

REMAPPING DEBATE

Asking "Why" and "Why Not"

Cheap labor not the way for U.S. to attract investment

Commentary | Craig Gurian | Alternative models, Labor

Jan. 11, 2012 — In our last edition, we contrasted the way that German automakers operate in the United States with how they operate in Germany. [A tale of two systems](#), reported by my colleague Kevin C. Brown, was about how a worker for any of these companies fares very differently depending on the country in which he is located. If in Germany, he is relatively high-paid and unionized; if in the U.S., he is relatively low-paid and not unionized.

The article generated [substantial reader response](#), much of it about the fact that, in 2010, about twice as many passenger cars were produced in Germany than were produced in the U.S. [The figure](#) was based on data from an international trade association of automakers; the same group shows that U.S. production of commercial vehicles far outstripped that of Germany.

From my point of view, the production numbers are not the story: by any measure, Germany is one of the world's preeminent producers of automobiles, and its relative international standing is not substantially altered when looking at production of all vehicles.

The critical insight of Brown's article was that, "in Germany, the automakers operate within an environment that precludes a race to the bottom; in the U.S., they operate within an environment that encourages such a race." (Asked why German firms operate so differently with respect to labor in different countries, Claude Barfield, a resident scholar at the American Enterprise Institute, told Brown that they do so, in part, "because they can get away with it so far.")

Are there complexities here? Of course. The ability, or habit, or urge to "get away with it" can be shaped not only by laws and regulations but by material circumstances and cultural norms.

And the article did not seek to capture in any precise way the relative advantages in living standards of an employee of one of the German automakers in Germany over one of their employees in this country (nor did it look at differences in relative productivity). But looking at how the same companies operate in different environments is a still a particularly useful exercise.

At its heart, [A tale of two systems](#) is devoted to exploring the extent to which a country has the will to shape the environment within which automakers (and other employers) operate.

Here in the U.S., the dominant view since the Clinton era has been that we should not try to stem a global race to the bottom; on the contrary, we've been told, Americans need to adapt and permit employers free reign.

One argument of the global corporatists (not selling very well these days) was that an economy where capital is not hindered by national boundaries would bring widespread prosperity. The other was simple and brutal: you don't have a choice.

That second argument still holds lots of resonance for many people. As one reader explained in the face of reading about substantially higher autoworker wages in Germany: there are plenty of Americans who would love to earn \$15 per hour.

We do, of course, have choices. BMW workers don't earn more in Germany because the nice managers work in Germany and the mean managers work in the U.S. What has happened is that the U.S. has become remarkably anti-union and remarkably *laissez faire* — a real outlier among advanced democracies — at the same time that Germany has continued to allow workers to be valued.

The U.S. still has the economic muscle — fueled by what remains an enormous domestic market even at a time of recession — to be able to change the ground rules and seek other countries as partners not in a race to the bottom, but in a race to the top for workers. That may well not always be true; the time to change course is now.

Doing so requires a willingness to reimagine ourselves as a country where businesses are grateful for the privileges of operating securely in a stable society with access to good workers, not a country where workers, states, and even the national government is obliged show gratitude for the scraps that are offered.

And it requires two more things. First, a willingness to believe that representative democracy, despite the reservations we may have about many politicians, is a pretty good system. Second, a willingness to recognize that a unionized workplace is nothing more and nothing less than that representative system in action.

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