spartanburg had a minimal effect on the total number of new supplier jobs created.<sup>13</sup> Lack of similar data sets for the Alabama Mercedes plant meant that the authors could not conduct the same type of statistical analysis that they did for BMW and South Carolina, but the similarities of both impact studies suggest the results would be similar. Why was this exaggerated data permitted to be included in the original impact studies? The authors opine that the manipulation of the multiplier effect was part of a broader economic "arms race," one that "encourages optimistic economic impact estimates to justify larger and larger state-sponsored relocation incentives."<sup>14</sup> Political purposes were clearly indivisible from economic analysis.

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<sup>12</sup> Connaughton and Madsen, "Assessment of Economic Impact Studies," 298.

<sup>13</sup> *Ibid.*, 300-301.

<sup>14</sup> *Ibid.*, 302.

Other critics attacked the Mercedes incentive study on philosophical grounds, arguing that it represented a government distortion of the free market. The economist George R. Crowley (a researcher based at the libertarian-leaning Johnson Center for Political Economy at Troy University) made an eloquent case against the kind of large-scale incentive deals used to lure Mercedes-style industrial development projects to the heart of Dixie.<sup>15</sup> Beginning with the Mercedes deal, Crowley analyzed a total of five high-profile incentives packages that were used to attract investment from major companies: Honda, Hyundai, ThyssenKrupp, and the National Alabama Corporation (a subsidiary of a Canadian railroad-car manufacturer). While agreeing that these incentive deals generated some positive effects in Alabama (especially Mercedes, which set in motion the creation of a widespread automobile manufacturing economy) Crowley was critical in his overall assessment. “Evidence presented here suggests the economic impacts in terms of employment are limited to the immediate vicinity of the investment, with neighboring economies performing significantly worse than those receiving the incentives discussed above.”<sup>16</sup> Crowley reaches a conclusion similar to that of Connaughton and Madsen when analyzing how the benefits of these investments were disbursed. Populous and relatively prosperous communities such as Tuscaloosa, Birmingham, and Montgomery tended to benefit the most, with impoverished rural areas sharing little in the prosperity of the plants located in their backyards.<sup>17</sup>

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<sup>15</sup> George R. Crowley, “Tax Incentives, Job Creation, and the Unseen: Is Alabama Giving Away the Store to Attract New Industry,” in *Improving Lives in Alabama: A Vision for Economic Freedom and Prosperity* (Troy, Alabama: Johnson Center, 2015). <http://business.troy.edu/JohnsonCenter/improving-lives-in-alabama.aspx> [accessed 1/20/2018].

<sup>16</sup> Crowley, “Tax Incentives,” 20.

<sup>17</sup> *Ibid.*, 10-12.

A large part of Crowley's critique focused on the opportunity cost of offering large incentives packages to major firms. Such packages risk "crowding out" the investments of smaller firms, who cannot attract the same level of state largesse and cannot compete in an artificially tilted economy.<sup>18</sup> Crowley offers the usual buffet of libertarian policy prescriptions as an alternative to state-backed investments: lower and simpler taxes, fewer regulations, and an end to policies that favor large companies over small operations. These suggestions, rising out of Crowley's work on the real-world economic impact of the Alabama incentives regime, are admirable attempts to make that system fairer. Yet these suggestions tend to rest on the assumption that the point of the Southern economic development regime is to increase the bottom-line output of the economy, thereby contributing to a generally rising standard of living. In his own words on the Mercedes deal, Crowley seems to hint that other factors are at play (emphasis added by the author):

Widely considered the deal which put Alabama on the map in terms of manufacturing (with the automotive industry in particular), **the state's 1993 recruitment of Mercedes-Benz's first American manufacturing facility was a monumental event in its development policy... The deal proved that Alabama could attract high profile multinational firms...** Its success has been cited as the reason why other foreign car manufacturers would choose to make Alabama their American home in the future.<sup>19</sup>

Intentionally or not, Crowley has hit upon the key to understanding the Mercedes deal. It was never purely about a cost-benefit relationship that could be quantified in dollars. Mercedes had a transformational effect, not on the standard of living in a poor Southern state, but on how Alabama was perceived. The Mercedes factory became an instant avatar of industrial modernity, a shining three-pointed star that communicated Alabama's

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<sup>18</sup> Crowley, "Tax Incentives," 4.

<sup>19</sup> Ibid., 10.

arrival on the global stage. To many supporters of the project within Alabama, that recognition meant more than any number of jobs created or tax dollars collected.

### **Promises and Realities in Project Rosewood**

In the days and weeks after the announcement that Mercedes had chosen Alabama, more pieces of the Project Rosewood incentive package became public knowledge. As clauses in the ostensibly secret contract were either revealed or leaked to the public, controversy erupted. Some objected on principle to the use of taxpayer funds to support any privately-owned development. More commonly, critics worried more about the scale and scope of the Mercedes package, which was much larger than any previous project that had received state funding. A fear arose among elements of the state's established business community that the so-called "Mercedes law" would distort the market and undermine their competitive position. Still others objected to specific provisions of the deal or how the Folsom administration intended to carry them out. These controversies illustrated differences in philosophy between supporters and detractors of Project Rosewood. Supporters of the project tended to emphasize industrialized modernity, technological competency, and external image as justifications for the state's investment in Mercedes-Benz. By contrast, critics tended to emphasize the need to invest in the community, the unintended consequences of developmental policies, and the need to maintain separation between government and business. These philosophical clashes, in turn, exposed long-running fissures over what kind of government and society Alabama should have.

One of the most controversial portions of the Project Rosewood incentives package was the state's commitment to buy a large number of Mercedes vehicles built at

the newly-constructed assembly plant. As discussed in Chapter 3, the state agreed “subject to all requirements of applicable law, as a matter of goodwill” to maintain a fleet of the vehicles produced at the plant.<sup>20</sup> The agreement that the state government and various local agencies would buy as many as 2,500 luxury SUVs, and that the governor would begin using a Mercedes as his official transport, provoked a firestorm of controversy. ADO Director Billy Joe Camp suggested that state and local agencies, including schools, should lease Mercedes products: both to fulfill the terms of the agreement, and as a way of saying thank-you to the company for investing in Alabama.<sup>21</sup> In an editorial, the *Birmingham Post-Herald* lambasted the idea. “This is groveling. This is downright pathetic... Is our state really such an unlikeable place that we have to continue buying the good will of Mercedes-Benz?”<sup>22</sup> This anger was compounded by Folsom’s own usage of a Mercedes loaner car as his official transport. Both the promise to purchase Mercedes vehicles and Folsom’s use of a Mercedes as his personal transport seemed to be a clear violation of state purchasing laws.<sup>23</sup> Paul Hubbert, leader of the Alabama Education Association and challenger to Folsom for the Democratic gubernatorial nomination, pledged not to use a Mercedes as his state car unless bound by a court order.<sup>24</sup> In the midst of the crisis, one state employee wrote to Folsom and wryly suggested that he trade in his Chevrolet pool car and take the Mercedes off of his hands.<sup>25</sup> The Industrial Development Foundation of Tuscaloosa County, a private group that had

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<sup>20</sup> Project Rosewood Agreement, Section VI, Part 6.1 Subsection B, pg. 40.

<sup>21</sup> “ADO Director urges cities and schools to buy Mercedes,” *Birmingham Post-Herald*, 10-23-1993.

<sup>22</sup> “Camp’s Cars,” *Birmingham Post-Herald*, 10-25-1993.

<sup>23</sup> David White, “Agreement to purchase Mercedes vehicles hit,” *Birmingham Post-Herald*, 11-6-1993.

<sup>24</sup> Dana Beyerle, “Hubbert: Won’t use Mercedes if elected,” *Tuscaloosa News*, 12-4-1993.

<sup>25</sup> Letter from J.E. Reynolds to Jim Folsom, December 3, 1993, folder: Mercedes-Benz Plant NAR, box #SG020406 (ADAH).

advocated for Project Rosewood, finally offered to assume the lease for the vehicle.<sup>26</sup> Given the legal dubiousness of the offer and the political white elephant status of the governor's Mercedes, his office decided it was better just to return the car to the dealership.<sup>27</sup> The controversy over the planned purchase of Mercedes utility vehicles would remain unresolved until 1997, when the James administration declared that portion of the contract to be invalid under state law.<sup>28</sup> Resigned to political and legal reality, Mercedes declined to contest the decision.

Some critics were especially galled by the notion of spending so much money on Mercedes at a time when Alabama was struggling to solve its school funding crisis. A voter from Moundville wrote to Folsom, criticizing his priorities: "You don't have money for schools + the teachers a decent salary [sic]. But you have money for those expensive cars."<sup>29</sup> Vince Lambert, a part-time musician from Cullman, came up with a witty jingle sung to the tune of Janis Joplin's "Oh Lord Won't You Buy Me a Mercedes-Benz" that summed up the controversy:

Little Jim bought himself a Mercedes-Benz, said \$300 million's not too much to spend. He used our tax dollars, picked our pockets, my friends. Now, little Jim's got him a Mercedes-Benz... He took all the money that should go to schools. He's gonna raise our taxes, he must think we're fools. Just another politician who breaks all the rules, little Jim took the money that should go to schools.<sup>30</sup>

Lambert's ditty conveyed the very real frustration of many who wondered how Alabama could afford Mercedes, but not a fix for its public schools. A Mobile voter wrote directly

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<sup>26</sup> Max Heine, "Folsom Mercedes problem solved," *Tuscaloosa News*, 12-2-1993.

<sup>27</sup> Robin DeMonia, "Governor backs off use of Mercedes as official car," *The Birmingham News*, 3-19-1994.

<sup>28</sup> Lewis Kamb, "Law voids car deal," *Birmingham Post-Herald*, 5-19-1997.

<sup>29</sup> Alsie V. Kipp, letter to Jim Folsom, 12-2-1993, folder: Mercedes-Benz Plant NAR, box #SG020406 (ADAH).

<sup>30</sup> Robin DeMonia, "Sign-maker spoofs Folsom and Mercedes deal in song," *The Birmingham News*, 12-26-1993.

to Folsom to suggest that the Mercedes deal did not fix the core causes of Alabama's social problems. "Paying Mercedes to come here will not improve our schools, or equip our youth with the skills required by various industries... Without a general improvement in the condition of our educational and political system other companies will continue to be reluctant to locate here."<sup>31</sup> This line of criticism captures the fundamental difference in outlook between Alabama's political class and many ordinary citizens. The Mercedes incentive deal was expensive, and did not solve the problems that were at the root of Alabama's underdevelopment. But it was far more politically feasible than education reform, for reasons that have been discussed in the previous chapter.

There was also the question of how the Mercedes deal favored a new industry at the expense of established ones. Numerous critics pointed out that General Motors employed 3,000 at a Saginaw Division parts plant in Limestone County, and that Chrysler employed 2,000 at its Acustar division plant near Huntsville. Purchasing Mercedes vehicles, and pouring tax dollars into developing the Mercedes plant, seemed to disfavor those workers in established industries. Even U.S. Representative Earl Hilliard, whose district included Vance and the Mercedes plant site, pushed back against Camp's suggestion: "Those plants are already here. Unfortunately, we're putting too much emphasis on a plant that has not come yet."<sup>32</sup> Hilliard's criticism the thoughts and others who made similar observations exposed differences in philosophy between Mercedes backers and skeptics. In Hilliard's view, General Motors and Chrysler deserved greater consideration than Mercedes because they already provided thousands of well-paying jobs to Alabamians. But the fairly anonymous work of building automobile

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<sup>31</sup> F.G. Koger, letter to Jim Folsom, folder: Mercedes-Benz Plant NAR, box #SG020406 (ADAH).

<sup>32</sup> Michael Brumas, "Hilliard warns that boosting Mercedes could upset existing state industries," *Birmingham Post-Herald*, 10-29-1993.



components primarily for domestic brands lacked the cachet and the excitement of Mercedes' investment. General Motors and Chrysler may have been important parts of the Alabama economy, but they were unlikely to impress outsiders in the same way as a German luxury automaker.

Another controversy that erupted during the initial phases of the project concerned the use of the National Guard to help prepare the site for Mercedes-Benz. In January of 1994, newspaper reporters discovered that an Army National Guard engineering unit was working to clear and level the future Mercedes-Benz site in Tuscaloosa County.<sup>33</sup> Newspapers reported that the Guard unit in question had treated the work as though it was part of a normal two-week training regimen. Guard members were not paid anything more than their normal active-duty salary for performing the site work.<sup>34</sup> The involvement of the Guard in site preparation proved controversial for numerous reasons. National Guard policies forbid the use of Guard troops in activities that might compete with private industry, or displace workers in the private sector. Critics charged that the involvement of Guard troops in this project violated both guidelines.<sup>35</sup> A constituent from Wilmer, Alabama, who was a member of the United States Coast Guard wrote to Jim Folsom and expressed his dismay over the use of military forces for the purpose of preparing the site. The writer argued that any training exercises should be conducted in such a way as to be exclusively of benefit to the public and the Guard, not a private company. "You have used what we entrusted to you to provide assistance to a corporation that will profit from the resources we intended for our defense and disaster

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<sup>33</sup> David Rynecki, "Folsom calls on Guard for Benz site," *Birmingham Post-Herald*, 1-21-1994.

<sup>34</sup> Max Heine, "Opinions divided on use of Guard," *Tuscaloosa News*, 1-22-1994.

<sup>35</sup> Max Heine, "Opinions divided on use of Guard," *Tuscaloosa News*, 1-22-1994.

relief.”<sup>36</sup> Another letter writer expressed her anger over the matter in colorful fashion. “What do you think the National Guard is!!!!!! A clean-up Boy! A yard man! Just what is your idea on the responsibilities and duties of the National Guard? They are not yard men. That’s for sure... Mercedes owes every man a paycheck that worked on this project.”<sup>37</sup> The deployment of Guard troops on the Mercedes project was disturbing to those who wanted to see a strict separation between the activities of the military and those of private business. These letter writers and many others blamed Governor Folsom for the debacle, assuming that he had ordered the Guard to work on the site. But it soon emerged that the situation was far more complex.

The use of the Guard to prepare the Mercedes site drew scrutiny from officials at the Pentagon as well. A National Guard commander in Washington openly criticized the activity of the engineering unit, stating that it appeared to violate Guard policy.<sup>38</sup> The Folsom administration was caught off guard by the controversy, but defended the use of Guard troops to work on clearing the site. Because the land for the Mercedes site was still technically owned by the Tuscaloosa County Industrial Development Authority, the Folsom administration argued that the site preparation should be seen as a public service of the type which the Guard commonly performed.<sup>39</sup> They were bolstered by the revelation that the governor had not, in fact, ordered the Guard to work on the site.

In actuality, the Tuscaloosa County Industrial Development Authority (TCIDA) had filed the request with the Guard to perform the site preparation work; Jim Folsom

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<sup>36</sup> LCDR R.L. Kaylor, USCG, letter to Jim Folsom, 6 February 1994, folder: Mercedes-Benz Land Clearance/National Guard, box #SG020406.

<sup>37</sup> Naomi Reid, letter to Jim Folsom, 21 January 1994, folder: Mercedes-Benz Land Clearance/National Guard, box #SG020406.

<sup>38</sup> Thomas Hargrove, “Pentagon criticizes Guard use,” *Birmingham Post-Herald*, 1-22-1994.

<sup>39</sup> Max Heine, “Opinions divided on use of Guard,” *Tuscaloosa News*, 1-22-1994.

had not been involved in the decision. Dara Longgear, the executive director of TCIDA, defended the request on several grounds: it saved taxpayers money, it was not a violation of the Guard's non-compete rules (since TCIDA still owned the land, and not Mercedes), and the Guard's commanders had voluntarily agreed because it would be good training for members.<sup>40</sup> His case was bolstered by the adjutant general of Alabama, General James E. Moore, who released a three-page report supporting Longgear's version of events and defending the legality of the operation.<sup>41</sup> Guard officials claimed that they had not been informed that they were working on the future home of Mercedes.<sup>42</sup> Unconvinced, the National Guard command at the Pentagon began an official inquiry into the matter.<sup>43</sup> That inquiry, combined with the continued public outcry over the use of Guard troops, convinced the Folsom administration and the TCIDA that the deployment had been a mistake. The Guard was asked to stop working on the site by the TCIDA in late January, and never returned.<sup>44</sup> Although the Pentagon investigation closed without a finding of wrongdoing, it was a damaging public relations debacle that was rather unfairly blamed on Jim Folsom.<sup>45</sup> The *Tuscaloosa News* editorialized that the Alabama populace was the real loser in the whole episode, with no clear winners.<sup>46</sup> The legacy of the National Guard controversy can best be summed up as an example of the ethical hazards inherent in government aid to private businesses.

Racial concerns proved to be unavoidable in the debate over Mercedes. African-American lawmakers questioned how Mercedes would address the fraught racial history

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<sup>40</sup> David Rynecki, "Guard officer says Folsom did not order Mercedes work," *Birmingham Post-Herald*, 1-27-1994.

<sup>41</sup> "General: Folsom didn't order work," *Birmingham Post-Herald*, 1-27-1994.

<sup>42</sup> "Guard says site's client not revealed," *Birmingham Post-Herald*, 1-28-1994.

<sup>43</sup> Thomas Hargrove, "Pentagon peers into work for Benz," *Birmingham Post-Herald*, 1-25-1994.

<sup>44</sup> Max Heine, "Guard pulled off Mercedes site work," *Tuscaloosa News*, 1-26-1994.

<sup>45</sup> Max Heine, "Guard-Mercedes case closed," *Tuscaloosa News*, 2-17-1994.

<sup>46</sup> Editorial, "Guess who loses... again," *Tuscaloosa News*, 1-26-1994.

of Alabama. This was especially true when it came to hiring and employment. State representative Alvin Holmes of Montgomery, a leader of the Legislative Black Caucus, threatened to introduce a bill repealing Mercedes' incentives in response to Mercedes' perceived indifference to minority concerns. He charged that the company had refused to schedule a meeting with black legislative and community leaders to discuss hiring practices. He argued that the company should commit to hiring a thirty-percent-black workforce, because thirty percent of the legislators who had voted in favor of Mercedes were African-American. He provocatively linked the company's alleged inaction on minority issues to the racial legacy of German history: "The German people and the German nation have a long history of racism."<sup>47</sup> Supporters of Project Rosewood were quick to slam Holmes's comments as unjustified. In an editorial, the *Tuscaloosa News* labeled Holmes "an embarrassment" whose claims of racial bias were without merit, and insisted he owed the Germans an apology.<sup>48</sup> Holmes's comments about German history may have crossed the line. However, viewed within the broader historical context of African-Americans in Alabama industry, his aggressive posture on hiring practices made sense.

In *Hiring the Black Worker*, historian Timothy Minchin chronicled the long and tortuous integration of the Southern textile industry. African-Americans made few gains in textile employment until the mid-1970s, when manufacturers finally began to hire black workers into traditionally white positions. Those gains brought higher wages and better job security for African-Americans, who had previously been confined to the dirtiest and lowest-paying jobs in the industry. But those gains proved to be short-lived,

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<sup>47</sup> "Black lawmaker vows to block Mercedes tax break incentives," *The Birmingham News*, 24 December 1993.

<sup>48</sup> Editorial, "An embarrassment," *Tuscaloosa News*, 12-27-1993.

as the textile industry began to collapse in the late 1980s under a flood of cheap foreign competition.<sup>49</sup> African-Americans had similar experiences in other industries, making significant gains (if any) only since the middle of the 1970s. They too were hit hard by the waves of deindustrialization that washed over America in the 1980s.

Seen from this perspective, Alvin Holmes' firm stance on minority hiring makes more sense. His rhetoric was a hard-nosed negotiating tactic designed to force Mercedes's attention to minority issues. By some measures, it worked. Representatives of Mercedes met with black lawmakers and agreed to put together an advisory panel on minority issues, but refrained from making commitments on hiring.<sup>50</sup> Some other African-American politicians cautioned that job opportunities at the plant would necessarily be limited, with applications expected to far outstrip available positions. U.S. Representative Earl Hilliard, another African-American legislator, stressed that training would be the key to landing a job at Mercedes and that applicants should not stake their future on finding a job with the company.<sup>51</sup> Hilliard's realism would prove prescient, as tens of thousands of applicants swamped the 1,500 jobs initially available at the plant.

There were also those who believed that Alabama's courtship of a foreign company, particularly one from Germany, was inherently wrong for cultural or nationalist reasons. A resident of Philadelphia, Pennsylvania, took the time to write to Jim Folsom, saying that he hoped "you do better with Benz than my state did with VW... From day 1, German management complained about our lousy work force." Claiming to have owned multiple German luxury cars that did not live up to their reputation, he

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<sup>49</sup> Timothy Minchin, *Hiring the Black Worker: The Racial Integration of the Southern Textile Industry, 1960-1980* (Chapel Hill, NC: University of North Carolina Press, 1999): 270-71.

<sup>50</sup> Tom Lindley, "Black lawmakers tell Mercedes of minority issues," *Birmingham News*, 1-19-1994.

<sup>51</sup> Anna Thibodeaux, "Hilliard says training will be key to landing jobs with Mercedes," *Tuscaloosa News*, 1-22-1994.

argued that Alabama was making a risky investment that could easily have the same fate as Volkswagen's Pennsylvania factory.<sup>52</sup> A different letter writer from Birmingham was blunter: "It is wrong for the State of Alabama to purchase foreign cars, especially such an expensive brand." He opined that the Germans were now engaging in the same behavior as American companies that relocated to Mexico: finding a new source of cheaper labor at the expense of native labor.<sup>53</sup> Another letter writer, this time from Montevallo, called out the Folsom administration for its "serious bottom-kissing" in its pursuit of Mercedes. He also expressed concerns about undermining the American auto manufacturers by inviting a foreign company to set up shop in Alabama: "[What] does that say to Detroit and to the 'buy American' philosophy?"<sup>54</sup> While many of these critiques focused on the tangible negative effects on American companies and workers that might result from wooing foreign firms, some were uglier.

In a few instances, nationalist sentiment flared up into toxic xenophobia. After the initial plan to pay for the Mercedes incentives collapsed under legal scrutiny, the state was left scrambling for options. The James administration floated a plan to sell \$145 million worth of bonds to pay for construction of the training facility, to be paid for by diverting oil exploration lease revenue away from the General Fund. That plan was strenuously opposed by numerous groups, including the Alabama State Employees' Association. The group paid for a xenophobic attack ad to be run on radio stations, which charged the James administration with selling out Alabama and invoked the specter of

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<sup>52</sup> Edward J. Carlin, letter to Jim Folsom, 1 January 1994, folder: Mercedes-Benz Plant NAR, box #SG020406 (ADAH).

<sup>53</sup> Terry D. Johnson, letter to Jim Folsom, 30 November 1993, folder: Mercedes-Benz Plant NAR, box #SG020406 (ADAH).

<sup>54</sup> Stanton A. Sullivan, letter to Jim Folsom, 4 February 1994 folder: Mercedes-Benz Plant NAR, box #SG020406 (ADAH).

World War II: “I thought we won the war. Now I hear the Legislature and the governor are giving our state’s trust fund money to German and Japanese companies to get them to bring their factories to Alabama. These foreign companies will unfairly compete with our companies.”<sup>55</sup> The ad was harshly criticized, and the ASEA’s campaign to prevent the James administration from following through on the core promises of the Project Rosewood agreement ultimately proved fruitless. The state’s commitment to Mercedes and how to pay for it remained a source of much acrimony until the end of the 1990, but the available evidence suggests that xenophobia and anti-German hostility played only a minor role in the debate. On the contrary, it appears that most Alabamians were ready to welcome the German company and its representatives into their society.

### **A Changed Society: Vance and Mercedes-Benz**

There can be no question that the initial reaction to the Mercedes-Benz announcement was overwhelmingly positive, both across the state and within Tuscaloosa County. In Vance, the town nearest the plant site, the reaction was effusive. Even before the selection of the Tuscaloosa site, Vance citizens and officials made it clear that Mercedes would be welcome in their community.<sup>56</sup> The Vance City Council unanimously passed a resolution inviting Mercedes to build on the site near their community. That same resolution also promised not to attempt to annex the plant site into the town. This promise would later be the source of much controversy.<sup>57</sup> After the official commitment by Mercedes, many local residents were ecstatic. David Thompson, the principal of Vance Elementary, gushed about the new possibilities that Mercedes would bring to the area. “This is going to be five times better than tax reform. This is going to be the greatest

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<sup>55</sup> Phillip Rawls, “Ad brings up World War II in hitting Mercedes deal,” *Birmingham News*, 5-23-1995.

<sup>56</sup> Anna Thibodeaux, “Vance officials tickled pink about car plant prospects,” *Tuscaloosa News*, 9-28-1993

<sup>57</sup> Anna Thibodeaux, “Vance council invites Mercedes to locate plant there,” *Tuscaloosa News*, 9-28-1993.

thing that's happened to my children."<sup>58</sup> Helen Boyd, another longtime Vance resident, had a similar opinion about the importance of Mercedes-Benz to their community. "The plant means jobs for young people, the way I look at it... We've got a grandson 20 years old who can't get a job."<sup>59</sup> Many Vance residents believed that the Mercedes plant would offer a way to preserve their community by providing jobs to the next generation. When it became clear that the arrival of Mercedes would involve substantial hardships for the community as well, the enthusiasm of many residents subsided. Yet it cannot be denied that the initial reaction to Mercedes was hopeful.

There is a study whose dataset and conclusions offer a unique perspective on the societal changes wrought by the Mercedes-Benz plant. In 2000, researchers working under the auspices of a Tennessee Valley Authority grant published a sociological study of the residents of communities near the Mercedes-Benz plant in Vance, Alabama.<sup>60</sup> The study was primarily based on a two-part survey of residents of Vance and other local communities such as Tuscaloosa. The first phase of the survey was conducted in 1995 and the second in 1999, with the latter focused specifically on Vance. In the second phase, Vance residents were surveyed again two years after the plant had opened. By re-surveying the same residents in 1999, the researchers hoped to determine if any change in attitudes or opinions had occurred during the four-year interval. The authors noted that Vance has many similarities to other small Southern towns living in the shadow of major economic development projects. Given these similarities, the authors hoped that

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<sup>58</sup> David Rynecki, "Car plant is 'greatest thing to happen to children,'" *Birmingham Post-Herald*, 9-30-1993.

<sup>59</sup> Ibid.

<sup>60</sup> Ralph B. Brown, Clark D. Hudspeth, and Katherine L. Stone, "Social Impacts of Large Scale Economic Development Projects in the Rural South: A Longitudinal Re-Study of Vance, Alabama and the Impacts of Mercedes-Benz," Contractor Paper 00-09, TVA Rural Studies, June 2000  
<http://www.rural.org/publications/Brown00-09.pdf> [accessed 20 February 2018].



conclusions drawn from this particular study could be “cautiously applied” to other communities.<sup>61</sup> In contrasting their study with the kinds of economic impact analyses that are often applied to large-scale development projects, the authors explain that “what is often overlooked...are the less tangible (and at times highly charged) social impacts—costs and/or benefits— that are impossible to affix an economic value to.”<sup>62</sup> With their study of Vance and outlying communities, the authors aimed to fill in this gap. The conclusions they reached were wide-ranging, and in some ways counterintuitive.

The researchers divided their conclusions into seven categories, with two applied specifically to the town of Vance. In the first category, “Centralization of Power,” survey data indicated that local residents “felt that...the ability to make local decisions... had become less diffuse and had concentrated into fewer people’s hands.”<sup>63</sup> This was connected to the site selection and preparation process for the plant, which had happened largely without input from local residents. Although officials and dignitaries from Tuscaloosa and the county had been involved in courting Mercedes-Benz, Vance and other small towns had been deliberately left in the dark.<sup>64</sup> This attitude was further reinforced by the community problems that manifested themselves after plant construction had begun, ranging from the state’s use of eminent domain to acquire land to overburdened local schools. Residents of Vance and other small towns felt as though important decisions were being made high above their heads, with their voices shut out of the process. Given the secretive nature of the Project Rosewood negotiation process, it is hard to argue with this perspective.

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<sup>61</sup>Brown et al., “Social Impacts,” 1.

<sup>62</sup> *Ibid.*, 1.

<sup>63</sup> *Ibid.*, 18.

<sup>64</sup> *Ibid.*, 6.

These feelings about power relations went hand-in-hand with two other conclusions that the researchers reached. Local residents felt a “Loss of Community” over the four-year period, as well as a number of “Infrastructural Minuses.”<sup>65</sup> Over the four-year period covered by the survey, residents articulated that they felt their community had become less tight-knit and a smaller part of their lives generally. They also felt less safe in their homes, perhaps related to the influx of outsiders associated with the new plant.<sup>66</sup> Regardless, these small communities were clearly struggling to manage some of the issues associated with the plant’s expansion. These complaints were articulated by Mike Sanders, the mayor of Vance, in a 1995 interview with the *Tuscaloosa News*. Sanders complained that his constituents were “being stripped” of the benefits associated with the plant while being forced to shoulder a higher burden of social costs.<sup>67</sup> The lack of collaboration at the lower levels of society during the plant recruitment and planning process had widespread implications. The fact that many small landowners were shut out of the process was a source of lasting animosity that manifested itself repeatedly, both within this study and in other contexts.

One of the most bitter episodes in Vance’s history with the Mercedes plant was a feud with the city of Tuscaloosa over the annexation of land. The 966-acre parcel on which the plant itself was built was composed primarily of unincorporated rural land, with Vance as the nearest incorporated municipality. A dispute soon arose over whether the land surrounding the plant would be incorporated, and by whom.<sup>68</sup> As part of the

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<sup>65</sup> Brown et al., “Social Impacts,” 18-19.

<sup>66</sup> *Ibid.*, 19.

<sup>67</sup> *Ibid.*, 36.

<sup>68</sup> A short note on annexation: under the terms of the state constitution at the time of the debate over annexation of land around the Mercedes plant (1993-94), land could only be annexed into a municipality in two ways. A property owner could petition a municipality directly to incorporate their land, or an act of the state legislature could change the boundaries of a municipality without an agreement from landowners.

Project Rosewood incentives package, the city of Tuscaloosa and representatives from the county-level government had agreed to provide a number of services and benefits to the plant. These included water and sewer connections, in addition to city fire protection. The provision of these services comprised the justification given for Tuscaloosa's proposal to annex a fourteen-mile corridor along Interstate 59. The corridor would stretch from the main city of Tuscaloosa to the door of the Mercedes plant, encompassing an easement that stretched across the interstate.<sup>69</sup> This proposal provoked an angry reaction from Mike Sanders, Vance denizens, and residents of the rural unincorporated land surrounding the plant. They feared that the city of Tuscaloosa planned to absorb their property into its jurisdiction, and to cut off Vance from receiving the taxation and development benefits associated with the site.<sup>70</sup> Sparked by fears of an imminent Tuscaloosa takeover, owners of unincorporated land near the plant site began petitioning Vance to accept them into the municipality. The city of Vance accepted twenty-four incorporation petitions from landowners representing forty parcels of land by the end of November 1993.<sup>71</sup>

In a war of words with Project Rosewood's backers in Tuscaloosa and elsewhere, Sanders and Vance residents expressed their anger at what they perceived to be outsider aggression against their community. At the root of much of this anger was a perceived lack of respect. "We realized when Vance's name wasn't mentioned [in the Mercedes

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These rules were a legacy of the segregationist Constitution of 1901, and were later changed via constitutional amendment. For more information, see: Alabama Code Title 11, Counties and Municipal Corporations, 11-49-80.

<sup>69</sup> Anna Thibodeaux, "Vance mayor says land near plant prize in high-stakes race," *Tuscaloosa News*, 11-11-93.

<sup>70</sup> Anna Thibodeaux, "Vance fears city intentions," *Tuscaloosa News*, 11-17-93.

<sup>71</sup> Anna Thibodeaux, "Vance takes land near Mercedes site," *Tuscaloosa News*, 12-1-1993.

announcement] we knew where we fit in the picture,” Sanders stated.<sup>72</sup> He pointed out that the annexation threatened Vance’s ability to provide services to a population expected to grow with the introduction of the plant, by depriving the city of tax revenue.<sup>73</sup> Despite the objections of Sanders, the city of Tuscaloosa continued to press ahead with drafting an annexation bill to be submitted to the state legislature. By the end of March 1993, the Alabama Senate approved Tuscaloosa’s annexation bill.<sup>74</sup> The annexation was an example of how the benefits of major new plant expansions tend to benefit already-established areas, even if they are located on relatively isolated greenfield sites. By incorporating a territorial bridge up to the plant doors and exerting control over utilities, the city of Tuscaloosa ensured that Mercedes would stay within its economic orbit. A crucial window to spread the flow of capital improvements and development more evenly across the region had been closed.

After the passage of the annexation legislation, the disagreement between Vance and Tuscaloosa continued to escalate. The acrimony reached a new level when Vance refused to de-annex the site of a proposed water storage tank near the Mercedes plant. A Tuscaloosa city councilman, Jerry Plott, accused Vance of concocting a scheme to tax the water sold to the plant.<sup>75</sup> In a letter to the *Tuscaloosa News*, Vance resident Randy Mitchell retorted that Plott’s charges were just another example of Tuscaloosa’s attempts to monopolize all the benefits associated with the plant while ignoring the costs. Mitchell complained that he was being offered far less for his property than what his neighbors had received for theirs, while being threatened with eminent domain if he refused to

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<sup>72</sup> Anna Thibodeaux, “Vance mayor says land near plant prize in high-stakes race,” *Tuscaloosa News* 11-11-93.

<sup>73</sup> *Ibid.*

<sup>74</sup> Dana Beyerle, “Senate passes Mercedes package,” *Tuscaloosa News*, 4-6-1994.

<sup>75</sup> Robert DeWitt, “Plott alleges Vance trying to tax water sold to Mercedes,” *Tuscaloosa News*, 6-23-94.

comply. At the same time, Mercedes-Benz was receiving one favor after another. “Why doesn’t Tuscaloosa just furnish the water free of charge? After all, it is *Mercedes-Benz*.”<sup>76</sup> Less than a week after Mitchell’s letter, Vance sued Tuscaloosa in state court in an attempt to block the annexation.<sup>77</sup> Mike Sanders remained adamant that the lawsuit was the result of the dispute between Vance and Tuscaloosa, and that his town was not “anti-Mercedes.”<sup>78</sup> To prove it, Sanders displayed the Mercedes hood ornament that he had installed on the front of his Ford truck.<sup>79</sup>

Vance’s legal representative, Thomas Powe Jr., argued that Alabama Supreme Court precedent disallowed so-called “long lasso” annexations that left unincorporated islands of property in their wake. In response, Tuscaloosa city attorney Robert Ennis argued that Vance had no standing to bring its claim, and that the annexation had been fully legal. Furthermore, Ennis argued that the circuit court judge had to take into account the broader effects of disrupting the construction of infrastructure needed by Mercedes. According to Ennis, the judge “should not allow a lawsuit such as this to further inhibit or delay the greatest economic boom of this state.”<sup>80</sup> Meanwhile, Mike Sanders argued that Vance should be given the opportunity to develop and manage the water and sewer systems that Tuscaloosa had promised to Mercedes. Vance had been awarded a grant from the Alabama Department of Economic and Community Affairs to plan a sewer system. Sanders argued that allowing Vance to have a more active role in planning development projects would lead to more even growth throughout the region.<sup>81</sup> In the

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<sup>76</sup> Randy Mitchell, “Reader: All the breaks go to Mercedes, not Vance,” *Tuscaloosa News*, 7-1-1994.

<sup>77</sup> Anna Thibodeaux, “Lines drawn in Mercedes turf war,” *Tuscaloosa News*, 7-16-94.

<sup>78</sup> *Ibid.*.

<sup>79</sup> Dana Beyerle, “Camp: Mercedes won’t use tax break,” *Gadsden Times*, 11-13-93.

<sup>80</sup> Doris Flora, “Vance suit sending wrong message, city attorney says,” *Tuscaloosa News*, 7-30-1994.

<sup>81</sup> Robert DeWitt, “Legal dispute blocks Mercedes lines,” *Tuscaloosa News*, 7-27-94.

end, Vance lost its battle to have a greater say in the planning process. Vance attempted to settle the lawsuit with an agreement that would have given the town some control over the annexation, but Tuscaloosa rejected it.<sup>82</sup> After a series of appeals, the case was heard before the Alabama Supreme Court. The lawsuit was dismissed in a 5-0 ruling by the Supreme Court in May of 1995. The Supreme Court upheld the constitutionality of the annexation law, leaving Vance with no recourse.<sup>83</sup>

Negative sentiments associated with the Mercedes plant were further echoed in several letters sent to the TVA researchers by community residents during the course of the survey. In one of these letters, a female resident born and raised in Vance stated that “I am so disgusted with what Mercedes Benz is doing to our community. It doesn’t benefit local people at all!... What Mercedes means to us: 1) Doubled our property tax, 2) causes traffic problems, 3) higher crime rates. I don’t intend to leave, but I wish Mercedes would.”<sup>84</sup> In another letter, a different woman from Vance complained about the taking of property from local residents to build the plant, arguing that it had shattered the community: “Progress is going on every where, but I don’t personally see where this Mercedes Benz plant has helped any of our local people... My birth place is exactly on the spot where Mercedes-Benz is located. My mother is 93 years old and still wants to go home. My people all had to relocate and it’s never been the same.” The same letter took a xenophobic attitude toward the Germans: “We had lots of our service boys killed during world war two to same them Germans [sic].”<sup>85</sup> The view of Mercedes-Benz as interlopers in a formerly insular community was reflected in other letters. One resident opined that

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<sup>82</sup> Doris Flora, “Tuscaloosa rejects two Vance offers,” *Tuscaloosa News*, 8-14-94.

<sup>83</sup> Dana Beyerle and Max Heine, “Court Oks ruling,” *Tuscaloosa News*, 5-6-1995.

<sup>84</sup> Brown et al., “Social Impacts,” 35.

<sup>85</sup> *Ibid.*, 35.

Mercedes-Benz was “forced” on Alabama by Jim Folsom in a bid to get re-elected, and now the residents of the state were stuck with the plant. He had derived no personal benefit from it: “It raised my taxes and ruined my Deer hunting that side [sic].”<sup>86</sup> The sense of an overburdened community was a widely-felt sentiment. This was expressed most clearly in a final letter from a constituent who refused to answer the survey but offered a general critique of Mercedes’ impact on the community:

I am seventy-five years old, I still work and am raising two grandchildren. My opinion of Mercedes-Benz is: they have caused more harm than good. Sure, a few people got jobs, but that does not make up for the pollution they pour into our air every day. The little elementary school has seventeen trailers due to more children in the area. The big boom in residential housing hasn’t happened. Most of these children live in trailers, which downgrades the community. The economic development for this area hasn’t happened either.<sup>87</sup>

These letters, as well as the survey data gathered by the researchers, provide a picture of the negative feelings of some community members in response to the development of Project Rosewood. The high-handed nature of the planning and development process, and the failure to address local concerns about schools and infrastructure, embittered residents of Vance and other small towns who felt that they bore the burden of societal changes wrought by the coming of Mercedes-Benz. Those failures to ameliorate local problems were documented not only by the TVA researchers, but by the many news stories that addressed the downsides of Mercedes-Benz for area residents.

The arrival of Mercedes portended a major reordering of property, people, and resources in the rural parts of Tuscaloosa County. Residents of Vance and the unincorporated land within and surrounding the plant site were on the front lines of these changes. Although many were excited about the new development, others were unhappy

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<sup>86</sup> Brown et al., “Social Impacts,” 35.

<sup>87</sup> Ibid., 35-36.

that their traditional way of life was being disturbed. This included numerous residents who either were pressured into selling their homes or had their property taken via eminent domain. Jerry Jones of Vance, speaking to the *Tuscaloosa News*, said that although he got a fair price for his property he felt pressured into selling. “I’m proud that Alabama got the plant, but I don’t like the way my home was taken from me.”<sup>88</sup> The feeling that the community was being torn apart echoed strongly among some Vance residents. Keith Mahaffey, whose wife’s family had resided in Vance since 1929, had strong words for what he felt was happening to the community. “It’s not Vance anymore... I did not want to see our community torn and ruined. It’s ruined.”<sup>89</sup> The secretive and exclusionary nature of the discussions contributed to Vance residents’ feelings of alienation. As the early enthusiasm surrounding Project Rosewood faded, and many of the promises of benefits to Vance failed to materialize, those feelings of alienation would increase.

The amount of media attention that the new Mercedes plant attracted contributed to the feeling of Tuscaloosa County residents that they had been unwillingly put under a microscope. Camera crews, reporters, Mercedes project personnel, and eventually construction workers inundated the town of Vance and the surrounding countryside after the Project Rosewood announcement. Many rural residents of the area near the Mercedes site resented what they felt to be unfair portrayals of their town and their way of life. Connie Harris, a resident of the town of Woodstock, summed up these feelings: “It gets aggravating after a while when everyone’s got the same opinion about the town and it’s

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<sup>88</sup> Anna Thibodeaux, “Some folks in Vance not happy with plant,” *Tuscaloosa News* 10-3-1993.

<sup>89</sup> *Ibid.*



wrong. People here are not a bunch of redneck, dumb, country bumpkins.”<sup>90</sup> Harris’ statement raises an important point about how those who objected to the Mercedes plant were frequently portrayed by supporters of the project. The need to shed the archaic perception of Alabama as a rural backwater was advanced again and again by these supporters, who inevitably portrayed opponents as part of the Old South they were trying to escape. The very real concerns of rural residents about the impact of development on their communities were often dismissed as baseless anti-modern complaining. In reality, many of these rural residents did not object to the actual development as much as they objected to the way in which it was managed. Keeping rural residents from participating in the planning process led to greater hardship and less prosperity for those who lived in the immediate vicinity of the plant.

Even so, sentiments regarding the factory were far from universally negative in these local communities. For one, the availability of more and better job opportunities due to Mercedes was widely acknowledged by survey recipients. Throughout the area covered by the survey, incomes both rose and became steadier as the plant was brought fully on-line.<sup>91</sup> Even though many Vance residents did not work at the Mercedes factory specifically, the multiplier effect on the local economy was obvious. A new post office, new motel, and other developments were clear indicators of the capital and resources flowing into the area.<sup>92</sup> Many residents also benefitted from a rise in land values, with some selling their acreage for a significant profit.<sup>93</sup> This was matched by a general change in the orientation of community members to the outside world. According to the

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<sup>90</sup> David Rynecki, “New-car shine of Mercedes dims for some,” *Birmingham Post-Herald*, 1-15-94.

<sup>91</sup> Brown, “Social Impacts,” 20.

<sup>92</sup> Jed Graham, “Growing All Ways: Vance Feels Some Pain,” *The Birmingham Post-Herald*, 26 August 1995.

<sup>93</sup> Jim Yardley, “Vance folk learning the price of progress,” *Atlanta Journal-Constitution*, 12-28-1993.

TVA researchers, residents of Vance developed “a more cosmopolitan orientation” as they began to see themselves as part of a larger, globally-integrated society. This included relatively mundane changes in behavior such as a shift to purchasing goods and services outside of the immediate community. The survey also indicated more positive attitudes toward newcomers and outsiders, suggesting that xenophobic reaction was a limited phenomenon.<sup>94</sup> These added up to a general perception that the quality of life had improved in Vance since the opening of the Mercedes plant.<sup>95</sup> For most respondents, the positive growth associated with Mercedes-Benz overrode their other concerns.

This perceived increase in the quality of life might seem ironic, given the widespread perception of survey respondents that their sense of community (their trust in their neighbors, their voice in local government, and their overall feeling of togetherness) had declined since 1995. This led the authors to posit that the identity of Vance residents became more globally-oriented rather than community-oriented. Although Vance residents lost their sense of community identity, the arrival of Mercedes meant that they began to perceive themselves as part of a globally-interconnected world order.<sup>96</sup> The Mercedes-Benz company had itself had contributed significantly to the construction of that new identity. Mercedes’ sponsorship of the *Weindorf* festival in Tuscaloosa was an example of the kind of cross-cultural exchange that led to the creation of newly globalized identities in this corner of the Deep South.

### **Building Cultural Bridges in Dixie**

On October 29, 1994, the Governor of Alabama, his staff, and numerous German and Japanese dignitaries arrived at Tuscaloosa International CityFest. The annual city

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<sup>94</sup> Brown, “Social Impacts,” 20.

<sup>95</sup> *Ibid.*, 27.

<sup>96</sup> *Ibid.*, 39-41.

festival of Tuscaloosa had traditionally featured classically American attractions ranging from antique cars to famous musical acts. This year was different. Mercedes-Benz and the city of Stuttgart, Germany, were co-sponsoring a miniature *Weindorf* festival, a new addendum to CityFest's other attractions.<sup>97</sup> *Weindorf* is the name given to the wine harvest festivals that occur throughout the Swabian region of Southern Germany every fall, when the year's new vintages are sampled alongside an array of gourmet foods. Stuttgart's festival is the largest of these, and now a litany of chefs, entertainers, and dignitaries had come to Tuscaloosa to demonstrate a delicious version of Southern German culture. This transplanted *Weindorf* served other purposes beyond mere entertainment for Tuscaloosa denizens. As criticism of Project Rosewood mounted and statewide elections loomed, the *Weindorf* was designed to be a show of good faith. It was a chance to forge a highly public and emotional bond between Alabama and Mercedes, and to convince a skeptical public that they should remain committed to a partnership with the German company. It was also a way for representatives of Southern Germany to build a bridge between their region and the Southern United States.

At the opening ceremonies for the *Weindorf*, Governor Jim Folsom voiced his hopes that it marked the beginning of a long partnership between Mercedes-Benz and his state. "I believe the addition of the *Weindorf* village to the Tuscaloosa CityFest shows the generosity and the warmth of our new corporate citizens, Mercedes-Benz. In allowing us to sample the flavor and the atmosphere of their home city, they are further strengthening the bond of friendship and partnership that exists between us all."<sup>98</sup> He appeared onstage flanked by Andreas Renschler, the Mercedes executive in charge of the Project

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<sup>97</sup> Max Heine, "German delights should make CityFest a treat," *Tuscaloosa News*, 8-30-94.

<sup>98</sup> Jim Folsom, Governor's Remarks to Weindorf Celebration, 29 October 1994, box #SG020420 (ADAH).

Rosewood negotiations, and Wolfgang Hafele, the Stuttgart deputy mayor for economic development. At the conclusion of Folsom's speech, Hafele presented the governor with an enormous engraved wine glass, partially filled with drink. The three men each took a drink, symbolic of their trilateral partnership.<sup>99</sup> Folsom thus tied the future of the state to Mercedes in a highly public fashion, with the favorable backdrop of generous hospitality. The celebratory swig between the Mercedes partners wasn't the only high-level symbolic exchange that occurred during CityFest that year.

Elsewhere that night, Al DuPont, the mayor of Tuscaloosa, and Ishamu Araki, the mayor of Narashino, Japan, exchanged gifts and spoke about the importance of the "sister cities" partnership between their two communities.<sup>100</sup> The cities' partnership had come about as a result of an investment by the JVC Corporation of Japan, which opened a factory to manufacture videotape cassettes near Tuscaloosa in 1986.<sup>101</sup> The establishment of these types of sister cities programs was widespread in the American South by the 1980s, largely as a result of growing foreign direct investment. These partnerships allowed local boosters to chart new territory in their long-running drive to recruit capital investment, a drive which had now become truly global in scale. The arrival of Mercedes would eventually lead Tuscaloosa to establish a similar relationship with the German city of Schorndorf in 1996.<sup>102</sup> Schorndorf has close ties to Mercedes. Known as the "Daimlerstadt" because of native son Gottlieb Daimler, it is a key part of the Stuttgart

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<sup>99</sup> Mark Hughes Cobb, "Worldly air: Oompah of CityFest draws a crowd," *Tuscaloosa News*, 10-31-1994.

<sup>100</sup> Suzy Fleming, "CityFest takes on global look," *Tuscaloosa News*, 10-29-94.

<sup>101</sup> "Editorial: JVC plant's legacy lives on in Tuscaloosa," *Tuscaloosa News*, 9 January 2015  
<http://www.tuscaloosaneews.com/article/DA/20150109/News/605146343/TL/> [accessed 12 March 2018].

<sup>102</sup> "Tuscaloosa, USA seit 1996," Stadt Schorndorf, <https://www.schorndorf.de/de/Die-Stadt/Stadtportrait/Partnerst%C3%A4dte/Tuscaloosa%2C-USA> [accessed 12 March 2018].

metropolitan area.<sup>103</sup> These partnerships offered Tuscaloosa an opportunity to burnish its credentials as a truly “international” city, a distinction of great importance in an era of increasing globalization. They were supported by local boosters who wished to see more foreign investment in their communities, and they had the ancillary effect of promoting cultural exchange.

The international connection was considered so important by CityFest’s organizers that they renamed the event to “International CityFest” in order to highlight the role of foreign culture in the event. John Curry, a local merchant and co-chairman of CityFest’s organizing committee, remarked to the *Tuscaloosa News* that the name change “reflects our going international as a city.”<sup>104</sup> The *Weindorf* village proved to be the star attraction of CityFest. In preparation for the event, 790 gallons of wine and 660 gallons of beer were imported from Germany. Plentiful quantities of cured meats, steak, pretzels, and Black Forest cake were on offer.<sup>105</sup> All of the food was prepared by twenty-five chefs flown in from Germany, who plied their trade in specially-constructed cabins reminiscent of those used in Stuttgart’s own festival. They were joined by an *oompah* band, young women in native costume, and numerous craftsmen hawking their wares. The mayor of Tuscaloosa exchanged gifts with a deputy mayor from Stuttgart, again symbolically marking the new relationship between the two cities.<sup>106</sup>

The public response was similarly positive. The *Weindorf* village was one of the most popular CityFest attractions, with long lines for food and drink throughout the weekend. The booth promoting Stuttgart tourism encountered strong interest, and many

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<sup>103</sup> “Schorndorf,” Tuscaloosa Sister Cities International, <https://tuscaloosasisistercities.wordpress.com/schorndorf/> [accessed 12 March 2018].

<sup>104</sup> Max Heine, “German delights should make CityFest a treat,” *Tuscaloosa News*, 8-30-94.

<sup>105</sup> *Ibid.*

<sup>106</sup> Max Heine, “Weindorf preview big hit,” *Tuscaloosa News*, 10-28-94.

raffle tickets were sold for a trip to the city.<sup>107</sup> John Curry labeled the event a runaway success, estimating that over 50,000 people attended the two-night festival: perhaps twice as many as the previous year.<sup>108</sup> Linda Paulmeno, a spokesperson for Mercedes, claimed that the cultural exchange was a two-way street: “The Germans that were here just loved talking to the people from Tuscaloosa and finding out about the cultural things here—everything from accent to food to what people like to do here in their spare time.”<sup>109</sup> In any case, the *Weindorf* established a tradition that would have enduring roots in the Tuscaloosa community. *Weindorf* would go on to become a regular feature of Tuscaloosa life up through the mid-2000s. However, it was far from the only new cultural touchstone that was established on the back of globalization in the Tuscaloosa area.

The *Weindorf* festival was only one example of the new cultural melding taking place in the Deep South. The Narashino partnership produced similar cross-cultural connections. Takemine Mochizuki, a resident of Narashino and former exchange student at the University of Alabama, donated over 200 cherry trees to the city. Their blossoms, known as *sakura*, are a well-known feature of the Tuscaloosa landscape. Mochizuki’s gift, in addition to partnerships with JVC and Chiba University of Japan (which formed a relationship with the University of Alabama) led to the creation of an annual cherry blossom festival in Tuscaloosa.<sup>110</sup> The Sakura Festival continues up to the present day, and encompasses many of the features of a traditional Japanese *matsuri* (celebration):

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<sup>107</sup> Max Heine, “Crowd turns out for German food, wine and beer,” *Tuscaloosa News*, 29 October 1994.

<sup>108</sup> Max Heine, “Setting a record: Fest crowd topped 50,000,” *Tuscaloosa News*, 31 October 1994.

<sup>109</sup> *Ibid.*

<sup>110</sup> Kathy Birchall, “T-Town gets a taste of Japanese culture,” *Tuscaloosa News*, 10 March 2006 <http://www.tuscaloosaneews.com/news/20060310/t-town-gets-a-taste-of-japanese-culture> [accessed 12 March 2018].

*taiko* drumming, dancing, martial arts, and cultural exhibitions.<sup>111</sup> The festival and the partnership both outlasted the factory opened by JVC, which permanently closed its doors in 2015.<sup>112</sup> The Sakura Festival even proved to be more enduring than International CityFest.

Despite the popularity of the *Weindorf* and the festival's other attractions, financial problems and a string of bad weather brought International CityFest to an end in 2005.<sup>113</sup> Nostalgia for the good times of *Weindorf* led to the resurrection of a German cultural festival in Tuscaloosa over a decade later. Announced in 2016, the Volksfest ("People's Festival") reestablished some of the traditions of *Weindorf*, and was organized as a fundraiser for a local senior citizens' group.<sup>114</sup> This new-old festival demonstrated the permanence of German cultural influence on the Tuscaloosa region, which had been bolstered by successive waves of immigrants. As an example, the German baker Ester Scheeff relocated to the Tuscaloosa area in 1998 with her husband, a Mercedes-Benz employee. She founded the Edelweiss Bakery and Café in downtown Tuscaloosa, a landmark neighborhood institution with a large American and German clientele. She would later become a prominent food vendor and contributor to Volksfest.<sup>115</sup> Scheeff's story helps illustrate the lasting influence of German culture on the Tuscaloosa region, and the contributions of German immigrants to sustaining those traditions. Much like the

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<sup>111</sup> The University of Alabama Capstone International Center, "Cherry Blossom/Sakura Festival," <http://international.ua.edu/sakura/> [accessed 12 March 2018].

<sup>112</sup> Patrick Rupinski, "100 workers to lose jobs as Cinram shuts plant in Tuscaloosa County," 6 January 2015 <http://www.tuscaloosaneews.com/article/DA/20150106/News/605146253/TL/> [accessed 12 March 2018].

<sup>113</sup> Mark Hughes Cobb, "New musical festival planned for '19," *Tuscaloosa News*, 25 February 2018 <http://www.tuscaloosaneews.com/news/20180225/new-musical-festival-planned-for-19> [accessed 12 March 2018].

<sup>114</sup> Laura D. Testino, "German festival Volksfest will be Saturday," *Tuscaloosa News*, 26 March 2016 <http://www.tuscaloosaneews.com/article/DA/20160326/News/605158153/TL/> [accessed 12 March 2018].

<sup>115</sup> Laura D. Testino, "German festival Volksfest will be Saturday," *Tuscaloosa News*, 26 March 2016 <http://www.tuscaloosaneews.com/article/DA/20160326/News/605158153/TL/> [accessed 12 March 2018].

transplanted rocketeers in the Huntsville area, German immigrants associated with Mercedes became closely integrated into their adopted home.<sup>116</sup>

### **Shifting Into Drive**

On May 4, 1994, Governor Jim Folsom joined Mercedes-Benz officials at the Project Rosewood site for the ceremonial groundbreaking. The fickleness of Alabama spring weather had forced the event to be postponed for a month, but this time it went off without a hitch.<sup>117</sup> Like most other groundbreakings, the event was weighted with symbolic importance. It represented a chance for the various parties involved to articulate their vision of how Project Rosewood would shape the future of Alabama. It was also a chance to quell the early controversies associated with the plant and make the case for continuing the partnership between Mercedes and the state. Dieter Zetsche, the Mercedes board member in charge of passenger-car development and the highest-ranking company official present at the introduction, argued that Project Rosewood represented a joint venture where both parties would make equally valuable contributions. “It is the foundation for what will become a world-class plant, producing a world-class vehicle, utilizing the strengths and talents that lie within the state of Alabama... this new operation in Tuscaloosa gives us an opportunity to establish a new philosophy... and the people of Alabama will play a very important role in that process.”<sup>118</sup> Governor Folsom also spoke, referring to Mercedes as the “crown jewel of Alabama’s economic future.”<sup>119</sup> He noted that the Germans who moved to Tuscaloosa to work at the factory would

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<sup>116</sup> Monique Laney, *German Rocketeers in the Heart of Dixie: Making Sense of the Nazi Past During the Civil Rights Era* (New Haven, CN: Yale University Press, 2015).

<sup>117</sup> Max Heine, “Forget delay: Mercedes is under way,” *Tuscaloosa News*, 5-4-1994.

<sup>118</sup> Max Heine, “Forget delay: Mercedes is under way,” *Tuscaloosa News*, 5-4-1994.

<sup>119</sup> Jim Folsom Speech at Mercedes Groundbreaking, 5-3-1994, box #SG020420 (ADAH).



become neighbors with Alabamians. Mercedes would thus become the cross point in a global exchange between two cultures.

In his own remarks, Andreas Renschler offered a vision of the future whereby Mercedes had led to the transformation of this part of Alabama. Speaking to a group of local students who had been invited to witness the groundbreaking, Renschler identified them as the future generations that would ensure the plant's success. He spoke from the perspective of the year 2004: "Ten years ago, the thirty-mile corridor between Tuscaloosa and Birmingham was anchored by Mercedes-Benz... Today, the area is a nationally recognized center for industry and technology— thanks to the dedication and commitment of the state, local communities and residents of Alabama."<sup>120</sup> Nineteen students from twelve Tuscaloosa-area schools symbolically shoveled the earth, affirming the link between the day's ceremonies and Alabama's future. Renschler laid out all of the core arguments that had been advanced by supporters of Project Rosewood. In their view, Mercedes would lead to the technological transformation of Alabama society. It would also create the economic conditions necessary for the children of today to preserve the communities of tomorrow.

Although the groundbreaking ceremony was filled with optimism, the next three years would be rocky. In November, Jim Folsom lost the governor's office to Republican Fob James in a narrow upset. Project Rosewood featured prominently in the campaign, with James arguing that Folsom had "given away the state" and promising to re-write the "Mercedes law" to prevent future controversies. Despite this criticism, James pledged to follow through on the deal and Mercedes indicated that the election would have no

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<sup>120</sup> Mercedes Press Release, May 3, 1994, box #SG014281 (ADAH).

impact on plant construction.<sup>121</sup> There is little evidence to suggest James' victory was predicated on political fallout from Project Rosewood. The national Republican wave of 1994 and an ongoing ethics scandal involving gambling tycoon Milton McGregor both contributed to Folsom's narrow loss.<sup>122</sup>

James' victory put a spotlight on the unresolved legal and financial questions that loomed over the Project Rosewood agreement. Despite Mercedes' assurances that plant construction would continue without interruption, there was a great deal of uncertainty as to how the state would hold up its end of the deal. By early 1995 it had become clear to most observers that the original funding mechanism for the deal was legally untenable. It was also clear that the more politically controversial aspects of the deal (such as the commitment to buy 2,500 Mercedes SUVs) would have to be renegotiated or abandoned. It would take a concerted effort by the James administration to reach a compromise that was both constitutionally acceptable and politically viable. Reaching that compromise proved to be a messy process with long-term consequences.

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<sup>121</sup> Associated Press, "Mercedes still to build plant," *Birmingham Post-Herald*, 11-11-1994.

<sup>122</sup> William H. Stewart, "James E. Folsom Jr. (1993-95)," *Encyclopedia of Alabama* <http://www.encyclopediaofalabama.org/article/h-1503> [accessed 17 March 2018].

## Chapter 5: The Freeway Journey

A few summers ago, I found myself in an Atlanta suburb just south of downtown on a bright afternoon. I went to visit a friend, but I had several hours to burn while I waited for him to finish work. I began idly navigating my way through the leafy side streets, looking for a place to stop and stretch my legs. Before long, I came across a Mercedes dealership on a quiet stretch of road. The modernist steel-and-glass façade of the showroom contrasted sharply with the pin oaks and the red clay surrounding the lot. At the front, a long row of shiny SUVs sat glimmering in the sun. I got out of my car and took a stroll past them, admiring their alloy wheels and tasteful chrome accents. The ones in the front row were all GL models, some seating five and others seven. Although not partial to SUVs myself, they were attractive in their own way. Their sober white and dark paint schemes gave them a Teutonic solidity, even though they had never once touched German soil. These “imports” were all from Tuscaloosa.

The GL class was Mercedes’ sequel to the ML, and it was built in the same Alabama factory that had been dedicated to producing SUV models since 1997. I took a look at the window stickers, noting the high American parts content and the point of origin. I also noted the prices: all of them were well north of fifty thousand dollars, with some stretching up into the eighties. They were far beyond the means of the average Alabama family. The median household income of my adopted home state was about \$47,000 in 2016.<sup>1</sup> Regardless, they were prima facie evidence of the ability of Alabamians to manufacture technologically sophisticated, highly sought-after consumer goods.

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<sup>1</sup>“Alabama is America’s sixth-lowest earning state, Census data shows,” Al.com, 13 September 2017 [http://www.al.com/news/index.ssf/2017/09/alabama\\_is\\_americas\\_6th\\_poores.html](http://www.al.com/news/index.ssf/2017/09/alabama_is_americas_6th_poores.html) [accessed 12 April 2018].

I got back in my car and headed a little further up the road. Now I came upon a Kia dealership, a brand decidedly friendlier to my budget. Hyundai and Kia had been relative latecomers to American production, but they had already had a major impact on this part of the South. I peered closely at the window sticker of an Optima sedan. It had been built just down I-85, at West Point, Georgia; I passed the factory every time I went from Auburn to Atlanta. I watched a car hauler unload a series of bubble-wrapped Optimas and Sorento SUVs, the fresh produce of Georgia's only remaining automobile factory. I began thinking about the former General Motors and Ford plants in the Atlanta area, and how Kia had arrived hot on the heels of their disappearance. These were more humble rides than the Mercedes I'd just been admiring, but they were still evidence of the South's high-tech productive capacity. I watched as a salesman did his best to sell a young couple on the virtues of a new Optima. They nodded along seriously as he explained its features and showcased the brilliant red paint. A new car is an expensive investment for a family, and I could tell they were taking it seriously. It was then that I had an epiphany about the transformation of the Southern landscape that had accompanied the restructuring of the American auto industry.

In many different locations across the South, the built landscape has become an integral part of states' push to showcase their modernity. Automotive plants and their supporting industries have played a major role in this, with locations large and small serving as avatars of industrial progress. The high visibility of the Mercedes, Kia, and Hyundai factories is not an accident. Instead, the location and design of these plants is meant to reinforce their effect as monuments. Much like nuclear power plants or airports, these new automobile factories communicate an unobvious message of technical

achievement and industrial strength to observers. Traveling across the South on its major arterial freeways puts this concept on full display. In this chapter we will take an observational journey from Atlanta to Montgomery. On this journey we will see how Georgia and Alabama have both tried to leverage their automobile plants as physical evidence of economic and social transformation. Although this new development is impressive, haunting evidence of inequality and hardship still lingers by the side of the road. The distribution of prosperity in the twenty-first-century South has been highly uneven. Behind the glimmering facades of auto factories lies a society still struggling to escape the legacies of the past.

### **The Auto Industry in Georgia before Kia**

Before we depart Atlanta on our journey, a brief word is necessary about the extended history of the auto industry in Georgia. Unlike Alabama, Georgia had an established history of automobile manufacturing long before the 1990s. The Atlanta metro area at one time boasted three automotive manufacturing plants, two owned by General Motors and the other by Ford. Ford first established an assembly plant in Atlanta in 1914, when it opened a multi-story factory near downtown. The Atlanta plant became an important part of the company's national network, as it built cars from parts kits and distributed them to customers in the South. It was also an example of the kind of development called for by Atlanta newspaper editor Henry Grady and the so-called New South movement he fronted: modern industry as a tonic to the South's many problems in the post-Reconstruction era.<sup>2</sup> The Ford factory on Ponce de Leon Avenue served as an assembly plant and regional headquarters for the company through the late 1930s. Ford

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<sup>2</sup> Harold E. Davis, *Henry Grady's New South: Atlanta, a Brave and Beautiful City* (Tuscaloosa, AL: University of Alabama Press, 1990): 13-15.

sold the building to the War Department in 1942.<sup>3</sup> After the war, Ford began to build a new assembly plant in the south Atlanta suburb of Hapeville to replace the one that it had sold to the federal government during the war.

Opened in 1947, the Hapeville plant produced Ford cars for nearly six decades. It was the home of the smash hit Taurus sedan, which revived Ford's fortunes in the mid-1980s and became the best-selling car in America for several years. Although Hapeville was one of the company's most productive and efficient plants, its existence was eventually jeopardized by the weakening of Ford sedan sales in the late 1990s. The Hapeville plant was one of fourteen factory closures announced by Ford in January of 2006 as part of a general restructuring plan.<sup>4</sup> The last silver Taurus sedan was delivered to Chik-Fil-A founder Truett Cathy, who built his first restaurant directly across the street from the plant in 1946.<sup>5</sup> The closure of the Ford plant meant over 2,000 workers lost their jobs, most of whom were members of United Auto Workers Local 882.<sup>6</sup> The loss of the plant had a predictably harsh impact on the local community. In one stroke, the city of Hapeville lost its second-largest employer and nine percent of its tax base.<sup>7</sup> The site of the plant was eventually redeveloped into a mixed-use office park, which interestingly included the new North American headquarters of Porsche Automobiles.<sup>8</sup> In the short

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<sup>3</sup> "Ford Motor Company Assembly Plant," National Park Service Atlanta, <https://www.nps.gov/nr/travel/atlanta/for.htm> [accessed 15 April 2018].

<sup>4</sup> Associated Press, "Ford's Georgia plant among those to be 'idled,'" NBC News, 23 January 2006 <http://www.nbcnews.com/id/10991518/ns/business-autos/t/fords-georgia-plant-among-those-be-idled/#.WtPSVi7wbIU> [accessed 16 April 2018].

<sup>5</sup> Jack Walsworth, "Ford's final Taurus- for a while- rolls off the line," *Automotive News*, 25 October 2016 <http://www.autonews.com/article/20161025/CCHISTORY/161029938/fords-final-aurus---for-a-while---rolls-off-the-line> [accessed 16 April 2018].

<sup>6</sup> United Auto Workers Local 882, "About Us," <https://www.uawlocal882.net/about-us> [accessed 16 April 2018].

<sup>7</sup> Associated Press, "Ford's Georgia plant among those to be 'idled.'"

<sup>8</sup> Urvaksh Karkaria, "Porsche unveils \$100M Atlanta HQ plans," *Atlanta Business Chronicle*, 12 May 2011 <https://www.bizjournals.com/atlanta/news/2011/05/12/porsche-unveils-100m-atlanta-hq-plans.html> [accessed 29 May 2018].

term, the loss of the Ford plant was still a serious blow to Hapeville and the Atlanta area. The closure of Ford's plant wasn't the last loss of an automaker in Georgia.

The history of General Motors manufacturing in the Atlanta region extended back to 1927, when GM opened its first factory in the suburb of Lakewood. In the mid-1930s, Lakewood was the center of one of the most consequential battles in American labor history. Although workers at the General Motors plants in Flint, Michigan, were the most famed participants in the 1937 "sit-down strikes" that forced GM to recognize the United Auto Workers, Lakewood was actually the factory where the wave began in mid-1936.<sup>9</sup> In 1947, GM joined Ford when it opened a second factory in the Atlanta region to meet booming postwar demand for new cars.<sup>10</sup> The two General Motors factories and the Ford plant provided stable high-wage employment in the Atlanta area for decades. Eventually, however, they became victims of those companies' struggles to stay ahead of a changing marketplace.

By the mid-1980s, General Motors was struggling with the same problems of overcapacity and weakening demand that faced the other domestic automakers. Lakewood Assembly closed in 1990 as demand for the large cars produced there shrank.<sup>11</sup> The more modern factory at Doraville received a major capital investment in the late 1980s and was retooled for a new generation of products: minivans and front-wheel-drive cars. These vehicles gave the factory a new lease on life, but this proved to be temporary. GM, struggling with decades of legacy costs and poor management decisions, began downsizing its North American operations in the mid-2000s. In

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<sup>9</sup> Sidney Fine, *Sit-down: The General Motors Strike of 1936-37* (Ann Arbor: University Press of Michigan, 1969): 134-36.

<sup>10</sup> "General Motors Doraville Timeline," *Atlanta Journal-Constitution*, 21 September 2008.

<sup>11</sup> PR Newswire, "C-P-C Announces Lakewood Assembly Plant Will be Idled," *Atlanta Journal-Constitution*, 14 September 1989.

November of 2005, the company announced that its Doraville plant would close when the products produced there had reached the end of their model cycles.<sup>12</sup> The company offered early retirement to tens of thousands of workers in 2006, a move which led about half of the Doraville workforce to take a buyout.<sup>13</sup> These cutbacks were part of a general retrenchment by GM intended to make the company more competitive and reduce its legacy costs, but this restructuring ultimately failed to save it. By 2008, GM was in crisis. The worldwide financial meltdown put every automaker under immense strain as consumer credit streams froze and sales vanished. The last minivan rolled off the line in Doraville in September of 2008, ending sixty years of production at that facility and over eighty years of GM manufacturing presence in the Atlanta area.<sup>14</sup> GM entered a controversial government-managed bankruptcy shortly thereafter, which resulted in further employment reductions and the shuttering of entire divisions.

The timing of these plant closures relative to the announcement that Kia would open a new factory in West Georgia raises several questions. The termination of the Doraville plant was announced in November of 2005, with the actual closure coming almost three years later. The Hapeville Ford plant closure announcement came in late January of 2006, and the last Taurus was built in October of that year. The state's agreement with Kia was signed on March 13, 2006, and announced the same day. In a statement on the deal, Governor Sonny Perdue attributed the selection of Georgia to his state's "strong presence in the automotive industry," which has "long delivered the right

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<sup>12</sup> "GM Doraville facility to shut down in 2008," *Atlanta Business Chronicle*, 21 November 2005 <https://www.bizjournals.com/atlanta/stories/2005/11/21/daily1.html> [accessed 17 April 2018].

<sup>13</sup> "General Motors Doraville Timeline," *Atlanta Journal-Constitution*, 21 September 2008, pg 8A.

<sup>14</sup> Tammy Joyner, "GM Plant Closing: An era rolls away in Doraville," *Atlanta Journal-Constitution*, 21 September 2008, pg. 1A.



resources and talent to help companies thrive.”<sup>15</sup> Observers put the total value of the state and local incentives in the deal at \$410 million, which included property tax abatements, infrastructure, land, and other sweeteners.<sup>16</sup> Perdue and his team offered hundreds of millions of dollars to a foreign automaker to set up shop in Georgia at a time when the state’s two remaining domestic auto plants (employing thousands of union members) were facing imminent closure.

It’s tempting to conclude that the conservative Republican Perdue administration disavowed Ford and GM in order to make way for Kia. The state lost two unionized auto plants, but it gained a new investment from an Asian automaker that was unlikely to allow organized labor to take root. An article published in the *Atlanta Journal-Constitution* on the heels of the Hapeville plant closure announcement advanced the theory that losing unionized auto plants might help the state’s chances of landing the Kia investment. Entitled “Ford, GM exit may pave way for competitor,” the article quoted an economist with Wachovia bank who argued that losing the UAW-represented plants would help Georgia compete for foreign investments: “Because you had two union plants, the nonunion foreign manufacturers didn’t want to come in and face the UAW from day one.”<sup>17</sup> It seems likely that the closure of the Ford and GM facilities played some role in the decision by Kia to locate its new plant in Georgia. However, an honest assessment of the facts at hand does not support the argument that the Georgia government actively undermined its established auto plants for the sake of securing the Kia investment.

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<sup>15</sup> Office of Communications, “Kia to Build Assembly Plant, Invest \$1.2 billion in Georgia,” press release, 13 March 2006 (GDED).

<sup>16</sup> “Kia to build \$1.2 billion auto plant in West Point, Ga.,” *Atlanta Business Journal*, 13 March 2006.

<sup>17</sup> Walter Woods, “Ford, GM exit may pave way for competitor,” *Atlanta Journal-Constitution*, 25 January 2006.

The Perdue administration did attempt to induce Ford to keep the Hapeville plant open, via both personal lobbying and a substantial incentives package. As early as February 2005, Perdue administration officials were in contact with Ford executives to lobby for the future of the plant.<sup>18</sup> Officials with the Department of Economic Development eventually offered an incentives package to Ford valued at \$88 million to encourage the company to retool the plant.<sup>19</sup> That package was rejected by the company, which decided to close Hapeville as part of its general restructuring plan. No amount of incentives could change the reality that Ford's American manufacturing operation was seriously under-utilized by the mid-2000s. The same could be said of General Motors, which was facing its own capacity crisis. No incentives package was offered to GM, and it is highly unlikely that one would have prevented Doraville from closing. In both cases, the broadly unfavorable business climate should be considered the chief rationale behind the plant closures. This is not to say that the shuttering of both plants was wholly uncontroversial.

Secretary of State Cathy Cox sent a letter to Governor Perdue and Lieutenant Governor Mark Taylor on January 20, 2006, asking them to participate in a trip to Michigan to meet with Ford company officials.<sup>20</sup> Cox, a Democrat, implored Taylor (also a Democrat) and Perdue to "put aside partisanship" and join together to lobby Ford officials against the closure of the Hapeville plant.<sup>21</sup> Perdue never responded to the letter, and the bipartisan trip to Michigan never happened. After the closure announcement, Cox

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<sup>18</sup> Associated Press, "Ford, GM cuts leave Georgia out in cold in auto plant battle," Access WDUN, 24 January 2006 <http://accesswdun.com/article/2006/1/131399> [accessed 17 April 2008].

<sup>19</sup> Walter Woods, "Ford, GM exit may pave way for competitor," *Atlanta Journal-Constitution*, 25 January 2006.

<sup>20</sup> Cathy Cox letter to Sonny Perdue, 20 January 2006, Perdue papers, Box I.A.3, Executive Correspondence A-G (2003-2010) (UGASP).

<sup>21</sup> *Ibid.*

slammed Perdue in comments to the press. She attributed the non-response to the Perdue administration's partisanship and indifference to working Georgians: "[he] refused to put the livelihood of 2,500 Georgians and the fate of our economy ahead of partisan politics, and now we will never know if we could have saved the Hapeville plant."<sup>22</sup> Such comments were disingenuous, to the say the least. Ford had already rejected the Perdue administration's multi-million-dollar incentives package, as well as the other overtures from the Department of Economic Development. Both Cox and Taylor were jockeying to be the Democratic nominee in the 2006 gubernatorial election, where they would face Perdue in a hard-fought campaign. The theatrical nature of Cox's letter and its timing suggests it was little more than a campaign stunt. Regardless of the Secretary of State's intentions, no incentives package or special trip could change the fundamental reality of Ford's overcapacity issues and billion-dollar losses.

### **Kia and West Georgia**

As we depart the Atlanta suburbs, heading west on I-85, the landscape shifts from New South glitz to rural countryside. Get past Palmetto, and the landscape flattens out into the familiar sight of yellow pines and red clay. Despite the overwhelmingly rural appearance of this stretch of freeway, there are signs that the global manufacturing economy has taken root in this area. Just past Exit 47 for Newnan, one can see some of the warehouses of the Yamaha Motor Manufacturing Corporation (YMMC) from the freeway. A subsidiary of the conglomerate Yamaha Corporation of Japan, YMMC was founded in 1986 to build recreational vehicles for the American market. The plant now employs over a thousand people manufacturing all-terrain vehicles, jet skis, and golf

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<sup>22</sup> Tom Crawford, "It's official: Ford closing Hapeville plant," *Tom Crawford's Georgia Report*, 23 January 2006 <http://gareport.com/story/2006/01/23/its-official-ford-closing-hapeville-plant/> [accessed 18 April 2018].

carts.<sup>23</sup> Although YMMC represents an important pillar of the local economy, the presentation of the site to passersby is decidedly low-key. The main production center is mostly hidden behind dense stands of trees, with only unmarked warehouses visible from the freeway. The road that leads to the plant from the main boulevard is marked with a simple Yamaha sign. Although important to the local economy, YMMC was and is far smaller in scale than the Kia plant that came twenty years later. This helps to explain why the YMMC plant wasn't turned into a showpiece of economic development.

Returning to I-85, the landscape stays rural for another forty miles. But before reaching the town of West Point, near the border with Alabama, Kia Motors Manufacturing Georgia (KMMG) bursts into view. An enormous white water tower, emblazoned with the red Kia logo, announces the presence of the facility on the horizon. So to do the road signs that direct motorists and semi drivers to Kia Avenue, off of a freeway exit that was constructed especially for the plant. That freeway exit, and other surrounding infrastructure improvements, was part of the \$410 million package of state and local incentives that secured Kia's investment in Georgia in March of 2006.<sup>24</sup> The incentive contract between the state and the company makes it clear that the external presentation of the site was of major importance from the beginning. In the contract, the state and local municipalities agreed to fund site preparation work that included extensive beautification and design efforts. This included landscaping the site in such a way as to leave it fully visible to passersby, with a pleasing assortment of flowers and shrubs for

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<sup>23</sup> Yamaha Motor Manufacturing Corporation, "History," 2014 <http://www.yamaha-motor-georgia.com/History.aspx> [accessed 14 April 2018].

<sup>24</sup> "Kia to build \$1.2 billion auto plant in West Point, GA," *Birmingham Business Journal*, 13 March 2006 <http://www.bizjournals.com/birmingham/stories/2006/03/13/daily6.html> [accessed 4/14/2018].

decorative purposes.<sup>25</sup> The state also agreed to split the cost of a groundbreaking ceremony with the company, and the company agreed to fully fund the cost of a grand opening celebration.<sup>26</sup> The collaboration of the company and the state in presenting the site to the public was carefully crafted for maximum impact.

The fruit of that collaboration is readily visible at the site today. The Kia factory appears in a dramatic sweep on the north side of I-85, readily visible from both the northbound and the southbound lanes of the freeway. An enormous lighted Kia logo adorns the front of the first production building, which houses the massive press used to shape raw steel into car body parts. Those parts are welded into completed bodies and painted before being passed on to final assembly. These painted bodies are then passed into the final assembly building via an overhead conveyor system. That conveyor system is especially noteworthy for how it deliberately showcases part of the production process to the outside public. The conveyor moves through a glass-walled sky bridge that spans the gap between the first production building and the final assembly plant. The partially-completed automobiles are readily visible to passersby, including drivers on I-85. There is no practical reason for this bridge to have windows, other than to display the activity that occurs within. Passersby are thus encouraged to become observers of the production process in a curated display. The display of Kia bodies calls to mind other attempts to shape public opinion through carefully managed displays of production processes. In the early days of the meatpacking industry, for example, attractive young “bacon girls” sliced cured meat in immaculate rooms that were especially designated for public display. This

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<sup>25</sup> “Site Acquisition and Development Agreement By and Among Kia Motors America, Inc. and The State of Georgia, the Troup County Board of Commissioners, the City of West Point, the City of LaGrange, the Troup County Board of Education, and the West Point Development Authority,” 13 March 2006: Appendix X (GDED)

<sup>26</sup> *Ibid.*,19.

managed tableau deliberately obscured the dirty, dangerous, and un-glamorous nature of the slaughterhouse.<sup>27</sup> This is not to suggest that Kia operates in a manner similar to a meat factory from the Upton Sinclair era. Kia offers fairly extensive public tours of its facilities. The sky bridge is simply a reminder that the exterior presentation of this plant was the result of careful planning, with the goal of impressing the public with its modernity and sophistication.

As the historian Timothy Minchin has described, the siting of the Kia plant was determined by a diverse confluence of factors. Although the plant would be operated under the auspices of Kia, it was Hyundai Group executives that made the final decision on its location. The close involvement of Hyundai was reflective of the companies' unique corporate relationship, in which cooperation and rivalry exist in equal measure.<sup>28</sup> These executives rejected larger offers from other states, including a billion-dollar offer from Mississippi, before deciding on the West Georgia site. Sonny Perdue's close personal relationship with important auto executives, including Hyundai Motor Group Chairman Chung Mong-Koo and Kia Motors America CEO Ahn Byung Mo, was another major factor in Kia's selection of West Georgia. Perdue and his team went out of their way to ingratiate themselves with the executives, paying multiple visits to South Korea and scrupulously learning Korean business etiquette.<sup>29</sup> Georgia's case was helped by the

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<sup>27</sup> Roger Horowitz, "'Where Men Will Not Work': Gender, Power, Space, and the Sexual Division of Labor in America's Meatpacking Industry," *Technology and Culture* 38 no. 1 (1997), 187-213.

<sup>28</sup> A note on the Hyundai-Kia ownership structure: after the 1998 bankruptcy of Kia Motors, the Hyundai Group conglomerate acquired more than a third of the insolvent automaker. Since then, Hyundai has maintained a large minority stake in Kia and the two automakers have frequently collaborated on new models and factories. Despite this collaboration, both companies remain technically independent from each other. For more information see: Aaron Robinson, "Korean automakers are siblings, yet rivals," *New York Times*, 8 July 2011 <https://www.nytimes.com/2011/07/10/automobiles/korean-automakers-are-siblings-yet-rivals.html> [accessed 22 April 2018].

<sup>29</sup> Timothy Minchin, "When Kia Came to Georgia: Southern Transplants and the Growth of America's 'Other' Automakers," *The Journal of Southern History* 83 no 4 (November 2017): 897-909.

fact that Ahn Byung Mo had previously been involved in the site selection process for Hyundai's first American factory, which opened in Montgomery, Alabama in 2005. During his frequent travels down I-85, Ahn observed the undeveloped land near West Point on numerous occasions. This familiarity, combined with the location's strategic importance and the willingness of the state to execute a complex and expensive land purchase agreement, helped sway the company towards Georgia.<sup>30</sup>

Kia's status as a landmark in the West Georgia landscape and as a highly public avatar of industrial modernity is indisputable. However, it's worth considering just how transformative this new development actually was for the surrounding communities. As Minchin has documented, the town of West Point experienced limited benefits despite its close proximity to the new factory. Relatively few West Point residents were able to get jobs at Kia, and many plant workers chose to commute from the larger cities of Lanett, Lagrange, Opelika, or Auburn rather than relocate to the town. Many residents of West Point and Troup County resented the fact that workers from Alabama made up a sizable contingent of the new hires.<sup>31</sup> A visit to West Point today confirms that relatively little has changed in this small Southern town since the opening of Kia. A few signs tout Korean barbecue and nearby parts suppliers, but otherwise there is little indication of Kia's presence. Kia helped bolster the local economy and saved some residents from slipping into poverty, but much of the benefit has passed the town by. The experience of West Point parallels that of Vance, Alabama, which struggled to realize the benefits associated with living in the shadow of an automotive plant. In both cases, larger

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<sup>30</sup> Minchin, "When Kia Came to Georgia," 906-907.

<sup>31</sup> *Ibid.*, 899.

established cities captured the majority of the benefits while passing negative costs (traffic, strained services, land dispossession) off onto poor and rural communities.

### **East Alabama**

Leaving West Point, we continue on our journey. The Chattahoochee River comes quickly into sight as we travel down I-85. Across the river is Sweet Home Alabama, as the signs proudly proclaim. Just a few miles ahead is a powerful example of how globalization has reshaped the landscape of this part of the United States. On the south side of the freeway and just before the exit to the town of Valley stands the former location of the Carter and Lanier textile mills. Opened in late 1967 and operated by the WestPoint Pepperell Company, the Carter-Lanier site combined two modern mills within a single massive factory. Representing an investment of \$22 million, the opening of Carter-Lanier in many ways marked the apogee of the Southeastern textile industry in the postwar era.<sup>32</sup> The company sponsored a major public festival to mark the mills' opening, one that was attended by tens of thousands of area residents. A carnival, a fashion show, and an in-depth display that highlighted the mills' use of advanced spinning and weaving technology were key attractions. The large fountain in front of the mill building served as both a public display and as a key component of the cooling system. Both black and white Valley residents celebrated the opening of Carter-Lanier, marking the importance of the textile industry to community identity and prosperity.<sup>33</sup>

The opening of Carter-Lanier seemed to confirm that the textile industry would be a pillar of the community for decades to come; but the Southeastern textile industry soon entered a period of decline from which it would not recover. A combination of foreign

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<sup>32</sup> "Thousands visit Lanier and Carter mills for November 'open house and fabric fair,'" *Newsletter for Employees of WestPoint Pepperell*, Westpoint Pepperell Company, January 1968, box #119756 (CMA).

<sup>33</sup> Carter-Lanier mill opening DVD (CMA).



competition, legacy costs, and aging equipment gradually eroded the foundations of the industry. The bottom dropped out in the mid-2000s. As the West Point Kia factory was under construction down the road, Valley and surrounding communities were hit with multiple textile plant closures. In July of 2007, WestPoint Home (the corporate successor to Westpoint Pepperell) announced that the Lanier mill would be closed by September of that year.<sup>34</sup> It was followed soon thereafter by the closure of the Carter plant, which occurred in December.<sup>35</sup> In a few short years, textile manufacturing disappeared in East Alabama. The pain of this loss was felt throughout the community. Not only had residents lost one of their chief bastions of economic support; the source of much of their community identity had ceased to exist. Cy Wood, the editor and publisher of the *Valley Times-News*, eloquently summarized how the mills had embodied the industrial age that was now a memory: “here was no more compelling symbol of this age than the Lanier-Carter Mills. Situated for all the world to see alongside I-85, these one story, white monoliths conveyed the image of a new era in textile production...People who worked in other jobs still looked at the local mills as the centerpiece of their community, and even though they worked elsewhere, many of their neighbors and friends worked in the mill.”<sup>36</sup> The loss of Carter-Lanier was more than just economic. This dislocation went to the heart of community identity.

The Kia plant and its attendant suppliers thus came into a region that was experiencing severe socioeconomic upheaval. Some residents were understandably grateful for the new opportunities associated with Kia, especially as the entire United

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<sup>34</sup> “WestPoint Home Lanier Mill closes in late September,” *The Valley Times-News*, 31 July 2007.

<sup>35</sup> “WestPoint Home’s Huguley plant to close,” WTVM 9, <http://www.wtvm.com/story/7166775/westpoint-homes-huguley-plant-to-close> [accessed 28 April 2018].

<sup>36</sup> Cy Wood, “Sizing it up: remembering fondly,” *Valley Times-News*, 31 July 2007.

States became mired in the Great Recession in 2008. Commenting on the recession and the construction of Kia, the mayor of West Point declared in early 2009 that “We are the place that has the light at the end of the tunnel.”<sup>37</sup> The new development associated with Kia helped staunch the pain of losing the textile industry, but it did not make it disappear. Cy Wood portrayed the highly conflicted nature of many area residents toward globalization, which he described in unsparing terms: “Globalization knows no moral constraints, acknowledges no nostalgic imperatives, offers no soft landing. The mills are like conquered provinces - the people obliterated, the equipment shipped elsewhere, the odor of defeat lingering over the carcasses...” Yet, this same phenomenon had helped bring in a new industry that he believed offered a bright future to the region that would surpass all previous eras: “In the new era, the Kia plant will dwarf Lanier-Carter. If Lanier- Carter is an impressive structure, the Kia plant will be an awe-inspiring one. The new era promises to be even better than the old.”<sup>38</sup> In the view of Wood and many others, the Kia plant offered technological salvation. It would transform a battered region and make it possible to achieve the dream of prosperous, harmonious communities.

The carryover effects of Kia’s investment are now readily visible in East Alabama. A new wave of automotive supply and manufacturing logistics companies followed closely on the heels of Kia. Most of these companies were part of the broader Hyundai *chaebol*, a Korean word referring to an industrial group composed of many interrelated firms. The parts maker Hyundai Mobis, which was one of the first suppliers to establish a factory in East Alabama, is one of forty-two companies within the broader Hyundai Motor Group conglomerate. The structure of the chaebol closely mimicked that

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<sup>37</sup> Michael Luo, “One town’s rare ray of hope: new auto plant,” *New York Times*, 21 April 2009 <https://www.nytimes.com/2009/04/22/us/22kia.html> [accessed 28 April 2018].

<sup>38</sup> Cy Wood, “Sizing it up,” *Valley Times-News*, 4 October 2007.

of Japanese firms such as Toyota, which maintain close relationships with their suppliers.<sup>39</sup> Some of these companies even repurposed former textile mill buildings for their own use. These included Daiel USA (a supplier of automotive struts) at the former Fairfax mill distribution center, and Glovis (a Hyundai-owned logistics firm) at the Carter-Lanier site.<sup>40</sup> This re-use of emptied mills was a boon to hard-hit communities, but in many cases it was only temporary. Supplier companies utilized recently-emptied mills as a convenient stopgap while they constructed their own specialized facilities on greenfield sites, vacating them once their new factories were complete. Those new factories are now readily visible along I-85 in Chambers and Lee Counties. As prominent regional landmarks, they are a powerful reminder of how foreign investment has reshaped the local economy and the land itself.

About ten miles down the road from the Carter-Lanier mill sits the Chambers County Industrial Park. Operated by the Chambers County Industrial Authority, the Industrial Park houses numerous auto suppliers that do business with Kia, Hyundai, and other Southeastern auto plants.<sup>41</sup> Ajin USA and Wooshin USA, both makers of stamped metal parts and members of the same Korean industrial group, are two of the most prominent tenants of the park. Opened in 2008 and 2011, these factories now supply both Kia in West Point and Hyundai in Montgomery.<sup>42</sup> Leehan, a maker of air cleaners and fuel filters, occupies another prominent spot close to the freeway with a factory opened in

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<sup>39</sup> William J. Holstein, "Hyundai's Capabilities Play," *strategy+business*, 26 February 2013 <https://www.strategy-business.com/article/00162?gko=8346f> [accessed 29 May 2018].

<sup>40</sup> Jerry Underwood, "Chambers County trades spindles for suppliers as Alabama auto industry rises," *Made in Alabama*, 4 October 2013 <http://www.madeinalabama.com/2013/10/chambers-county-adds-suppliers/> [accessed 29 April 2018].

<sup>41</sup> "Industrial Properties," Chambers County Development Authority <https://www.chamberscoida.com/industrial-properties> [accessed 29 April 2018].

<sup>42</sup> "Introduction," Ajin USA <http://wooshinusa.com/ajinusa/en/> [accessed 29 April 2018].

2007.<sup>43</sup> Great Lakes Metal Stamping, Hantal Alabama, and Daedong Hi-Lex Corporation comprise the other residents of the industrial park. With their prominent locations and conspicuous signage next to I-85, they have become an unmissable landmark. These plants provide a visual counter-narrative to the historical perception of the Southeast as poor, unproductive, and technologically backward.

So too does the Northeast Opelika Industrial Park, which is a few miles further down I-85 in Lee County. Like the Chambers County Industrial Park, the Opelika location houses numerous automotive suppliers in a highly public location.<sup>44</sup> Cumberland Plastics manufactures automotive parts for several brands, including Mercedes and Nissan.<sup>45</sup> The business partners of this plant demonstrate the region-wide nature of the new auto industry. Mando, Hanwha, and Daewon, three Korean parts companies, are the other auto-industry-related plants in the park. They join Golden State Foods (a restaurant supplier), Pharmavite (a dietary supplement maker) and distribution centers for Walmart and Jo Ann Stores as the park's current roster of tenants. As Opelika Mayor Gary Fuller explained in an interview, the coming of the parts plants was a significant relief to a community hit hard by an earlier wave of factory closures.<sup>46</sup> In an ironic twist, the Opelika and Chambers County parts plants represent a fulfillment of one of the key promises of the Sonny Perdue administration. In touting the Kia deal, supporters argued that auto parts suppliers would provide an additional influx of capital and jobs into a depressed region. However, there was no guarantee that influx would be confined

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<sup>43</sup> "Leehan America Inc.," Automotive OEM [https://automotiveoem.com/Leehan-America-Inc\\_10528](https://automotiveoem.com/Leehan-America-Inc_10528) [accessed 29 April 2018].

<sup>44</sup> "Northeast Opelika Industrial Park," Goodwyn Mills Cawood <https://www.opelika-al.gov/DocumentCenter/View/475/Northeast-Opelika-Industrial-Park-Master-Plan-PDF> [accessed 29 February 2018].

<sup>45</sup> Cumberland Plastics, "Where you can find Cumberland Plastics everyday," Cumberland Plastics <http://cumberlandps.com/products-in-action/> [accessed 29 April 2018].

<sup>46</sup> Interview with Gary Fuller, March 22, 2017 (audio recording in author's possession).

exclusively to Georgia. Many suppliers looking to take advantage of even cheaper labor costs and generous incentives packages set up shop in East Alabama instead. Low-cost labor, and the conditions under which many of these plants operate, represent the dark side of the auto industry's surge in the Southeast.

### **Hyundai and Central Alabama**

The first exit for Auburn lies only a few miles down the road from the Opelika industrial park on I-85. Auburn University, one of Alabama's two flagship public universities, produces 95% of the engineering graduates in the state.<sup>47</sup> The impact of the transplant automakers and their globalized workforce is readily visible in the town and at the university. Since the coming of Hyundai to Montgomery in 2003, the university has expanded its engineering faculty to include specialists in automotive design. The university expanded its humanities and arts programs to reflect the increased diversity of the local population, and has undertaken a number of cultural and developmental partnerships with foreign entities. This includes the King Sejong Institute, which provides Korean cultural and exchange programs to the student body as the sponsor of the Auburn Korea Center.<sup>48</sup> Korean restaurants, Korean-language churches, and a large grocery store are further signs of the influence of this population on the physical and cultural landscape.

The first wave of Korean immigrants arrived on the heels of Hyundai's first foray into American automobile production. In April of 2002, it was announced that Hyundai would build its first American factory in the capital of Alabama. The company was the

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<sup>47</sup> Changhoon Jung and Cal Clark, "The Impact of Globalization Upon the U.S. Auto Industry: The Case of Hyundai Motor Company's Investment in Alabama," *International Journal of Contemporary Sociology* 44 no 1 (April 2007): 110.

<sup>48</sup> "Auburn Korea Center," Auburn King Sejong Institute <http://www.auburn.edu/academic/international/kc/> [accessed 30 April 2018].

recipient of a \$253 million incentives package that included land, tax abatements, worker training, and infrastructure improvements. Over the next three years Hyundai transformed over 1,700 acres of former pastureland into an ultramodern factory, where over three thousand employees built sedans for the American market.<sup>49</sup> The coming of Hyundai meant that Alabama now possessed three separate vehicle final assembly plants. In 1999, Honda Motor Company had announced that it would build a new factory for minivans and utility vehicles near the town of Lincoln in Talladega County.<sup>50</sup> One of the promises of the Folsom administration was thereby fulfilled: for better or worse, Alabama had successfully developed auto manufacturing as a major sector of its economy.

Drive past Auburn, and the Hyundai factory is another hour's journey down the road to Montgomery. The Hyundai factory sits in the southern part of the city, near the confluence of several major transportation arteries. Its strategic location near the intersection of I-65 and I-85, in addition to railroad access, gives the site an advantage in terms of shipping costs for parts and new cars. It also puts the factory at a site passed by millions of people every year. That convergence, plus the influence of media, have both helped to build a connection between Hyundai and Alabama in the consciousness of the public at large. Both government bodies and the independent press have closely associated Alabama and Hyundai since the latter declared that it was coming to Montgomery. A profile of the factory in *Motor Trend* from 2016 is a typical example of the media "puff pieces" that have cast Hyundai in a favorable light and emphasized its close relationship with the local community. The author of "9 Cool Facts About

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<sup>49</sup> John Mohr, "Hyundai Motor Manufacturing Alabama," *Encyclopedia of Alabama*, 6 February 2015 <http://www.encyclopediaofalabama.org/article/h-3658> [accessed 22 April 2018].

<sup>50</sup> John Mohr, "Honda Manufacturing of Alabama," *Encyclopedia of Alabama*, 7 February 2015 <http://www.encyclopediaofalabama.org/article/h-3657> [accessed 30 April 2018].

Hyundai's Manufacturing Plant in Alabama" referenced the factory's extensive use of advanced technology, its economic impact on the area, and the high initial quality of its products.<sup>51</sup> This type of favorable coverage represents exactly the goal that the Folsom administration and its successors dreamed of: positive press for Alabama that emphasized productivity through advanced technology. These media portraits fit hand-in-glove with the position of the state's official marketing arm on the importance of the auto industry. Made in Alabama portrays the state as an "important production hub" with a skilled workforce capable of operating advanced technology. The marketing campaign emphasizes the role of the Alabama Industrial Development Training agency in creating a technology-savvy workforce with the skills necessary to operate a wide variety of modern industries.<sup>52</sup> The forceful attempt to recast Alabama as a land of skilled workers is a clear response to a legacy of negative perceptions. This state portrayal also obscured the reality of many working in the Alabama auto industry: low wages, dangerous conditions, and few opportunities for career advancement.

The relatively sudden emergence of Alabama as an automotive manufacturing power attracted the attention of the state's academic community. In a 2007 study, two sociologists at Auburn University attempted to explain why Hyundai had chosen their state (and the specific Montgomery site) for its new automobile factory.<sup>53</sup> Changhoon Jung and Cal Clark identified several factors as important, including the accessibility of the Montgomery site and the size of the state's incentive package. The state's

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<sup>51</sup> Alex Nishimoto, "9 Cool Facts About Hyundai's Manufacturing Plant in Alabama," 29 June 2016 <http://www.motortrend.com/news/9-cool-facts-hyundais-manufacturing-plant-alabama/> [accessed 1 May 2018].

<sup>52</sup> Made in Alabama, "Automotive," Alabama Department of Commerce <http://www.madeinalabama.com/industries/industry/automotive/> [accessed 1 May 2018].

<sup>53</sup> Jung and Clark, "The Impact of Globalization Upon the U.S. Auto Industry," 110.

overwhelmingly non-union labor force, lower prevailing wages, and favorable climate were additional influences. The company considered a site in Opelika as well as in Montgomery, but rejected the Opelika location due to concerns about the hilly terrain and labor supply availability.<sup>54</sup> Lastly, the authors identified interpersonal relationships as important to the Hyundai executives who made the final decision on where to locate the plant. They cited the willingness of the Alabama Governor Don Siegelman to travel to Korea over the Thanksgiving holiday in 2001 as an example of a gesture that impressed Hyundai executives. This personal involvement may have been the tipping point in Hyundai's decision to select an Alabama location. The perceived willingness to integrate Hyundai into the community helped to sell skeptical executives.<sup>55</sup> Based primarily on secondary sources, Jung and Clark's article is best understood as a useful brief overview of the factors that influenced the Montgomery site selection.

The importance of interpersonal relationships is supported by other supporting evidence outside of Jung and Clark's study. Alabama Governor Don Siegelman and his team led the efforts to recruit Hyundai's investment. As Governor from 1999-2003, Siegelman built on the legacy of the Folsom administration's project to recruit Mercedes to Alabama. The successes of the Siegelman team besides the Hyundai plant included major investments by Toyota in Huntsville and Honda in Talladega, as well as an expansion of Mercedes' Tuscaloosa operation. By the time he left office, Alabama was on track to have more auto plants than any state besides Michigan. Siegelman was successful in his efforts to build up the state's auto industry, but he was dogged by a politically contentious campaign finance scandal that eventually landed him in federal

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<sup>54</sup> Jung and Clark, "The Impact of Globalization Upon the U.S. Auto Industry," 108-111.

<sup>55</sup> *Ibid.*, 110.



prison.<sup>56</sup> I conversed with Siegelman via letter while he was still in prison in order to get his perspective on the growth of the auto industry in Alabama.

In his letters, Siegelman emphasized both the team nature of the recruiting efforts and the importance of building personal relationships with representatives of automobile companies. He identified his Finance Director, Henry Mabry, as a key part of the recruitment team. Mabry helped design incentives packages and generally supported plant recruitment efforts. Siegelman identified his Highway Director Mac Roberts, the head of Alabama's jobs training programs, county and city officials, and legislators as all being important to recruitment efforts.<sup>57</sup> Siegelman's comments on teamwork illustrate the consensus-driven nature of industrial recruitment efforts within the executive branches of Southern states. As has already been discussed, these recruitment efforts were often opposed by established economic interests (such as the resistance of various factions of the "Big Mules" to the Mercedes-Benz deal under the Folsom administration). However, it is clear that industrial recruitment efforts still enjoyed broad support within the Alabama governing establishment, support which was inextricably linked to their political expediency.

As he described it, Siegelman's main focus in his recruitment efforts was in building interpersonal relationships with auto industry executives. According to Siegelman, the willingness of the Alabama delegation to come to automobile companies rather than waiting for them to show interest was key: "Being aggressive, traveling and

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<sup>56</sup> The scandal, in which Siegelman was charged with accepting bribes from businessman Richard Scrushy, was highly politically fraught and featured a trial marred by accusations of prosecutorial misconduct. Despite bipartisan attempts to have his conviction overturned, Siegelman's sentence was upheld and he served more than six years in federal prison. For more information see: "Timeline of Don Siegelman case," *Al.com*, 8 February 2017 [http://www.al.com/news/birmingham/index.ssf/2017/02/timeline\\_of\\_don\\_siegelman\\_case.html](http://www.al.com/news/birmingham/index.ssf/2017/02/timeline_of_don_siegelman_case.html) [accessed 22 April 2018].

<sup>57</sup> Don Siegelman, letter to John Mohr, 17 October 2016 (letter in author's possession).

spending time with CEO's on their home turf and meeting face to face with board members brought me into a personal relationship which added to my success."<sup>58</sup> Siegelman credited his educational background at Georgetown and Oxford University in England for his ability to present a "business like image" to foreign executives. He claimed that a Honda executive told him gestures such as personally greeting executives when they landed in the United States and later dining with them in Tokyo cemented the deal for Alabama.<sup>59</sup> Siegelman attended the World Cup in South Korea in 2002 as the personal guest of Hyundai Chairman Chung Mong-Koo, with whom he had negotiated the deal for the investment in the Montgomery manufacturing plant. Provocatively, he claimed to have received a verbal commitment from Chairman Chung during the World Cup that the first American Kia factory would be built in Alabama. He blamed his successor Bob Riley for failing to follow through on the deal, allowing Georgia to land the Kia plant instead.<sup>60</sup> Siegelman's description of his own tactics compares favorably with the efforts of the Folsom administration in the recruitment of Mercedes, when the governor personally traveled to Stuttgart in order to shore up the state's appeal.

Siegelman's comments on the importance of personal relationships were echoed by his Finance Director, Henry Mabry. In a series of emails, Mabry described his role in the recruitment process and how Siegelman developed relationships with executives and dignitaries. Mabry argued that Siegelman's educated, polished self-presentation and personal investment in the recruitment process helped convince skeptical executives that they should choose Alabama. According to Mabry, Siegelman's urbane background went a long way towards overcoming negative stereotypes associated with the state: "For

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<sup>58</sup> Don Siegelman, letter to John Mohr, 17 October 2016 (letter in author's possession).

<sup>59</sup> Don Siegelman, letter to John Mohr, 28 October 2016 (letter in author's possession).

<sup>60</sup> Ibid.

many years Alabama had to deal with the perception of fire hoses and dogs in Birmingham and the state's negative image related to civil rights and integration. Other states have used negative Alabama stereotypes against us in recruiting and no one should be shocked that this goes on... Dealing with the perception is why personal relationships are so important at the highest level. If Governor Siegelman had not been polished, educated, and charismatic then Alabama would not have seen so much play.”<sup>61</sup> There is merit to Mabry's contention that Siegelman deserves substantial personal credit for the expansion of Alabama's auto industry. No other state governor has enjoyed the same level of success recruiting auto plants in such a short time frame, and he accomplished this with incentives packages that proved to be modest by historical standards. Even so, it is impossible to ignore the parallels with prior administrations when it comes to industrial recruitment. Both Folsom and Siegelman used the rhetoric of overcoming ugly historical traumas to justify their “buffalo hunts” for new industry. They may have presented their strategy as evocative of a new era, they were building on an institutional foundation that had roots deep into the past.

The Hyundai plant and its suppliers quickly became an important part of the Montgomery-area economy, with consequential impacts on the built landscape. Although it quickly became a visual landmark, it was less prominent and showy than the Kia plant in West Georgia. The factory was situated on reclaimed pastureland south of downtown Montgomery, between I-65 and State Route 331. The main assembly building is visible from I-65, with the distinctive blue Hyundai lettering displayed prominently across the top of the main factory building. The main plant facilities are set far back from the freeway, but the lack of trees or other landscape features leaves them visible to passersby.

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<sup>61</sup> Henry Mabry, email to John Mohr, 15 November 2016 (email in author's possession).

A training center set closer to the freeway is similarly bedecked with blue Hyundai signage, creating a more prominent visual marker of the site's significance. The state-constructed Hyundai Boulevard, the road that runs to the factory, passes over I-65 although it lacks exits in the immediate vicinity. On the State Route 331 side, a screen of trees deliberately blocks storage lots full of completed cars from view; most likely as a security measure. The location of the site is attributable to several factors, including its previous usage as animal pasture and its strategic location next to a rail spur. The regional airport is only a few miles away, as are Montgomery's residential neighborhoods where many workers reside. The sprawling nature of the site leaves room for expansions, such as the ancillary engine production plant that opened in 2009.<sup>62</sup>

Although visually modest compared to some other transplants, the Hyundai factory is still a key part of the Alabama leadership's presentation of the state as an advanced economy. Made in Alabama, the marketing wing of the Alabama Department of Commerce, continues to extoll Hyundai as an example of the state's economic renaissance. The ten-year anniversary of Hyundai's 2005 opening was marked by an extensive celebration featuring a long list of Alabama and Korean notables, including then-governor Robert Bentley.<sup>63</sup> The celebration obscured the historical reality that Hyundai's arrival had generated considerable controversy among local residents. The state's acquisition of land for the project site sparked a lawsuit that stretched on for a decade. Former property owners alleged that they had been cheated out of a fair price for their land by the Montgomery Industrial Development Board, with one holdout receiving

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<sup>62</sup> John Mohr, "Hyundai Motor Manufacturing Alabama," *Encyclopedia of Alabama*, 6 February 2015 <http://www.encyclopediaofalabama.org/article/h-3658> [accessed 24 April 2018].

<sup>63</sup> Jerry Underwood, "Hyundai marks ten years of production in Alabama," *Made in Alabama*, 20 May 2015 <http://www.madeinalabama.com/2015/05/hyundai-marks-10-years-production-alabama/> [accessed 24 April 2018].

substantially more per acre than the rest of the landowners. The Board eventually settled the lawsuit in 2014 for \$3.45 million. Frank Hawthorne, a lawyer representing the former landowners, noted that his clients had “taken a lot of flak in the community” for their decision to pursue the lawsuit.<sup>64</sup> Like in Vance, the coming of a major new industrial development project strained community relationships and led to bitter disagreements. These negative narratives received little or no attention in the hagiographic official presentations of the factory’s importance to the community and the state.

### **Myth and Reality in the Southern Auto Industry**

It’s difficult to quantify exactly how successful these efforts to rebrand the South as a technologically progressive center of auto manufacturing have been on the public consciousness. At a minimum, the production of foreign-branded vehicles in Southern factories does not appear to have harmed the fortunes of any company engaging in such activity. Available research strongly suggests that the majority of Americans are widely accepting of foreign makes. Research from organizations such as *Consumer Reports* suggests that Americans as a whole tend to hold major foreign brands like Honda and Toyota in roughly equal esteem to domestic makes such as Ford and Chevrolet.<sup>65</sup> This is generally borne out by observable trends in consumer behavior. Major Japanese brands tend to command the highest brand loyalty from American consumers, although brand loyalty in general has weakened across the industry.<sup>66</sup> The line between what constitutes

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<sup>64</sup> “Hyundai land lawsuit settled,” *Montgomery Advertiser*, 2 May 2014 <https://www.montgomeryadvertiser.com/story/news/local/2014/05/03/hyundai-land-lawsuit-settled/8650691/> [accessed 28 April 2018].

<sup>65</sup> Consumer Reports, “2014 Car-Brand Perception Survey,” Consumer Reports, February 2014 <https://www.consumerreports.org/cro/2014/02/2014-car-brand-perception-survey/index.htm> [accessed 1 May 2018].

<sup>66</sup> “Toyota, Subaru, Honda Score Highest Brand Loyalty, New Edmunds Report Reveals,” Edmunds, 6 March 2018 <https://www.edmunds.com/about/press/toyota-subaru-honda-score-highest-brand-loyalty-new-edmunds-report-reveals.html> [accessed 3 May 2018].

an “American car” and a “foreign car” has never been blurrier, as globalization has all but eliminated the purely regional production and consumption processes of years past.<sup>67</sup>

That blurred line means that personal perception of brands has fractured along regional lines, leading to serious political divisions over what constitutes fair and effective policy towards the industry.<sup>68</sup>

The global economic crisis that began in 2007 blew open these internal divisions in dramatic fashion. The drying up of consumer credit for auto loans that accompanied the implosion of the financial market caused automobile sales to plummet. This sent General Motors and Chrysler into a death spiral, as they no longer had money rolling in to service their massive legacy costs. In response, the executives of these companies and several of their key suppliers sought aid from the federal government in order to stay in business. Congress, which had just finished approving a \$700 billion bailout package for the financial industry, initially declined to provide financial aid to keep the struggling automakers afloat in December of 2008.<sup>69</sup> Alabama Senator Richard Shelby emerged as a key voice against providing any aid to the domestic automakers. Shelby derided GM as a failing company that needed fundamental restructuring, one whose bankruptcy had been “30 years in the making.”<sup>70</sup> The importance of the transplant factories to Shelby’s home state, as well as that of bailout opponents Sen. Bob Corker (R-TN) and Sen. Jim DeMint

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<sup>67</sup> James M. Rubenstein, *Making and Selling Cars: Innovation and Change in the U.S. Auto Industry* (Baltimore: Johns Hopkins University Press, 2008).

<sup>68</sup> Joseph B. White, “What Is an American Car?” *Wall Street Journal*, 26 January 2009 <https://www.wsj.com/articles/SB123265601944607285> [accessed 1 May 2018].

<sup>69</sup> David M. Herszenhorn and David E. Sanger, “Senate Abandons Automaker Bailout Bid,” *New York Times*, 11 December 2008 <https://www.nytimes.com/2008/12/12/business/12auto.html> [accessed 1 May 2018].

<sup>70</sup> John Bresnahan, “Shelby warns of filibuster of auto bailout,” *Politico*, 7 December 2008 <https://www.politico.com/story/2008/12/shelby-warns-of-filibuster-of-auto-bailout-016284> [accessed 1 May 2018].

(R-SC) was clearly the overriding factor in their opposition to a bailout for the domestic automakers.

Shelby and the other members of Congress who unsuccessfully opposed a government rescue of GM and Chrysler were predictably blasted by liberal groups and affiliates of the United Auto Workers. The anger of these groups was to be expected, but one of the most interesting and prescient critiques of Shelby's stand actually came from the right. Pat Buchanan, the controversial conservative political operative, former presidential candidate, and advisor to numerous Republican presidents, wrote a column for the right-wing *Human Events* journal in December of 2008 that castigated Shelby and his allies for their stance on the auto industry. Entitling it "The Toyota Republicans," Buchanan complained that Southern states had been given free rein to subsidize foreign manufacturers at the expense of the American automakers and their primarily Midwestern workforce. "Is the Republican Party so fanatic in its ideology that, rather than sin against a commandment of Milton Friedman, it is willing to... let millions of jobs vanish and write off the industrial Midwest?"<sup>71</sup> Buchanan pointedly critiqued "Republican globalists," arguing that the party had sold out manufacturing workers in Middle America and in so doing had destroyed the "New Majority" conservative coalition assembled during the Reagan era. Buchanan reminded his readers that Reagan had embraced a nationalist economic agenda, including forcing Japanese automakers to accept import quotas that encouraged them to build the first wave of transplant factories in the United States. General Motors had been "killed," Buchanan insisted, by a

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<sup>71</sup> Patrick J. Buchanan, "The Toyota Republicans," *Human Events*, 16 December 2008 <http://humanevents.com/2008/12/16/the-toyota-republicans/> [accessed 1 May 2018].

combination of unfair practices from “nationalistic trade rivals” and the indifference of American politicians to the welfare of American workers.<sup>72</sup>

By the late 2000s Buchanan had been consigned to the fringes of the American conservative movement, and his column received relatively little attention. Even so, his observation of American industrial decline and the conservative movement’s internal contradictions turned out to be shockingly prescient. The rhetoric of economic nationalism employed by Donald Trump and his advisor Steve Bannon during the 2016 presidential election closely mirrored Buchanan, and Trump received his endorsement; Buchanan even termed Trump “the future of the Republican party.”<sup>73</sup> Of course, Trump received enthusiastic support from many Southern workers who had materially benefitted from the globalization that he and Buchanan had both denounced. That support is a microcosm of the internal divisions which have torn apart the conservative movement and forced liberals to re-assess their position on issues such as trade, immigration, and education.

Another source of controversy concerns the working and living standards of Southern autoworkers. There is some evidence to suggest that general living standards have risen in the Southeast where auto factories have been established. In a 2011 study utilizing advanced modeling techniques, economists at the University of Southern Mississippi and Virginia Polytechnic Institute found that the growth of the Southeastern auto industry had “improved the economic, consumer, and social well-being of the

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<sup>72</sup> Buchanan, “The Toyota Republicans.”

<sup>73</sup> Chris Cillizza, “Pat Buchanan says Donald Trump is the future of the Republican Party,” *The Washington Post*, 12 January 2016 [https://www.washingtonpost.com/news/the-fix/wp/2016/01/12/pat-buchanan-believes-donald-trump-is-the-future-of-the-republican-party/?noredirect=on&utm\\_term=.65be0c01d425](https://www.washingtonpost.com/news/the-fix/wp/2016/01/12/pat-buchanan-believes-donald-trump-is-the-future-of-the-republican-party/?noredirect=on&utm_term=.65be0c01d425) [accessed 1 May 2018].



region.”<sup>74</sup> They linked this rise to globalization, which was the driving phenomenon behind the establishment of foreign-owned auto factories and parts plants in the United States. The Southeast had emerged as a flexible, low-cost alternative to the traditional Midwestern manufacturing belt. According to the authors, state incentives and industrial recruitment schemes had overall proven themselves to be justified by this success. They cautioned, however, that their analysis only applied to globalization’s impact on the auto industry and not on others, such as textiles and home furnishings. Based on the disruption and decline experienced by those industries, the authors concluded that the overall impact of globalization on the Southeast was mixed.<sup>75</sup> More than anything else, this study illustrates the pitfalls of making economic and social generalizations about the South, a region whose diversity has always been underappreciated. The same can be said of globalization, an immensely complicated phenomenon whose impacts are both disparate and not well understood. While some communities undoubtedly gained from the investment spurred by the late-twentieth-century “flattening earth” (to borrow a phrase from Thomas Friedman), others were devastated by its effects. Others such as Vance and West Point found that promises were often broken in the name of progress.

In March of 2017, industry and trade journal *Bloomberg Businessweek* published a major exposé of the Southern auto industry.<sup>76</sup> Subtitled “The New Detroit,” the article examined conditions in the auto parts factories of Alabama and Georgia. Based on

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<sup>74</sup> Chad Miller and M. Joseph Sirgy, “The Impact of Globalization of the Automotive Industry on the Quality of Life of the US Southeast,” in *The Economic Geography of Globalization*, ed. Piotr Pachura (InTechOpen, 2011).  
[https://www.researchgate.net/publication/221913877\\_Impact\\_of\\_Globalization\\_of\\_the\\_Automotive\\_Industry\\_on\\_the\\_Quality\\_of\\_Life\\_of\\_the\\_US\\_Southeast](https://www.researchgate.net/publication/221913877_Impact_of_Globalization_of_the_Automotive_Industry_on_the_Quality_of_Life_of_the_US_Southeast) [accessed 4 May 2018]: 162.

<sup>75</sup> *Ibid.*, 162.

<sup>76</sup> Peter Waldman, “Inside Alabama’s Auto Jobs Boom: Cheap Wages, Little Training, Crushed Limbs,” *Bloomberg Businessweek*, 27 March-April 2, 2017 <https://www.bloomberg.com/news/features/2017-03-23/inside-alabama-s-auto-jobs-boom-cheap-wages-little-training-crushed-limbs> [accessed 4 May 2018].

thousands of pages of Occupational Safety and Health Administration cases, interviews with former workers and managers, and other data, the report's findings were damning. While safety records at the marquee final assembly plants owned by Hyundai, Honda and other automakers were generally good, the record at their suppliers was far worse. In the early 2010s, Alabama's auto parts plants accumulated a safety record that was much worse than their Midwestern counterparts. In 2010, Alabama workers faced a 50 percent higher chance of traumatic injury when compared to the entire U.S. auto industry. In 2015, the risk of losing a limb or finger was 65 percent higher than in Michigan. The cover of the print edition of the magazine featured a stark photo of former autoworker Reco Allen, who lost his right arm below the elbow. While working as a janitor at a Matcor-Matsu parts plant in 2013, Allen was pressed into service as a production worker on a metal-stamping press despite having no training on the machine. An inadequate safety bar failed to prevent his arm from being crushed when the machine was accidentally triggered. OSHA fined the company \$103,000, and Allen settled for millions out of court.<sup>77</sup>

The report linked these harsh conditions to the "global economy's race to the bottom." As reporter Peter Waldman noted, Alabama's parts suppliers were in a state of perpetual cutthroat competition. Although many had close relationships with manufacturers (especially in the case of Korean companies), they still competed with each other and with suppliers in Latin America and Asia. Competition helped keep costs low for automakers, but it put extreme pressure on parts makers in the South. The suppliers signed contracts with automakers that specified harsh penalties for any delays in production. As a result the parts suppliers drove their workers hard. Many were paid low

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<sup>77</sup> Waldman, "Inside Alabama's Auto Jobs Boom."

wages as temporary workers fielded by agencies. These workers frequently labored long hours with little training, exposing them to serious hazards.

One such case was Regina Elsea, a young Alabama woman who worked at the Ajin USA stamping plant in Chambers County. She was paid \$8.75 an hour to work 12-hour shifts, 7 days a week as a “temporary” worker. Despite these conditions Elsea’s mother said that Regina appreciated the consistent wages and opportunities that her job afforded her. She hoped to be hired by Ajin as a full-time production employee, which would have bumped her pay to \$10.50 an hour. She never achieved that goal. In June of 2016, Elsea was killed when an industrial robot activated and impaled her. The ensuing OSHA investigation found numerous faults with the plant’s safety procedures, and the company was fined \$2.5 million.<sup>78</sup> Elsea’s death underscores the human toll of Alabama’s work environment, including its costs and opportunities. Alabama’s low-wage, non-union auto parts plants have provided an important ladder up for some of the state’s marginalized working-class people. They have prevented hard-hit communities from dissolving, and have allowed people of modest means to escape total poverty. However, they are emblematic of the developmental trap that Alabamians have consistently found themselves in: low-wage semi-skilled industries that rely on the cheap labor of marginalized workers. Alabama’s parts plants are the latest reincarnation of this developmental trend, supported by deeply-set institutional and economic superstructures.

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<sup>78</sup> Waldman, “Inside Alabama’s Auto Jobs Boom.”

## Chapter 6: The New New South's Hidden History

On February 14, 1997, the first M-Class SUVs began rolling off the line at the freshly completed Mercedes-Benz factory in Tuscaloosa.<sup>1</sup> In April, a journalist from *The Independent* newspaper of London, England, visited the plant site and surrounding communities. John Carlin's article, "Feelin' proud again in Dixie," was largely a reflection of the narrative promoted by local community and civic leaders: that one of Mercedes' greatest benefits had been a transformation in the way Alabama was perceived by outsiders. He interviewed Mike Sanders, the mayor of Vance, who argued that Mercedes had helped to dispel the myth of Alabama as a racist backwater. After dinner one evening, Sanders drove Carlin to the plant, leading the journalist to engage in some rather purple prose: "He stops outside the perimeter and gazes, as if not quite believing what he sees, at the white colossus, fantastical under floodlights, like a Hollywood vision of a city on Mars."<sup>2</sup> Carlin's story was evidence that Mercedes' investment was having the effect on outsiders that its supporters in government and the business community had hoped. Even so, the article in *The Independent* was far from an accurate retelling of the Mercedes-Benz saga. It only briefly addressed the plant's difficult birth, and ignored the fact that Alabama still lagged behind most other states in key standards of living.

This chapter addresses how Project Rosewood was finally brought to completion. It discusses how the state finally managed to fulfill its obligations under the contract signed by the Folsom administration in 1993. The departure of Folsom from the governor's office meant that the incoming James administration was tasked with creating

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<sup>1</sup> Dawn Azok, "20 years ago, Alabama's auto industry started rolling with first M-class," *Made in Alabama*, 14 February 2017 <http://www.madeinalabama.com/2017/02/first-m-class/> [accessed 21 May 2018].

<sup>2</sup> John Carlin, "Feelin' proud again in Dixie," *The Independent*, London, 13 April 1997.

a workable compromise for the government's funding commitments. The solution to this problem involved a far greater burden on taxpayers and public resources than was initially anticipated. Although the final outcome was undeniably positive for at least some Alabamians, Project Rosewood became an example of the many hazards inherent in public-private developmental partnerships. This history forms a counter narrative to the often triumphal depictions of an industrializing "New New South" in the late twentieth century.

This chapter also discusses the experience of a community that did not benefit from the largesse associated with Project Rosewood. While Tuscaloosa and Birmingham grew, the industrial city of Opelika stagnated and then declined. One by one, key industries that had long supported the community closed and disappeared. The fate of that city's Uniroyal tire plant and its associated United Steelworkers union local was emblematic of the problems faced by the South's smaller communities in the late twentieth and early twenty-first centuries. This chapter recounts the story of that plant and its workers, in an effort to provide a counter-example of the negative effects of globalization in the American South. It also illustrates how major new development projects often failed to produce the same level of community prosperity as established, longstanding industries.

### **Fixing Project Rosewood**

By the time Fob James was inaugurated as Governor in January of 1995, Project Rosewood was in serious trouble. The deal had become bogged down by numerous complications, ranging from threats of legal action by aggrieved parties to general public dissatisfaction with some of the deal's more controversial aspects. During the campaign,

James and his proxies repeatedly criticized the Folsom administration's handling of the Project Rosewood contract. Lamar Alexander, the Republican Governor of Tennessee, campaigned in Alabama on behalf of his friend James during the 1994 gubernatorial race. Alexander claimed that his state had made deals for auto plants on terms far more favorable than those that the Folsom administration had offered to Mercedes, suggesting that James would be a better negotiator.<sup>3</sup> In his campaign ads, James charged that Folsom "gave away the state" to attract Mercedes and that the new industrial incentives law was an out-of-control boondoggle.<sup>4</sup> At the same time, he pledged to follow through on the state's core commitment to Mercedes while renegotiating the unpopular and legally dubious parts of the Project Rosewood contract. James met with Andreas Renschler and other Mercedes representatives soon after his upset election to reaffirm the state's commitment to the deal.<sup>5</sup> It was clear by that point, however, that much of the contract would need to be re-worked in order to be implemented.

The financial structure of part of the incentives deal attracted legal scrutiny from an early date. The passage of the state's new incentives law in August of 1993 created a provision whereby qualifying companies could "capture" income tax payments that their employees would have otherwise paid to the state. That revenue could then be used to pay down debt incurred for the expansion or construction of new industrial facilities. This captured revenue is how the Folsom administration initially proposed to pay for the state's contribution to the construction of the Mercedes plant.<sup>6</sup> Under the terms of the incentives law, a chain of entities would sell industrial bonds, collect diverted income tax

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<sup>3</sup> Ted Bryant, "Shots fired over Mercedes," *Birmingham Post-Herald*, 2 November 1994.

<sup>4</sup> Associated Press, "Mercedes still to build plant," *Birmingham News*, 11 November 1994.

<sup>5</sup> Dana Beyerle, "James team: Mercedes deal safe," *Birmingham News*, 22 December 1994.

<sup>6</sup> Jay Reeves, "New law: Mercedes can keep income tax money," *The Crimson White* 100 no. 57, 12 November 1993.

revenue, and then use that revenue to pay back bond buyers. The creation of these legal vehicles for moving tax revenue was intended to skirt the constitutional requirement that all income tax revenue be used for teacher salaries and educational expenses. In some cases, the state would be obligated to pay workers refunds on income taxes it never technically collected. That refund money would come from the Special Education Trust Fund, a revelation that generated substantial controversy.<sup>7</sup>

Unsurprisingly, this revenue diversion scheme had plenty of skeptics. Even some of the legislators who approved the 1993 industrial incentives bill had doubts about its legality. During the legislative debate over the bill, Representative Jimmy Holland of Elba introduced a resolution that would have asked for an advisory opinion from the Alabama Supreme Court on the legality of the incentives structure. In their haste to pass the bill and secure Mercedes' commitment, legislators failed to take up Holley's resolution. Holley's doubts about the constitutionality of the incentives ultimately led him to vote against the bill.<sup>8</sup> The incentives scheme also attracted the ire of the Alabama Education Association, the state teachers' union. In April of 1994, the union announced that it was considering suing the state if the legislation was not revised to protect the education budget.<sup>9</sup> The self-interest of the union was obvious in this case, but there was also a political dimension to this threat. Dr. Paul Hubbert, the executive secretary and driving force behind the union, had lost to Jim Folsom in the Democratic gubernatorial primary that year. Threatening the Folsom administration with legal action now represented the best chance for the union to defeat legislation it saw as a major threat to

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<sup>7</sup> Associated Press, "Mercedes tax breaks may break state law," *Tuscaloosa News*, 27 November 1993.

<sup>8</sup> Ted Bryant, "Mercedes, constitution may collide," *Birmingham Post-Herald*, 27 November 1993.

<sup>9</sup> "AEA may sue over Mercedes incentives," *Tuscaloosa News*, 10 April 1994.

the education budget. The AEA held back its punch, but others were more aggressive about pursuing legal opposition to aspects of the Mercedes deal.

In the immediate aftermath of the Project Rosewood announcement, Jim Folsom defended the state's commitment to purchase at least 2,500 SUVs produced by the plant as a crucial component of the negotiations. He claimed that North Carolina had made a similar purchase offer to Mercedes, and that Alabama had to match it in order to secure Mercedes' commitment.<sup>10</sup> Despite Folsom's defense, the purchase clause quickly emerged as one of the least popular aspects of Project Rosewood. In November of 1993, Birmingham attorney David Arendall filed a lawsuit against the state on behalf of three taxpayers. The suit alleged that the SUV purchase agreement was a violation of state purchasing laws, and that the clause should therefore be considered legally nonbinding. Ironically, Arendall's lawsuit proved to be beneficial to the Folsom administration. Attorneys representing the state argued that the purchase agreement was in actuality unenforceable as a contract, and that the suit was therefore meritless. In effect, it was an admission that the purchase agreement could not and would not be executed. A Montgomery Circuit Court judge agreed with the state's argument and dismissed Arendall's lawsuit.<sup>11</sup> Although it was thrown out, Arendall's lawsuit was actually a victory for all parties. It prevented Alabama taxpayers from having to foot the bill for 2,500 luxury SUVs, and it provided the legal cover for the Folsom administration to wash its hands of one of the least popular parts of the Project Rosewood contract. Mercedes declined to press the issue after the dismissal of Arendall's lawsuit, and the matter was effectively settled.

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<sup>10</sup> Michael Brumas, "Folsom says offer to buy vehicles key to plant," *The Birmingham News*, 9 November 1993.

<sup>11</sup> Phillip Rawls, "Judge throws out Mercedes suit," *The Birmingham News*, 15 April 1994.



The AEA was far from the only organization that perceived the new incentives law as an attack on their interests. The established steel industry and the communities dependent upon it also emerged as harsh critics. This included the city of Fairfield, home of a major U.S. Steel subsidiary. U.S. Steel and Fairfield city leadership both objected to the use of state incentives to recruit new steel plants. This included the so-called Trico project, a joint venture of three steel companies looking to build a new plant in the Southeast. Fairfield Mayor Larry Langford threatened to sue the state over the use of incentives to recruit Trico, arguing that the company would compete directly with U.S. Steel's Fairfield Works.<sup>12</sup> Langford was joined by representatives of U.S. Steel and other established metalworking companies, including Gulf States Steel Company. Their lobbying contributed to the eventual revision of the incentives law.<sup>13</sup> Even so, their objections came too late to stop the Trico project. Trico opened in Decatur in 1997 after accepting a state incentives package. The mill struggled for four years before closing and being sold to Nucor Corporation in 2001.<sup>14</sup> The battle over incentives was reflective of the ongoing clash between populist-leaning political administrations and conservative Big Mule economic interests.

As a Democrat-turned-Republican, Fob James was widely viewed as closer to the Big Mules than Folsom had been. In the 1994 gubernatorial election, the Big Mules mostly threw their support to James. James beat Folsom in a narrow upset in November, shocking many who had expected the incumbent to win reelection. Carl Grafton, a political scientist at Auburn University at Montgomery, noted in a newspaper interview

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<sup>12</sup> Jacinthia Jones, "Fairfield sues over tax breaks," *Birmingham Post-Herald*, 19 January 2018.

<sup>13</sup> Patrick Rupinski, "Group to propose changes in incentive law," *Birmingham Post-Herald*, 18 February 1995.

<sup>14</sup> Andrew Putz, "The trouble with Trico," *Cleveland Scene*, <https://www.clevescene.com/cleveland/the-trouble-with-trico/Content?oid=1477597> [accessed 15 May 2018].

soon after the election that James had received the backing of the state's powerful and conservative agriculture lobby. James' economic philosophy, Grafton argued, was oriented toward "lumber mills and agriculture," and not "high tech."<sup>15</sup> Consequently, James was expected to place less emphasis on attracting new industries via state incentives packages. The James administration did slow down the pace and scope of incentives spending, limiting which companies could qualify for incentives and how much they could receive. The reduced focus on industrial recruitment, plus numerous other missteps and instances of bizarre behavior, alienated James from the progressive elements of the state's business community.<sup>16</sup> Even so, the James administration did the heavy lifting to salvage Project Rosewood. Without James' commitment to finding a workable funding mechanism for the state's portion of the deal, the entire project may very well have collapsed.

Before that could happen, there were months of legal and political wrangling. After his inauguration, the James administration confronted the reality that the original funding mechanism for the deal was unworkable. With the benefit of hindsight, it was clear that the capture of employee income taxes would not have withstood constitutional scrutiny if it was actually put into practice. The incoming James administration commissioned a critical legal brief prepared by the politically-connected Alabama law firm Haskell Slaughter to study the issue. The brief found that the provision for diverting income tax revenues was unconstitutional, but offered no clear path forward for financing

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<sup>15</sup> Stan Diel and Jerry Underwood, "James expected to shrink Benz-like state bait," *The Birmingham News*, 13 November 1994.

<sup>16</sup> Kevin Sack, "Alabama G.O.P. Governor Sees a Different New South," *New York Times*, 29 August 1997 <https://www.nytimes.com/1997/08/29/us/alabama-gop-governor-sees-a-different-new-south.html> [accessed 16 May 2018].

the state's commitment to Mercedes.<sup>17</sup> This left the thorny problem of what to do about the state's first payment to Mercedes. Under the terms of the Project Rosewood contract, the company could demand a maximum payment of \$42.6 million as soon as April 1, 1995 to cover the costs of plant construction. The uncertainty over when or how the state would cover the cost mounted in the months after Fob James' inauguration.<sup>18</sup> Despite the legal setbacks, support for Project Rosewood remained strong among development-oriented state leaders. Dr. David Bronner, the CEO of the Retirement Systems of Alabama, the state employee pension fund, was one such outspoken supporter. He argued that Fob James had "no choice" but to follow through on the Folsom administration's commitment to Mercedes. In typically colorful fashion, Bronner claimed that pulling out of Project Rosewood would mean "we'd drag the other foot forward and shoot it too" in regards to future economic development efforts.<sup>19</sup> To officials and businesspeople with a developmental mindset, Project Rosewood had become about more than simply securing Mercedes' investment. It was now about the state's ability to follow through on major economic development projects in general. If the state could not live up to its promises to Mercedes, it would jeopardize future efforts to secure more investments.

The James administration formulated and discarded several different plans as the state struggled to find a way to make the initial payment. With the April 1 deadline approaching, state officials floated a plan among select members of the Alabama business community. The plan called for some of Alabama's larger companies to underwrite a \$42.6 million bond issue, guaranteeing that Mercedes would receive its money on time.

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<sup>17</sup> Haskell Slaughter Young Johnston & Gallion, "Memorandum," 19 December 1994, folder 7, box #SG020391 (ADAH).

<sup>18</sup> Stan Diel, "State payment to Mercedes in question," *The Birmingham News*, 6 January 1995.

<sup>19</sup> Dana Beyerle, "Bronner says James has little choice," *Tuscaloosa News*, 5 February 1995.

Most of these companies were members of the Economic Development Partnership of Alabama, a broad trade and industrial group with a developmental focus. The EDPA had already contributed \$11 million worth of incentives in the original Project Rosewood contract.<sup>20</sup> Despite this support, James' plan to have Alabama companies serve as guarantors for a bond issue never came to fruition. The cost and uncertainty surrounding how the bond issue would be repaid was too much risk for Alabama businesses to stomach, and the James administration quietly discarded the plan.

The failure to reach an agreement with the business community represented Alabama's best chance to be ready to pay Mercedes in April. Without any agreement on the horizon, the state missed the early April deadline called for in the Project Rosewood contract. Fob James's budget for the 1996 fiscal year, which was released in mid-April of 1995, contained no appropriation for Mercedes construction costs.<sup>21</sup> Although this represented a departure from the original contract, it occurred with the tacit approval of Mercedes. In February of 1995, Andreas Renschler had indicated that Mercedes-Benz was unlikely to present the state with a bill for construction costs until August of that year.<sup>22</sup> That left the James administration with most of the summer to keep developing a repayment plan. In early May, James presented a new plan to lawmakers and the public. James would ask legislators to pass a bill establishing the Alabama Incentives Financing Authority, an entity that would be empowered to issue up to \$145 million in bonds to cover the total cost of the state's commitment to Mercedes. Those bonds would be retired with interest income diverted from the Alabama Trust Fund. The Trust Fund had been

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<sup>20</sup> Max Heine, "Business help eyed for Mercedes," *Tuscaloosa News*, 1 February 1995.

<sup>21</sup> Christopher McEntee, "Alabama's James seeks bond issue to fulfill promise made to Mercedes," *The Bond Buyer*, 9 May 1995.

<sup>22</sup> Max Heine, "Renschler confident everything will work out," *Tuscaloosa News*, 5 February 1995.

established in 1982 by former governor George Wallace to invest windfall revenue from the sale of oil and gas leases. The proposal also called for the bonds to be secured by a lien on the Mercedes factory and the plant equipment.<sup>23</sup> The new plan seemed like a viable way forward on the surface, but it too was plagued with questions of constitutionality.

At the urging of skeptical lawmakers, the James administration submitted its proposal to the Alabama Supreme Court for an advisory opinion before the Legislature took action. Under the terms of the state constitution, interest income from the Trust Fund was supposed to be sent to the General Fund for discretionary state spending. The James plan would have sidestepped that requirement, effectively amending the constitution without a public referendum. Although the administration defended the plan as having legal precedent, there was substantial controversy over how it bypassed the referendum process.<sup>24</sup> There was also political concern over how it would impact the state's budget. Interest income from the Trust Fund had become an important source of general revenue for the state, and diverting that income threatened programs such as mental health clinics. Over the course of thirty years, the bond retirement plan would cost the state a total of \$383 million including interest.<sup>25</sup> The plan never made it that far. In a 7-2 opinion, the Alabama Supreme Court ruled that the plan was unconstitutional. The Court determined that the legislature could not divert revenue from the Trust Fund without holding a referendum first. The ruling left the Legislature with 11 days in the regular session to

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<sup>23</sup> Christopher McEntee, "Alabama's James seeks bond issue to fulfill promise made to Mercedes," *The Bond Buyer*, 9 May 1995.

<sup>24</sup> Christopher McEntee, "Fate of Bond Package for Mercedes Rests With Alabama Supreme Court," *The Bond Buyer*, 6 June 1995.

<sup>25</sup> Tommy Stevenson, "Allen: Panel will pass Mercedes bill," *Tuscaloosa News*, 25 May 1995.

come up with a new plan.<sup>26</sup> The James administration was forced to go looking for money yet again, with the clock running down on the first payment to Mercedes.

Fortunately for the Legislature and Project Rosewood supporters in general, the James administration finally found a way to pay Mercedes in a constitutionally-appropriate manner. The Project Rosewood agreement was effectively rescued by David Bronner, who agreed to use the RSA's substantial financial resources to foot the bill for a new bond issue. Together with the State Insurance Fund, the RSA agreed to purchase up to \$150 million worth of bonds with a high 9 percent interest rate.<sup>27</sup> The bonds would be repaid with the \$11 million the state annually received from the Tennessee Valley Authority to promote development. Using the TVA funds to pay off the bonds eliminated concerns about constitutionality by not redirecting state tax revenues from their intended purposes.<sup>28</sup> Although David Bronner claimed the high interest rate on the bonds was intended to encourage the state to pay off its debts sooner, the 9 percent interest rate undoubtedly represented a major windfall for the RSA. Mercedes accepted the new plan, and Fob James said the deal was easy to "swallow... It went down very well. It was delicious."<sup>29</sup> James' choice of words was odd, but he captured the relief felt by many in Alabama. The state had finally cobbled together a plan to meet its obligations, and Project Rosewood could continue.

While the state struggled to find a way to pay for its share of the incentives, there was a near-meltdown over costs at the local level. Under the terms of the Project Rosewood agreement, municipalities adjacent to the project site had agreed to shoulder

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<sup>26</sup> Christopher McEntee, "Alabama scrambles for funds to build Mercedes plant," *The Bond Buyer*, 20 June 1995.

<sup>27</sup> David White, "Bronner offers bailout for Mercedes incentives," *Birmingham News*, 22 June 1995.

<sup>28</sup> Christopher McEntee, "Southeast Bond Watch," *The Bond Buyer*, 29 June 1995.

<sup>29</sup> Dana Beyerle, "A deal they couldn't refuse," *Gadsden Times*, 23 June 1995.

most of the cost for purchasing and preparing the land. The cities of Northport, Birmingham, and Tuscaloosa, as well as the Jefferson and Tuscaloosa county governments, all agreed to split these costs. The details of this cost-sharing and the responsibilities assigned to specific governments were initially somewhat hazy, as evidenced by the protracted fight between Tuscaloosa and Vance that has already been discussed. The city of Birmingham, Tuscaloosa, Tuscaloosa County, and Jefferson County signed agreements with the Tuscaloosa County Industrial Development Authority (TCIDA) to contribute \$5 million each toward the cost of site preparation. But the rapid pace of the construction work, coupled with budgetary problems in Birmingham and Jefferson County, led to cash flow problems at the TCIDA. The TCIDA fell behind on its bills, delaying payments to contractors performing site work. The TCIDA was forced to take out a \$2 million loan to pay its bills (with the city of Tuscaloosa stepping in as guarantor), costing taxpayers tens of thousands of dollars in interest payments. Meanwhile, Jefferson County, Tuscaloosa County, and the city of Birmingham stretched to find more money in their cash-strapped budgets to cover their obligations.<sup>30</sup>

The effort to keep the TCIDA current on its bills opened a rift between the Tuscaloosa city government, its county-wide counterpart, and the Jefferson County Commission. In the December meeting where they approved cosigning the loan to the TCIDA, several Tuscaloosa city councilors complained that the county was not meeting its obligations.<sup>31</sup> In January, the Jefferson County Commission came through with a

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<sup>30</sup> Max Heine, "Thousands forked out to cover unplanned interest payments," *Tuscaloosa News*, 24 December 1994.

<sup>31</sup> Robert DeWitt, "Council cosigns MB note," *Tuscaloosa News*, 23 December 1994.

further \$1.5 million payment to the TCIDA, but there was trouble on the horizon.<sup>32</sup> The continued financial difficulties of the TCIDA led all of the participating governments to squabble over who would pay its bills. This was exacerbated by the fact that there was no clear delegation of responsibilities for the project's costs, or at least none that were readily enforceable. The murky legal status of the Project Rosewood contract led the participating governments to grope blindly for solutions, all while tending an ever-growing pile of bills.<sup>33</sup> The inability or unwillingness of Jefferson County and Birmingham to follow through on their financial commitments meant that Tuscaloosa was left to shoulder the burden of funding the TCIDA. The relationship between the Tuscaloosa City Council and County Commission became particularly toxic as both sides argued over who would keep the TCIDA solvent. Between January and February of 1995, negotiations over how the TCIDA would be funded devolved into a highly public squabble. Tuscaloosa City Councilman Jack Kubiszyn accused the county government of trying to "gimme" city taxpayers by welching on its portion of the incentives package. His condemnation added fuel to the fire, but it was not entirely unfair: Tuscaloosa taxpayers were shouldered with an ever-greater burden as other governments failed to produce incentives funds.<sup>34</sup> The delays angered Anthony Topazi, chairman of the TCIDA, who berated the City Council for its "pathetic" delays in approving a new project funding agreement.<sup>35</sup>

By mid-February, both sides finally agreed to split the remaining site preparation costs equally. This included another \$4.2 million worth of loans to cover the shortfall in

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<sup>32</sup> Gilbert Nicholson, "Jefferson County makes \$1.5M Mercedes payment," *The Birmingham News*, 11 January 1995.

<sup>33</sup> Robert Dewitt and Anna Thibodeaux, "County may alter proposal," *Tuscaloosa News*, 18 January 1995.

<sup>34</sup> Robert Dewitt, "Kubiszyn blasts county over Mercedes," *Tuscaloosa News*, 20 January 1995.

<sup>35</sup> Robert Dewitt, "Topazi flares over delay on MB pact," *Tuscaloosa News*, 1 February 1995.



the TCIDA's budget.<sup>36</sup> In the end, the city and county of Tuscaloosa were both ensnared in deeper financial commitments than they had originally planned for. While not disastrous, it was an example of the unplanned expenses that often accompany these types of development projects. It also saddled the city of Tuscaloosa with substantial debt. The city was ultimately forced to front almost \$31 million for Mercedes-related expenses, ranging from land purchases to sewer installation. Although some of that amount was later covered by grants and contributions from the other county and city governments, the debt load was "crippling," in the words of City Councilman Jerry Plott.<sup>37</sup> The open-ended commitment to cover site preparation expenses without a clear plan for repayment nearly led the city and the project itself into disaster.

The struggle of the state and city to bring Project Rosewood to fruition exposed much about the risks inherent in these major public-private developmental partnerships. From the beginning, the project was dogged by legal and ethical questions related to the involvement of government entities to aid private industry. The controversy over the use of the National Guard to prepare the plant site, the fight between Vance and Tuscaloosa over annexation and utilities, and the objection of steelmakers to the use of incentives aimed at their competitors were all examples of this phenomenon. There was also the issue of costs that far exceeded expectations. Both the state and the city of Tuscaloosa absorbed costs related to the project that went far beyond initial projections. The nine percent interest rate meant that the state ultimately repaid far more than the \$150 million it borrowed to cover its commitment to Mercedes. Much of this could be attributed to the lack of a viable plan for paying these debts from the beginning, but that was only one part

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<sup>36</sup> Anna Thibodeaux and Robert Dewitt, "MB funding dispute settled," *Tuscaloosa News*, 16 February 1995.

<sup>37</sup> Associated Press, "Benz debt 'crippling' Tuscaloosa," *Montgomery Advertiser*, 22 September 1994.

of the equation. As soon as the ink on the original Project Rosewood contract was dry, it became difficult for the state to back away. Although some of the more outlandish parts of the deal were trimmed back, the core commitment remained intact, and the state was ultimately obligated to pay far more than the deal's proponents had originally promised. Project Rosewood should serve as a cautionary tale about the risks attached to major public partnerships with private industry.

### **Mercedes, Monuments, and Memory**

The Mercedes plant is an excellent example of another monumental New South industrial site. Strategically located between Tuscaloosa and Birmingham, it is readily visible from the adjoining I-20/59 freeway. A series of billboards announce the nearby location of the factory, Mercedes-Benz United States International (MBUSI), to motorists approaching from either direction. Some of these billboards display pictures of the plant's products, proclaiming them to be "Made in Alabama." They also feature slogans and images that portray Mercedes as an important partner in the community and a key component of its identity. One billboard shows a smiling multi-racial group of employees in Mercedes uniforms, with a slogan emphasizing the teamwork nature of automobile assembly.<sup>38</sup> Other billboards emphasize the high-technology nature of automobile assembly by featuring images of industrial robots and glimmering factory spaces.<sup>39</sup> In many ways, these billboards reflect the idealized future imagined by the Folsom administration and other Mercedes backers as they tried to build support for the plant. Taken together, these billboards situate Mercedes at the center of a sophisticated,

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<sup>38</sup> Photograph in author's possession.

<sup>39</sup> Photograph in author's possession.

industrious socio-technical order staffed by a diligent, integrated, and middle-class workforce.

The billboards that can be seen near the Mercedes factory are successors to one of the earliest publicity campaigns for Project Rosewood. Before plant construction had even begun, Mercedes began to erect billboards along I-20/59 advertising its investment. One of the earliest read “Under Construction,” alongside a depiction of various deconstructed automobile components. It formed a clever visual pun incorporating both Project Rosewood and the act of automobile assembly.<sup>40</sup> Another read “Coming Soon: A Mercedes that Holds More Than 1,000 People.”<sup>41</sup> This referenced the initial employment projections for the plant, which called for a workforce of about 1,500 people. Another read “Guten Tag Freunde” alongside an announcement of the plant’s construction, with the helpful English translation of “Hey Neighbor” in parenthesis below it.<sup>42</sup> The billboards helped fulfill the goal of state officials and company executives to publicize the plant.

In addition to the billboards paid for by Mercedes, state and local groups put up a variety of signs welcoming the company and announcing Alabama’s triumph to the outside world. A state-sponsored billboard reading “Welcome Mercedes-Benz, A Rising Star to Alabama” was put up alongside I-20/59 within days of the plant location announcement.<sup>43</sup> Executives from two Mercedes-Benz suppliers even paid for a

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<sup>40</sup> Mercedes-Benz, “All Activity Report,” Folder 12, box #SG014281.

<sup>41</sup> Mercedes-Benz, “About Mercedes-Benz U.S. International: Corporate Info,” MBUSI <https://mbusi.com/about/mbusi-corporate-info> [accessed 10 May 2018].

<sup>42</sup> “Mercedes-Benz Officials Dieter Zetsche, deputy board member for passenger car development, left, and Helmut Werner, chairman of the board, visit their new plant site Thursday,” *Tuscaloosa News*, 1 October 1993, pg 1A.

<sup>43</sup> “Billboard welcoming Mercedes-Benz stands on Interstate 59/20 about three miles from the Vance exit,” *Tuscaloosa News*, 30 September 1993.

“Welcome Mercedes-Benz” banner to be hung at Vance Elementary School.<sup>44</sup> The erection of these signs reflected genuine enthusiasm in the community, but it was also about attracting the attention of outsiders. Images of these signs, and other materials announcing the Project Rosewood investment, were widely circulated in national media. The signs near the Project Rosewood site exposed millions of travelers to this projected image of the New South. When the project was completed, the site itself became an avatar of modern global industry as well as Alabama’s alleged high-technology transformation.

The construction of a visitor’s center and adjacent training facility was one of the most important clauses in the Project Rosewood contract. The state committed to spending no less than \$60 million and no more than \$90 million to cover the cost of building the training center, plus \$5 million annually to cover running costs for as long as Mercedes-Benz operated it.<sup>45</sup> If Mercedes chose to construct a visitors’ center and factory delivery hub onsite, the state offered \$5 million to defray the costs. The state’s commitment to the visitors’ center and delivery program was justified on the grounds that these would encourage wealthy tourists to visit the rest of Alabama after receiving their vehicles.<sup>46</sup> The linking of the site to tourism and outside visitors was an indication of how the visitors’ center was supposed to facilitate the integration of the factory into the community. The Mercedes visitors’ center aimed to create a bridge between the high technology environment within the factory, the community in which the factory was situated, and visitors from outside that community.

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<sup>44</sup> Joan Ladd, “County schools foresee major growth,” *Tuscaloosa News*, 10 October 1993.

<sup>45</sup> Project Rosewood Agreement, “Section V: Training Facility and Training,” pgs. 32, 36.

<sup>46</sup> Project Rosewood Agreement, “Section VI: Goodwill and Community Involvement,” pgs. 39, 40.

When the Visitors Center opened in June of 1997, it featured exhibits designed to draw attention to the relationship between the United States and Mercedes-Benz. The Mercedes-Benz Museum at the corporate headquarters in Stuttgart loaned several vehicles for display at the Visitors Center. This included a 1905 American Mercedes, the only known survivor from the company's New York factory. This model served to remind visitors of Mercedes's American heritage, including that brief early period of domestic assembly. There was also a prototype Mercedes ML used in the filming of the Hollywood blockbuster *The Lost World*, the sequel to *Jurassic Park*.<sup>47</sup> Other exhibits emphasized the technological legacy of Mercedes, portraying an unbroken chain of innovation up to the present day. This included a variety of historical models, from a replica of the original Daimler Motor Carriage to a recently-retired C-class race car. Then there was "Job 1," the first customer-quality Mercedes ML SUV produced by the Tuscaloosa factory. Job 1 was painted white and then signed all over with black markers by members of the production and design team.<sup>48</sup> Job 1 was a highly symbolic artifact meant to demonstrate that capital and labor were partners in the production process. It showcased the technological competency of Alabamians working in a globalized, capital-intensive industry. This was further reinforced by guided tours of the production process, which were first offered in November of 1997.

Mercedes engaged two Birmingham architectural firms to offer competing designs for the Visitors Center and training facility. The firm Gresham, Smith and Partners won that competition, with a Visitors Center design featuring several

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<sup>47</sup> Patrick Rupinski, "Mercedes unveils visitors center: public gets glimpse of plant production," *Birmingham Post-Herald*, 7 June 1997.

<sup>48</sup> Stan Diel, "Grand Touring: Mercedes visitors center likely to boost tourism," *Birmingham News*, 10 June 1997.

interconnected buildings arrayed around a plaza.<sup>49</sup> It was an unapologetically modernist design, with soaring glass windows and a unique curved roofline that sharply distinguished it from its surroundings. The appearance of the Visitors Center strongly suggests that the Gresham, Smith firm was inspired by other structures associated with the Mercedes brand. The Visitors Center resembled many contemporary Mercedes dealerships and corporate office buildings, which utilized the same combination of industrial materials and light-infused design.<sup>50</sup> This emphasis on forward-looking design even extended to the gift shop within the Visitors Center, which sold high-end consumer goods emblazoned with Mercedes logos including luggage and manicure sets.<sup>51</sup> The net effect was to create a structure that was highly unique within the context of the Alabama landscape, and also virtually unmissable from the nearby freeway. This was capped by an enormous three-pointed star logo on a pillar, which incontrovertibly marked the site as associated with Mercedes. The Visitors Center increased the visual impact of the plant in a deliberate way, one that both state officials and the company desired.

The Visitors' Center did not go unchanged as the Mercedes plant grew and expanded. Although Mercedes phased out the factory delivery program at some point in the early 2000s, the Visitors Center continued to be an important part of the overall site. In 2015, the Center received a \$3 million redesign paid for by Mercedes.<sup>52</sup> That redesign was part of a broader program which included expanding the purpose of the site. In 2014, Mercedes had announced the creation of a "Brand Immersion Program" that would make

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<sup>49</sup> Max Heine, "Mercedes taps designer of first facility," *Tuscaloosa News*, 30 June 1994.

<sup>50</sup> Christian Marquart, *Mercedes-Benz Brand Places: Architecture and Interior Design* (Germany: AVedition, 2004).

<sup>51</sup> Stan Diel, "Grand Touring: Mercedes visitors center likely to boost tourism," *Birmingham News*, 10 June 1997.

<sup>52</sup> Dawn Kent Azok, "Visitor Center at Mercedes' Alabama plant gets \$3 million makeover," *Al.com*, 6 March 2015 [https://www.al.com/business/index.ssf/2015/03/visitors\\_center\\_at\\_mercedes\\_al.html](https://www.al.com/business/index.ssf/2015/03/visitors_center_at_mercedes_al.html) [accessed 12 May 2018].

use of the Visitors Center as a means of educating the company's workforce. The company pledged to fly in a total of 26,000 employees to Birmingham over a period of 4 years, at a cost of \$30 million. Those employees would then be brought to the Visitors Center for an educational experience designed to immerse them in the Mercedes brand. They would be educated on Mercedes' history via the Center's exhibits, and they would embark on factory tours.<sup>53</sup> This coincided with an announcement that MBUSI would expand production to include the C-class sedan and the ML coupe/SUV hybrid.<sup>54</sup> The program also encompassed a partnership with the city of Birmingham. Mercedes employees would spend time in the city learning about its historical legacy and present-day life. Birmingham Mayor William Bell lauded the partnership, saying that he believed it would lead to a renaissance of tourism in his city.<sup>55</sup> This public-private partnership built on the spirit of the original Project Rosewood agreement. It further illustrated the link between high technology and public perception that Alabama civic leaders consistently emphasized.

The redesign of the Visitors Center was in keeping with the spirit of this new program. Instead of focusing specifically on the company's history in Alabama and the production of vehicles at MBUSI, the entire broad history of the company was emphasized. More exhibits were added that focused on the cutting-edge technological

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<sup>53</sup> Kathryn Tuggle, "Tourist dollars and fancy cars: Mercedes to bring 26,000 employees to Birmingham, spend \$30 million," *Al.com*, 8 September 2014 [https://www.al.com/business/index.ssf/2014/09/tourist\\_dollars\\_and\\_fancy\\_cars.html](https://www.al.com/business/index.ssf/2014/09/tourist_dollars_and_fancy_cars.html) [accessed 12 May 2018].

<sup>54</sup> Brent Snavelly, "Mercedes-Benz to expand Alabama plant, build new SUV next year," *Detroit Free Press*, 5 September 2014 <https://www.freep.com/story/money/cars/2014/09/05/mercedes-benz-to-expand-alabama-plant-build-new-suv-next-year/15135071/> [accessed 12 May 2018].

<sup>55</sup> Kathryn Tuggle, "Tourist dollars and fancy cars: Mercedes to bring 26,000 employees to Birmingham, spend \$30 million," *Al.com*, 8 September 2014 [https://www.al.com/business/index.ssf/2014/09/tourist\\_dollars\\_and\\_fancy\\_cars.html](https://www.al.com/business/index.ssf/2014/09/tourist_dollars_and_fancy_cars.html) [accessed 12 May 2018].

achievements pioneered by Mercedes-Benz. Safety technology is a major area of concentration, including early developments such as crumple zones and airbags. This also includes technologies still under development or newly introduced, such as autonomous driving controls. Numerous displays discuss the legendary racing history of the company, with victories in Formula 1 and touring cars given special attention. The development and construction of the Smart sub-brand of city cars is explained in detail. One of the most intriguing displays is of a deconstructed V8 engine from the Mercedes AMG performance division. This engine, originally made in Germany, has been partially disassembled and arranged to illustrate the production process. The display proudly indicates that all AMG engines are hand-assembled by a single master craftsman in Germany. Their signatures are attached to the engines via plaques, several examples of which are included on the display.<sup>56</sup> The choice to characterize the production process in such a way is striking. Instead of emphasizing its American assembly lines, Mercedes chooses to focus on an example of “old world” craftsmanship when discussing the manufacturing side of its operations. It speaks to a desire to characterize luxury vehicle assembly as a craft process, rather than the highly-automated operation of a typical modern factory.

These changes represented more of an adjustment to the contents of the museum than a radical revision of its purpose. However, the number of exhibits that dealt with the plant itself and its history were reduced. The Job 1 Mercedes M-class was removed from the display. More models were added that illustrated the general history of the company, including historically significant models from the 1930s to the 1960s. The new vehicle displays included only a single model produced at the plant, a prototype C-class sedan.

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<sup>56</sup> Photograph in author’s possession.



There is only a single small display that discusses the development of the M-class and the early history of the plant. MBUSI's history is reduced to a brief summary beside a scale model of an early M-Class: "Mercedes-Benz opens its first passenger vehicle manufacturing facility in the United States— a state-of-the-art \$300 million facility in Tuscaloosa, Alabama."<sup>57</sup> MBUSI is presented as a wholly decontextualized entity, with almost the entire history of the plant having been left out.

The effect of this new regime is a feeling of alienation. The Visitors Center does a good job of presenting the total history of Mercedes-Benz, albeit from a highly pro-corporate standpoint. It presents an impressive selection of technology and automobiles from Mercedes-Benz's history, in a format that is easy for the public to understand. Despite this, it does little to explain or contextualize the factory to which it is attached. It is not surprising that Mercedes would choose to leave out the contested parts of Project Rosewood's history. After all, the Center has always been oriented towards highlighting the positive qualities of the Mercedes brand. Even so, it is disappointing to find no mention of the plant's impact on the community, the state, or the importance of the local workforce within the Visitors Center itself. The Center has been turned away from its original purpose and has become narrowly devoted to extolling the virtues of the Mercedes brand. The Center does offer guided factory tours to the public, and this helps to make up for the missing information. In the factory, the importance of workers to the production process is readily apparent and is frequently highlighted by the tour guides. No factory operates in a vacuum, churning out products without any impact on the development of the community that surrounds it. Mercedes workers and everyone else who sacrificed to make MBUSI a success deserve to be part of the historical narrative.

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<sup>57</sup> Photograph in author's possession.

## **Opelika: A Different Narrative**

While Tuscaloosa, Birmingham, and Vance were fighting to claim a piece of the Mercedes pie, a different saga was playing out in Opelika. An industrial center that was at one time the third largest city in the state, Opelika lies immediately adjacent to Auburn along Interstate 85. In Chapter Five, I discussed how Opelika received some of the carry-over investment associated with the Kia plant in West Point, Georgia. The establishment of these new automobile parts plants was only the latest chapter in the long industrial history of this community. Since the latter half of the nineteenth century, Opelika had been an important center for manufacturing and trade roughly halfway between Montgomery and Atlanta. This section briefly summarizes that history, including the railyards and textile mills that were the core of the city's economy for many years. It goes into depth about the Uniroyal tire plant, which opened in 1963. I will also discuss the history of United Rubber Workers Local 753 (later United Steelworkers 753), the union which represented the plant's workforce for over forty years. The story of Uniroyal is significant because it demonstrates another, less positive aspect of globalization than that represented by Mercedes and Kia: the disruption and decline of industries that served as community anchors. The story of Uniroyal also illustrates how communities with long industrial traditions struggled to maintain their relevance in the late twentieth and early twenty-first centuries.

In the 1850s, Opelika was connected by rail to Atlanta, Montgomery, and New Orleans. In the aftermath of the Civil War, it was chosen as the seat of the newly-created Lee County. Opelika benefitted from the postwar recapitalization of the Southern economy and its strategic location along a central rail line. The town's population

roughly doubled by the turn of the twentieth century as its regional importance grew. In 1900, the city saw the opening of its first textile mill, the Opelika Manufacturing Company. The “Old Mill,” which was financed by a group of local businessmen, was the first of several major manufacturing enterprises that cemented Opelika’s importance as an industrial center.<sup>58</sup> It was followed in 1926 by another, larger mill, which was built by the Pepperell Manufacturing Company of Boston, Massachusetts. Pepperell, which also operated a mill in Maine, was an early example of an outside enterprise that invested in the American South to take advantage of lower costs. It was also an example of an Alabama city actively recruiting new industrial investment by providing incentives to a company. Local notables contributed \$60,000 to induce Pepperell to build its new plant just outside the city limits.<sup>59</sup> Pepperell and its “mill village,” a mini-city owned entirely by the company, rapidly became anchors of the local economy and society.

The Great Depression stalled Opelika’s growth, but World War II helped restore prosperity to Lee County. The rail yard and textile manufacturing plants were both of strategic importance during the war. The postwar era saw a wave of new investment into Opelika’s manufacturing sector and other industrial enterprises. Among the most important figures in Opelika’s postwar industrial history was John Herbert Orr. Orr, originally from the nearby town of Beauregard, was a polymath with a background in radio and electro-mechanical engineering. In World War II he served with the Navy in the Psychological Warfare Division, performing propaganda broadcasts in the European theater. It was in liberated Luxembourg that he first encountered a captured Magnetophone, a recording device originally developed by the German conglomerate

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<sup>58</sup> Fred Woods, “Old Mill features fondly in Opelika memories,” *Opelika Observer*, 22 November 2016.

<sup>59</sup> Jane Sanders Worthington, *A Village Not Forgotten: Pepperell Mill Village, Pepperell Manufacturing Company, Opelika, Alabama, Mill History 1926-1960* (Museum of East Alabama, 2014).

AEG. This device utilized new technology to record high-quality sound on tape coated with magnetic material. Orr recognized the commercial potential of this device, which had not yet been introduced to the American market. After several years of experimentation, he and his partners were able to successfully reverse-engineer the device and the production process for the magnetic tape. Orr founded Orradio Industries in 1950 in Opelika, becoming the first American manufacturer of magnetic recording tape. He then sold his company to the Ampex Corporation in 1959, and the Opelika factory continued to produce magnetic recording tape for nearly fifty more years.<sup>60</sup> Although it went through numerous changes of ownership thereafter, the factory was known primarily as Ampex by locals. Orr's enterprise was significant in how it demonstrated the ability of a relatively small Southern community to support a manufacturing facility that relied on cutting-edge technology. It also showed that such enterprises could be developed at the community level, rather than relying purely on outside expertise and capital. Orr even sold stock certificates door-to-door to raise funds for his factory.<sup>61</sup> Although his business was initially based on reverse-engineering a foreign technology, the work of building the manufacturing plant, staffing it, and capitalizing it was accomplished locally.

The Diversified Products Corporation was another example of a major enterprise that was built up at a local level in Opelika. Future governor Fob James and thirteen local investors founded the company in 1961, which focused on manufacturing exercise equipment. James, a former football standout at Auburn, had developed a process for

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<sup>60</sup> John Mohr, "John Herbert Orr," *Encyclopedia of Alabama*, 2 February 2017 <http://www.encyclopediaofalabama.org/article/h-3858> [accessed 24 May 2018].

<sup>61</sup> John Mohr, "John Herbert Orr," *Encyclopedia of Alabama*, 2 February 2017 <http://www.encyclopediaofalabama.org/article/h-3858> [accessed 24 May 2018]

producing plastic-coated barbells filled with concrete. He and his partners capitalized on a burgeoning market for home fitness equipment in the 1960s and '70s. The company's product line eventually expanded to include virtually all forms of exercise and workout equipment, from weights to home gyms. James and the partnership sold Diversified Products to investors from North Carolina in 1977, but the main factory continued to operate for another two decades. At its peak in the 1980s, the company employed 500 people in Opelika and over 3,000 worldwide.<sup>62</sup> Diversified Products made Fob James a millionaire and increased his public visibility, helping set the stage for his two successful gubernatorial runs. The company was a major employment anchor in Lee County, helping to expand Opelika's manufacturing base into another category of consumer goods. Diversified Products was also the site of a major confrontation between Fob James and the United Rubber Workers, discussed later in this chapter.

When the United States Rubber Company announced that it would build a plant in Opelika in 1962, it was following in the footsteps of its competitors. The geographic evolution of tire manufacturing in the United States followed a pattern similar to other heavy industries such as steel and chemicals. Tire manufacturing first concentrated in the Midwest, specifically around Akron, Ohio, during the Gilded Age era of economic growth. It then spread South and West as the industry matured. Serious labor-management conflict over wages and working conditions, as well as shipping costs and distribution concerns, were some of the reasons for this diversification. Alabama's first major tire factory was established in Gadsden in 1929 by the Goodyear company.<sup>63</sup> B.F. Goodrich followed in 1946, when it purchased an unfinished tire plant near Tuscaloosa as

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<sup>62</sup> John D. Fair, "Diversified Products," *Encyclopedia of Alabama*, 19 May 2014 <http://www.encyclopediaofalabama.org/article/h-3419> [accessed 24 May 2018].

<sup>63</sup> Michael J. French, *The US Tire Industry: A History* (Boston: Twayne Publishers, 1991): 55.

wartime surplus from the U.S. government.<sup>64</sup> In 1963, the United States Rubber Company (which would soon be renamed Uniroyal) began production of automobile tires at its new facility in Opelika.<sup>65</sup> Besides the presence of American companies, Alabama would also prove to be an attractive target for multinationals looking to expand their presence in the United States. Dunlop of Britain began producing tires at a new facility near Huntsville in 1969.<sup>66</sup> Michelin built a new facility in Dothan to manufacture tires, which opened in 1980.<sup>67</sup> By the beginning of the 1980s, Alabama had the greatest concentration of tire production in the United States outside of the Midwest. With the closure of many Midwestern plants in the 1980s and 90s, Alabama and the South in general moved to the forefront of the domestic tire industry.

The U.S. Rubber plant in Opelika was a key example of industrial recruitment in Alabama during the Wallace era. In 1962, prominent Opelika residents had formed a local Industrial Development Board under the auspices of the Wallace-Cater Act. The creation of the Opelika IDB, which was empowered to cut incentives deals with companies looking to build new plants in the area, was a sign that city leaders were taking a more aggressive posture on industrial development.<sup>68</sup> Within a few months, the IDB had landed the new tire plant. On July 11, it was announced that U.S. Rubber would invest \$20 million into a new tire factory on about 400 acres of land just southeast of the

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<sup>64</sup> “BFGoodrich Tire Plant Marks 70 Years in Tuscaloosa,” *Tuscaloosa News*, 21 October 2016 <http://www.tuscaloosaneews.com/news/20161021/bfgoodrich-tire-plant-marks-70-years-in-tuscaloosa> [accessed 12/8/2016].

<sup>65</sup> “BFGoodrich plant in Opelika closing; 1,000 to lose jobs,” *Ledger-Enquirer* 14 April 2009 <http://www.ledger-enquirer.com/news/business/article29042233.html> [accessed 12/8/2016].

<sup>66</sup> “Goodyear’s Huntsville plant closes down after 34 years,” *Rubber and Plastics News* 33 no. 10, December 15 2003, pg 3. <http://connection.ebscohost.com/c/articles/11742591/goodyears-huntsville-plant-closes-down-after-34-years> [accessed 12/8/2016].

<sup>67</sup> “Michelin Expands Plants in Non-Unionized South,” *Washington Post*, 27 April 1979 [https://www.washingtonpost.com/archive/politics/1979/04/27/michelin-expands-plants-in-non-unionized-south/2635a170-40b6-4be3-b07d-cf334a6e0bf6/?utm\\_term=.203dce48cee2](https://www.washingtonpost.com/archive/politics/1979/04/27/michelin-expands-plants-in-non-unionized-south/2635a170-40b6-4be3-b07d-cf334a6e0bf6/?utm_term=.203dce48cee2) [accessed 12/8/2016].

<sup>68</sup> “Industrial Development Board Meets,” *Opelika Daily News*, 12 March 1962, pg. 1.

city.<sup>69</sup> The *Opelika Daily News* heralded the announcement with a full front-page story, with the editor proclaiming that it would be a “shot in the arm” to the local economy.<sup>70</sup> The investment represented a major boost to Opelika’s economy, but it required a major commitment by the Industrial Development Board. The Opelika IDB issued \$21 million worth of revenue bonds at about 4.25 percent interest to fund the project. Those bonds were repaid with money from U.S. Rubber’s lease on the land and facilities built with the bond money.<sup>71</sup> Because general public revenue was not used to finance the plant, it was less risky for the local community and for taxpayers. Even so, it was still a generous subsidy that eclipsed the value of U.S. Rubber’s own investment. It also reduced the amount of tax revenue that the city and county could collect from the new plant, limiting its potential positive impact on government finances.

Although many tire manufacturers had hoped to avoid organization of their workforces by locating in the Deep South, most of Alabama’s tire plants were unionized not long after they opened. The United Rubber Workers (URW), the official Congress of Industrial Organizations (CIO) union of the tire industry, successfully organized many Southern plants operated by the “Big 4” American tire companies: Firestone, Goodyear, B.F. Goodrich, and Uniroyal. That success was predicated on several factors. The dirty and arduous nature of the tire manufacturing process, the importance of skilled labor to tire production, and a pre-existing pattern of unionization elsewhere in the industry helped smooth the way for the URW to organize Southern plants. The Gadsden Goodyear

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<sup>69</sup> “U.S. Rubber to build \$20 million plant here,” *Opelika Daily News*, 11 July 1962, pg. 1.

<sup>70</sup> Wilbur L. Blackmon, “Welcome, U.S. Rubber Company,” *Opelika Daily News*, 11 July 1962, pg. 2.

<sup>71</sup> “Bonds be offered finance tire factory here,” *Opelika Daily News*, 23 August 1962.

plant was organized in 1933 as Local 12.<sup>72</sup> B.F. Goodrich in Tuscaloosa was organized in 1947, as Local 351.<sup>73</sup> The Uniroyal plant in Opelika was chartered in 1964 as Local 753.<sup>74</sup> The Dunlop factory in Huntsville was organized as URW Local 915.<sup>75</sup> Despite the original intentions of the companies that opened them, Alabama's tire plants became a bastion of union strength. These facilities provide another example of the willingness of Southern workers to unionize upon determining that such action was in their best interest.<sup>76</sup> That strength would be challenged, however, by the forces of globalization that began to roil the tire industry in the 1970s. Before that turmoil set in, however, URW organizers in Opelika tried to expand the union's reach outside of the Uniroyal plant.

After the successful establishment of Local 753 at Uniroyal, URW recruiters began to see if workers at Opelika's other industrial establishments might be amenable to organization. One early target for organization was Diversified Products. As a major manufacturing operation whose employees worked extensively with rubber and plastic, Diversified Products was a logical choice for URW organizers. In late 1972, workers at the company began meeting with URW representatives from Akron. Wallace Gilmore, the president of Local 753, was also involved as a key negotiator and recruiter. Fob James was hostile to the efforts to unionize Diversified Products, and refused to

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<sup>72</sup> "THE HISTORY OF THE UNITED RUBBER WORKERS/ UNITED STEELWORKERS IN GADSDEN, ALABAMA 1933 – 2015". <http://www.uswalocal12.org/History-of-Rubber-Works-in-Gadsden.pdf> [accessed 12/7/2016].

<sup>73</sup> "Local 351L- About Us", Local 351L Tuscaloosa Alabama <http://myuswlocal.org/sites/US/LU351L/index.cfm?action=cat&categoryID=3EB45B53-4BE0-44BC-BD47-D831632C9CEA> [accessed 12/8/2016]

<sup>74</sup> "Official Charter Local 753 Opelika," United Rubber, Cork, Linoleum, and Plastic Workers of America, October 2 1964, USW Collection Box 4, Folder 20 (AUUSW).

<sup>75</sup> Bruce Meyer, "Dunlop Strike Heats Up," *Tire Business* 11 July 1994 <http://www.tirebusiness.com/article/19940711/ISSUE/307119991> [accessed 1/16/2017].

<sup>76</sup> John Mohr, "Spinning Their Wheels: Confronting Scholarly Perceptions of Southern Autoworkers," *NeoAmericanist* 7 no 1 (Fall/Winter 2013-14) <https://web.archive.org/web/20140728003801/http://www.neoamericanist.org/paper/spinning-their-wheels> [accessed 1/16/2017].



recognize the union. Although the National Labor Relations Board recognized the URW as the collective bargaining agent for Diversified Products employees, James and his management team remained unmoved. After several unsuccessful attempts to negotiate a contract, a majority of Diversified Products employees went on strike in the spring of 1973. To break the strike, James brought in buses of strikebreakers recruited from nearby towns. As a show of support, the URW granted Diversified Products employees a local charter on June 24, 1973. Despite the backing of the URW, the strike eventually collapsed. The busloads of strike breakers undermined the picket lines, and the plant stayed open. The URW finally withdrew the charter it had granted in November 1974.<sup>77</sup> The failure to organize Diversified Products was a setback to the URW in Opelika, but the union's position at Uniroyal remained secure. The failed campaign provided another example of the difficult path faced by unions in the South: hostile employers, anti-union governments, and communities full of poor and underemployed people willing to take whatever jobs were on offer.

Like many other industries in postwar America, tire manufacturing existed in a sort of prosperous balance until the mid-1970s. The "Big 4" major tire manufacturers dominated the domestic market, with numerous smaller companies carving out various niches. With little foreign competition, there was enough market demand for all of these companies to coexist relatively peacefully. Like the Detroit-based automakers, American tire companies ostensibly competed with one another for customers and market share. In reality, these companies all offered similar products at similar prices, creating an oligopoly in the tire market. They all utilized roughly the same set of manufacturing techniques and had closely comparable cost scales. There was a sense of closeness in tire

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<sup>77</sup> "Diversified Products Company, Opelika, Alabama," folder 28, box #SG020390 (ADAH).

industry management. In fact, the tire companies were allowed an exemption under antitrust law that enabled them to compare costs during collective bargaining periods with the URW.<sup>78</sup> In important ways, the URW aided this system of oligopolistic coexistence. The pattern bargaining system was designed to give similar wages and benefits to workers across the industry. The URW frequently encouraged union members and consumers to buy URW-built tires, regardless of brand, unless one of the unionized companies was currently a strike target.<sup>79</sup> In short, the tire industry after World War II and before the mid-1970s existed as a stable socio-technical system.

This stability was closely tied to the technology employed by the major tire companies. The cornerstone of the American tire industry before the mid-1970s was the bias-ply tire. This design dated back to the earliest days of the automobile in the United States, and American rubber companies had invested decades of research and resources into producing them. Even so, bias tires had reached a developmental dead end by the end of the 1960s. They were vulnerable to competition from steel-belted radial tires, which had been widely adopted in Europe and Japan. Radial tires offered several key advantages over bias-plys, including longer tread life, increased fuel economy due to lower rolling resistance, and greater traction. These new tires were first introduced to the American market as standard equipment on several foreign marques. They began to take a larger and larger share of the replacement market as consumers realized their virtues.

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<sup>78</sup> Bruce M. Meyer, *The Once and Future Union: The Rise and Fall of the United Rubber Workers, 1935-1995* (Akron, OH: The University of Akron Press, 2002): 336.

<sup>79</sup> Many URW-produced periodicals and leaflets contained admonishments to this effect. For a prominent example, see: *The United Rubber Worker* 60 no. 4 (June-July 1994); back cover, box 6, folder 29 (AUUSW).

By 1969, the United States was importing more tires than it exported, largely due to the success of foreign-made radial tires.<sup>80</sup>

The adoption of radials dramatically accelerated in the early 1970s as consumer and manufacturer preferences were shaped by the 1973 oil crisis. The desire for increased fuel economy led to a serious increase in consumer demand for radials. So did the preferences of manufacturers, who rapidly began to adopt radial tires as standard equipment on many models.<sup>81</sup> These developments placed American tire companies in a bind. They did not have the manufacturing capacity or the expertise to adapt quickly to the new demand for radials. They needed to make major capital investments in order to retool, as much of the equipment used to make bias plys was unusable for radials.<sup>82</sup> Some companies, such as Goodyear, attempted to stave off demand for radials by introducing “bias-belted” tires. These were bias-ply tires that mimicked some of the design features of radials while retaining their fundamental design.<sup>83</sup> These bias-belted tires only delayed the adoption of radials for a short while. Foreign makers of radials rapidly made inroads into the American market in the 1970s. By the end of that decade, American tire companies as a whole had been severely weakened. The same was true of the URW, which lost tens of thousands of dues-paying members. The hemorrhaging of union jobs made it difficult for the URW to organize new plants, including those built or controlled by multinational firms.

Foreign tire companies expanded their reach by acquiring or constructing new tire plants in the United States. The French tire firm Michelin was the first company to

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<sup>80</sup> Mansel G. Blackford and K. Austin Kerr, *BFGoodrich: Tradition and Transformation 1870-1995* (Columbus, OH: Ohio State University Press, 1996): 278.

<sup>81</sup> French, *The U.S. Tire Industry*, 101-102.

<sup>82</sup> *Ibid.*, 103.

<sup>83</sup> Blackford and Kerr, *BFGoodrich: Tradition and Transformation*, 278.

manufacture and distribute radial tires in large quantities, starting in 1948. Over the next two decades Michelin refined the new technology, followed closely by firms such as Pirelli of Italy and Bridgestone of Japan. When Michelin opened its Dothan plant in 1980, it was an extension of the company's expansion strategy. Unlike the rest of Alabama's tire plants, the Michelin factory was never organized by the URW. Despite its French roots, Michelin was well-known for its hostility to unions. Evading labor unions in its home country was one of the chief motivations behind the company's expansion into American production.<sup>84</sup> As Michelin increased its manufacturing footprint in the United States, it chose new locations primarily based on their perceived hostility to labor organizations. The company made its North American headquarters in South Carolina, and opened new tire plants in states covered by right-to-work laws that made union certification more difficult.<sup>85</sup> The Japanese companies that expanded into the United States, most notably Bridgestone, would largely adopt this same labor relations model. Despite Michelin's success at resisting unionization in its new American plants, the company was not able to avoid the URW forever. A series of mergers and acquisitions set the stage for a dramatic confrontation between the union and the French company in East Alabama.

### **Michelin and the URW in Opelika**

The history of the tire plant in Opelika, Alabama is reflective of general trends in the American rubber industry. In 1962, the United States Rubber Company announced

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<sup>84</sup> Quentin R. Skrabec Jr., *Rubber: An Industrial History* (Jefferson, NC: McFarland, 2014): 211.

<sup>85</sup> Dan Morgan, "Michelin Expands Plants in Non-Unionized South," *The Washington Post* 27 April 1979 [https://www.washingtonpost.com/archive/politics/1979/04/27/michelin-expands-plants-in-non-unionized-south/2635a170-40b6-4be3-b07d-cf334a6e0bf6/?utm\\_term=.8fb5ab77c2a5](https://www.washingtonpost.com/archive/politics/1979/04/27/michelin-expands-plants-in-non-unionized-south/2635a170-40b6-4be3-b07d-cf334a6e0bf6/?utm_term=.8fb5ab77c2a5) [accessed 21 January 2017].

that it would build a factory to manufacture passenger car tires in Opelika.<sup>86</sup> That plant was completed and began producing tires in 1964; it was organized by the URW in 1965. By 1967 the company had completed its campaign to rebrand itself and its products under the Uniroyal moniker. The plant would thereafter be referred to as “Uniroyal” by the local populace for the remainder of its existence, despite numerous changes in ownership and branding. Although it was originally built to manufacture bias-ply tires, the Opelika facility was successfully converted to radial production in the ‘70s. Its relative newness and productivity meant that it escaped the fate of many older plants in the Midwest in the 1980s, which were closed instead of retooled. The Opelika plant also had a successful track record as a manufacturer of specialty tires, including those used on the space shuttle.<sup>87</sup>

Even so, the Opelika plant was unable to wholly escape the turmoil that engulfed the American rubber industry by the end of the 1970s. The rubber industry’s 1980s merger wave had profound consequences for workers across the United States, including those at Uniroyal. In rapid succession, American tire companies were consolidated or acquired by foreign competitors to become part of large multinational corporations. In 1985, the financier Carl Icahn made a hostile bid for Uniroyal that the company successfully resisted. However, it became increasingly clear to senior management that they needed a partner to stay afloat. They turned to the B.F. Goodrich Company, another ailing tire producer that had also withstood a hostile takeover attempt. In 1986, Uniroyal and Goodrich combined their passenger tire divisions into the Uniroyal Goodrich Tire

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<sup>86</sup> “U.S. Rubber to Build Plant Near Opelika,” *The Tuscaloosa News*, 12 July 1962: Page 5.

<sup>87</sup> “Space Shuttle Landing Cushioned by Opelika-Produced Rubber,” *Opelika-Auburn News* 23 February 1997.

Company (UGTC).<sup>88</sup> The Opelika plant was part of this deal, and it began to produce B.F. Goodrich branded tires in addition to its Uniroyal product lines. UGTC proved to be an unsustainable experiment, with too much debt and too little managerial cooperation. Goodrich sold its stake to the New York-based buyout firm Clayton and Dubilier in 1987. Finally, Michelin acquired all of UGTC in 1990, as it sought to diversify into the low-priced tire field.<sup>89</sup> The Opelika facility was rebranded yet again, now as a maker of Michelin tires in addition to Uniroyal and Goodrich.

The acquisition by Michelin set the stage for a confrontation between the local union and the new owner of the factory. In Opelika, the union had negotiated many favorable work rules for employees over the decades, as well as generous fringe benefits. Michelin was determined to bring the costs, and culture, of the Opelika plant in line with its other American facilities. In the spring of 1993, the company announced that it would seek to re-negotiate the union contract at Opelika before the current contract expired.<sup>90</sup> Instead of waiting until 1994 to negotiate a new pattern bargaining agreement with the URW, Michelin demanded immediate changes. Company negotiators wanted to remake virtually all of the core work rules at the plant, ranging from the assignment of job classifications to the implementation of rotating around-the-clock shifts.<sup>91</sup> These changes would bring Uniroyal in line with the way other Michelin plants were operated. Michelin played hardball, declaring that failure to accept concessions would result in plant closure because the operation was too inefficient to remain competitive. Those threats led to a

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<sup>88</sup> French, *The U.S. Tire Industry*, 117-118.

<sup>89</sup> *Ibid.*, 118.

<sup>90</sup> "Tire officials consider closure," *The Tuscaloosa News*, June 6 1993: Page 4E.

<sup>91</sup> "Talks at Uniroyal may resume soon," *Gadsden Times*, June 14 1993.: page A10.

major conflict within the union, as members debated the seriousness of the company's threats.<sup>92</sup>

The URW International Union, led by President Kenneth Coss, opposed re-opening the Opelika contract ahead of the 1994 master negotiations. Coss and his officials understood that re-opening the contract was a ploy to weaken the negotiating position of his union more broadly. If the terms of the Opelika contract could not be held steady for the entirety of a normal bargaining period, it would be a sign that the union was in a position of weakness. Coss feared that this would in turn embolden other companies to re-negotiate their contracts with the union. Despite opposition from the international union and considerable controversy within the local, Opelika workers ultimately accepted the concessions demanded by Michelin. After union members initially voted "no" on a concessions package in June of 1993, the company ramped up its threats and went as far as to issue a plant closure notice.<sup>93</sup> This convinced a slim majority of workers to accept the company's concession package in a "re-vote" in August of 1993.<sup>94</sup> The URW International contested the legality of this move, claiming that neither Michelin nor the local union had the authority to disrupt the usual collective bargaining process. Michelin simply ignored this complaint, claiming that its agreement with the local was valid and binding. Realizing that they stood on dubious legal ground, the URW was forced to back down.<sup>95</sup> Frank Childers, the president of Local 753, chose to accept the company's buyout offer and retire rather than submit to the new work rules imposed

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<sup>92</sup> "Prospect of plant closing gives East Alabamians jitters." *The Tuscaloosa News*, June 17 1993: page 5B.

<sup>93</sup> "Threat to close tire plant has East Alabama worried." *Gadsden Times*, 17 June 1993: page A7.

<sup>94</sup> "Workers Vote to Save Tire Plant," *The Tuscaloosa News*, June 29 1993: page 5C.

<sup>95</sup> Meyer, *The Once and Future Union*, 316.

by Michelin.<sup>96</sup> As he explained to me in an interview, he felt that the failure to reject the new contract marked the end of the union's ability to resist pressure from management. By caving on work rules, he insisted, the union was demonstrating that workers would agree to anything to keep their jobs.<sup>97</sup>

Other tire firms observed the concessions won by Michelin and concluded that they, too, could push the URW for more. In the so-called "War of '94," the URW found itself suddenly fighting a multi-front battle for its very existence. Confronted by newly emboldened multi-national tire companies with far-flung manufacturing bases and deep pockets, the URW fought unsuccessfully to maintain even the status quo for its membership. The Japanese tire manufacturer Bridgestone's purchase of Firestone in 1988 turned out to be another catalyst for radical change in the tire industry's labor relations. Having spent billions of dollars trying to bring Firestone back to profitability since acquiring the company in 1988, Bridgestone negotiators demanded deep concessions in the 1994 negotiations. Forty-two hundred Firestone employees at five plants walked off the job on July 12, 1994. They were soon joined by employees at several smaller tire firms, including the Dunlop facility in Huntsville, the Yokohama (formerly Mohawk) plant at Salem, Virginia, and numerous Pirelli-Armstrong facilities. At the height of the strike, over 8200 workers were off the job.<sup>98</sup> Despite early enthusiasm, the strike quickly became a disaster for the union. The URW had already been weakened by years of declining membership (down to under 100,000 by 1994 from a high of twice that in the

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<sup>96</sup> Stan Volt, "Tire jobs saved, but bitterness remains in Opelika," *Lee County Eagle*, 19 August 1993.

<sup>97</sup> Frank Childers interview, 22 March 2017 (audio recording in author's possession).

<sup>98</sup> Meyer, *The Once and Future Union*, 352.



1970s), which shrank its pool of resources.<sup>99</sup> Bridgestone upped the stakes by beginning to hire permanent replacements at several striking plants. The resulting fear of permanent job loss and the rapid depletion of the strike fund meant that the URW quickly faced an existential crisis. With a dwindling strike fund, Coss called a second special convention in January of 1995 to vote on a dues increase designed to shore up the union's finances. The resulting "no" vote further divided the union and undermined the leadership of Coss, who had come under fierce criticism from within and without the organization.<sup>100</sup> Without the financial support of the national union, local strike efforts rapidly crumbled. On May 7, 1995, the last striking local (Local 7 in Akron, OH) voted to return to work unconditionally. Only four days later, the URW voted to merge with United Steelworkers, ending sixty years of independence.<sup>101</sup>

In 2009, Michelin announced that the Uniroyal plant in Opelika would close as a response to the global financial crisis and resulting contraction in auto sales.<sup>102</sup> The decision to close the plant was reached independently of the union and Opelika's civic leadership. As the mayor of Opelika, Gary Fuller, recounted to me, Michelin was firm in its insistence that the plant would have to be closed; there was no talk of union concessions or government assistance.<sup>103</sup> Although Opelika was forced to close, other Michelin plants in the state were spared. The Goodrich plant in Tuscaloosa, which had come into Michelin's ownership at the same time as the Opelika plant, remained open. The rubber workers there had agreed to a similar series of concessions that brought the

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<sup>99</sup> Stephen Franklin, *Three Strikes: Labor's Heartland Losses and What They Mean for Americans* (New York, NY: Guilford Press, 2001):118.

<sup>100</sup> "Second Special Convention 1995 Proceedings," United Rubber Workers 50-55, United Steelworkers Collection Box 6, Folder 6 (AUUSW).

<sup>101</sup> Meyer, *The Once and Future Union*, 366.

<sup>102</sup> "BFGoodrich announces layoffs at Opelika plant." Opelika-Auburn News, 11 February 2009.

<sup>103</sup> Gary Fuller, interview (audio recording in author's possession).

operation of the factory in line with Michelin's other plants.<sup>104</sup> One key difference was that Tuscaloosa was equipped to make larger sizes of tires than the Opelika factory. Those sizes were the standard equipment on most trucks and SUVs by the mid-2000s, as well as on many sedans with fashionably large alloy rims. Many of the workers I spoke with felt that this difference in equipment contributed to the decision to close Opelika, reasoning which seems highly logical. The Dothan plant, with its nonunion workforce and relatively modern capital stock, also stayed open.

The closure of Uniroyal represented the end of an era in Opelika. The tire plant was the last of the town's traditional industries to close, part of a long trend of economic stagnation. In 1985, the Opelika Manufacturing Company filed for bankruptcy, and the textile mill closed permanently shortly thereafter.<sup>105</sup> In 1998, Diversified Products closed after several changes in ownership during the 1990s.<sup>106</sup> Ampex, by then known as Quantegy, filed for bankruptcy in 2005 and was shut down by 2007.<sup>107</sup> In 2006, the Pepperell Mill closed as its parent company, Westpoint Stevens, filed for bankruptcy and liquidated its American manufacturing operations. The main mill building was mostly destroyed in a fire in 2013, but the mill village and the remainder of the manufacturing operation was added to the National Register of Historic Places in 2014.<sup>108</sup> The decline of

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<sup>104</sup> Stephen Dethrage, "BFGoodrich tire plant marks 70 years in Tuscaloosa," *Tuscaloosa News*, 21 October 2016 <http://www.tuscaloosaneews.com/news/20161021/bfgoodrich-tire-plant-marks-70-years-in-tuscaloosa> [accessed 27 May 2018].

<sup>105</sup> Robert Kearns, "Opelika Manufacturing, Sew Simple Unit File Chapter 11," *Chicago Tribune*, 30 May 1985 [http://articles.chicagotribune.com/1985-05-30/business/8502030601\\_1\\_textile-sew-congress-financial-corp](http://articles.chicagotribune.com/1985-05-30/business/8502030601_1_textile-sew-congress-financial-corp) [accessed 27 May 2018].

<sup>106</sup> John D. Fair, "Diversified Products," *Encyclopedia of Alabama*, 19 May 2014 <http://www.encyclopediaofalabama.org/article/h-3419> [accessed 27 May 2018].

<sup>107</sup> Bill Werde, "The End of Analog," *Rolling Stone*, 2 February 2005 [https://web.archive.org/web/20071002032844/http://www.rollingstone.com/news/story/6881713/the\\_end\\_of\\_analog](https://web.archive.org/web/20071002032844/http://www.rollingstone.com/news/story/6881713/the_end_of_analog) [accessed 27 March 2018].

<sup>108</sup> Erin Edgemon, "Opelika's Pepperell Mill and Village now on the National Register of Historic Places," *AL.com*, 10 June 2014

Opelika's industries was attributable to many factors, including changing consumer preferences and the cost to upgrade plants with new equipment. However, globalization in the form of foreign competition was clearly the overarching reason for the disintegration of Opelika's industrial economy.

Cheap foreign imports of tires, exercise equipment, textiles, and other consumer goods began to flood the United States by the end of the 1970s. This resulted in increased pressure on U.S. manufacturers, many of whom eventually went out of business or shed their American operations. The influx of foreign goods (and eventually foreign investment) was a boon to many Americans, including Alabamians. However, others experienced globalization in an almost purely negative manner, particularly as waves of painful deindustrialization struck their communities. Opelika was similar to many other small-to-medium manufacturing towns that bore the brunt of globalization's negative effects. Residents of larger cities and metro areas were more insulated from these effects for several reasons, including their attractiveness to foreign investors. In the case of the auto industry, corporate planners overwhelmingly chose previously undeveloped "greenfield" sites near major population centers. The investments by Mercedes (Tuscaloosa and Birmingham), Hyundai (Montgomery), and Toyota (Huntsville) were all examples of how large cities reaped disproportionate benefits from this particular type of economic realignment. For smaller towns and rural areas, options were few. Opelika was lucky to absorb some carryover effect from Kia's investment in West Georgia, but this was far from a full replacement for what had been lost.

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[https://www.al.com/news/montgomery/index.ssf/2014/06/opelikas\\_pepperell\\_mill\\_and\\_vi.html](https://www.al.com/news/montgomery/index.ssf/2014/06/opelikas_pepperell_mill_and_vi.html) [accessed 27 May 2018].

The unionized jobs at Uniroyal paid as much as \$30 an hour plus benefits for senior employees, and those high wages helped to push up the wage scales of other industries in the vicinity. The role of unions in increasing private-sector wages more broadly has been extensively studied. Since the late 1970s, declining union representation has been closely linked to the stagnation of working-class wages throughout American industry.<sup>109</sup> The closure of Uniroyal meant that workers in other local industries lost the halo effect of the tire factory's wage scale. When Regina Elsea died at Mando USA, she was making less than a third of that hourly wage. The community also lost an important repository of knowledge and experience that could not be easily replicated. Union members possessed technical and craft knowledge accumulated over many years of work, knowledge that now lacked a method of being passed on. There was also the issue of the union's advocacy for its members in issues outside of the workplace. One example would be Paschal Prickett, the benefits representative for the local, who was responsible for navigating the healthcare and insurance bureaucracy on behalf of the rank and file. Prickett's assistance in helping members obtain healthcare was an example of how unions can contribute to the general wellness of their members. Workers at Alabama's non-union auto plants lack this kind of independent representation. They are increasingly at the mercy of large and impersonal multinational companies, often headquartered abroad, that are keenly attuned to keeping costs low and production rolling. The advantage in terms of knowledge and power in this relationship is stark. Independent labor organizations may not be a cure-all to the problems of globalization. Even so, their slow

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<sup>109</sup> Jake Rosenfeld, Patrick Denice, and Jennifer Laird, "Union decline lowers wages of nonunion workers," *Economic Policy Institute*, 30 August 2016 <https://www.epi.org/publication/union-decline-lowers-wages-of-nonunion-workers-the-overlooked-reason-why-wages-are-stuck-and-inequality-is-growing/> [accessed 31 May 2018].

extinction should be cause for concern amongst anyone that cares about the fate of the working class in America.

## Conclusion

Our journey ends with a trip to the dentist. A few months after I had begun researching my dissertation, I went to have my teeth cleaned in Auburn. In the parking lot I noticed a gleaming new Mercedes ML450, its white paint as radiant as a freshly polished smile. The vanity plates with my dentist's name indicated it was probably his car. As I was wrapping up my appointment (no cavities), my dentist asked me about the topic of my dissertation. I told him that I was researching Mercedes-Benz and the history of auto manufacturing in the South. I asked him about the ML450 outside: was it really his car, and did he know it had been built in Tuscaloosa? The answer to both queries was yes. He was proud to own an Alabama-built Benz, as he felt that he was supporting the state economy by doing so. Interestingly enough, he was not the only dentist I'd come across who proudly owned an Alabama-built M-class. In October of 1997, the *Montgomery Advertiser* ran an article about a dentist who had bought one of the first M-classes to be sold in Alabama. The paper claimed that Robert Pierce, an Auburn native practicing dentistry in Montgomery, was the first person in the city to buy an M-class. He told the paper that he expected to own the M-class for a long time, as he felt that all Mercedes products were built to last.<sup>1</sup> The experience of the two dentists illustrates how Mercedes managed to preserve its reputation for quality and luxury even as it localized production in Alabama. Despite the Tuscaloosa factory's difficult birth, the equity of the Mercedes-Benz brand and the timeliness of its product led to a successful launch of the company's newest model.

The dentists also provide a small example of how Mercedes cars (and Tuscaloosa-built models in particular) became popular vehicles for upper-class residents of Alabama.

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<sup>1</sup> Melissa Montealegre, "Dentist buys city's 1<sup>st</sup> M-Class," *Montgomery Advertiser*, 1 October 1997.

For many wealthy Alabamians, the M-class became a *de rigeur* symbol of both affluence and their commitment to boosting the state's economy. Among the most famous fans of the Mercedes brand is current University of Alabama head football coach Nick Saban and his family. Saban, a self-professed devotee of Mercedes, is a partner in two Mercedes dealerships: one in Irondale, a suburb of Birmingham, and the other in Nashville. The newly-redesigned Irondale dealership opened in February 2018 to much fanfare from the local media.<sup>2</sup> Elsewhere in Alabama, dealers for other locally-made cars tried to leverage the connection between auto manufacturing and community pride. In Auburn, the local Kia and Hyundai dealers began equipping new cars with license plate frames reading "I Support My Local Economy." More than twenty years after the Mercedes-Benz factory produced its first automobile, Alabama had secured its role as the South's leading auto producer. Many of the promises of Project Rosewood's backers had come true, as the state became a worldwide manufacturing destination and experienced an economic resurgence in a few key sectors. This investment was undoubtedly beneficial to many Alabamians, and they took it as a point of pride that their state had become a leading auto exporter. Despite these positive developments, it was clear that high technology had failed to fundamentally transform Alabama. The distribution of the new prosperity was highly uneven, with many communities not experiencing any perceivable uplift as a result. Twenty-five years after Mercedes first announced its expansion plans, Alabama's broadly measured standard of living remains stuck near the very bottom of all American states.

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<sup>2</sup> Erin Edgemon, "See inside Nick Saban's new Mercedes-Benz dealership," *Al.com*, 29 January 2018 [https://www.al.com/news/birmingham/index.ssf/2018/01/see\\_inside\\_nick\\_sabans\\_new\\_mer.html](https://www.al.com/news/birmingham/index.ssf/2018/01/see_inside_nick_sabans_new_mer.html) [accessed 3 June 2018].

Indeed, many Alabamians grew poorer in real terms as auto factories expanded and other manufacturing enterprises mushroomed. From a statewide perspective, Alabama's average personal income has continued to grow in non-recessionary times since the beginning of the auto assembly era in the mid-1990s. However, the rate of growth in income from 1990 to the present day has been roughly half that of the previous thirty years.<sup>3</sup> Even as high technology manufacturing became a staple of the Alabama economy, the rate of income growth slowed. The Great Recession of 2008-09 further exposed the weakness of Alabama's economic model. Alabama and other states with economies heavily reliant on manufacturing or rural industries suffered most severely during the recession. They also experienced substantially slower and shallower recoveries than states with more diversified economies, such as California and Texas. As of 2017, Alabama's total GDP had just barely surpassed its pre-recessionary high.<sup>4</sup> Further evidence suggests the expansion of auto manufacturing has not slowed the decline of Alabama's small-to-medium sized rural communities. From 2010 to 2017, smaller cities such as Gadsden, Eufala, Selma, Alexander City, and Talladega all lost population. The urban cores of Montgomery and Birmingham also lost population, but this was balanced by growth in the suburban enclaves surrounding those cities.<sup>5</sup>

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<sup>3</sup> FRED Economic Research, "Per capita personal income in Alabama," Federal Reserve Bank of St. Louis, 22 March 2018 <https://fred.stlouisfed.org/series/ALPCPI#0> [accessed 4 June 2018].

<sup>4</sup> Steve Matthews and Catarina Saraiva, "These U.S. States Still Haven't Fully Recovered From Recession," *Bloomberg News*, 5 July 2017 <https://www.bloomberg.com/news/articles/2017-07-06/these-u-s-states-still-haven-t-fully-recovered-from-recession> [accessed 4 June 2018].

<sup>5</sup> Lawrence Specker, "Shrinking cities: Alabama's biggest Census declines," *AL.com*, 30 May 2018 [https://www.al.com/expo/erry-2018/05/e6799c1825205/shrinking\\_cities\\_alabamas\\_big.html](https://www.al.com/expo/erry-2018/05/e6799c1825205/shrinking_cities_alabamas_big.html) [accessed 4 June 2018].



By contrast, cities such as Auburn, Opelika, Prattville, Tuscaloosa, and Huntsville saw substantial gains.<sup>6</sup> Many of those cities either had credibility as participants in the twenty-first-century knowledge economy (including the university towns and Huntsville) or were desirable bedroom communities for larger metro areas (such as Prattville). We have already discussed how Opelika managed to obtain some carryover investment from the Kia manufacturing center in West Georgia. The city also benefitted from its decision to construct a municipally-owned gigabit fiber network with affordably priced service. This high-speed internet connection helped set the city apart from its peers and attracted more investment into the area.<sup>7</sup> Other rural towns that lacked these advantages struggled to achieve any recovery after the Great Recession. There were many reasons why these communities fell on hard times: unfavorable demographics, the emergent rural drug crisis, sinking commodities prices, and numerous other factors. But the fact remained that the transformational affluence promised by the auto industry's most ardent boosters remained out of reach for many Alabamians. High technology had not saved these communities from increasing misery and dysfunction.

It would be easy to end on such a low note, but that would do a disservice to the men and women that this dissertation has discussed. An enormous amount of work went into building the Alabama auto industry as it stands today. As we have seen, building cars is still in many ways a backbreaking and difficult process that presents many opportunities for injury and failure. Alabamians are right to be proud of their auto

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<sup>6</sup> Paul Gattis, "Growing cities: Alabama's biggest Census increases," *AL.com*, 31 May 2018 [https://www.al.com/expo/erry-2018/05/f970f044443080/growing\\_cities\\_alabamas\\_bigges.html](https://www.al.com/expo/erry-2018/05/f970f044443080/growing_cities_alabamas_bigges.html) [accessed 4 June 2018].

<sup>7</sup> Rosanna Smith, "Opelika continues leading way as gig city," WSFA, reposted on Opelika Economic Development <https://www.opelika-al.gov/387/Opelika-Continues-Leading-Way-as-Gig-Cit> [accessed 4 June 2018].

industry, even if it has not made them rich. It is also worth noting that Alabama's globalized auto industry relied on the collaboration of people from many different cultural, regional, and ethnic backgrounds. In a time of mounting populist and xenophobic backlash, that is something worth celebrating. At the very least, the auto industry should be a major pillar of Alabama's economy for many years to come. Perhaps the next generation will be able to make that industry into a bastion of working-class prosperity in the same way their New Deal-era forbears did.

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