General Motors vs. General Electric

By Elizabeth Tandy Shermer
November 26, 2012

During the 2012 election, journalists and historians noted the symbolic political torch being passed from American Motors Corporation executive and Michigan governor George Romney to his son Mitt. The younger Romney was also a businessman but had forged his career as an executive and moderate Republican far outside the Motor City. And pundits generally used the pair as an illustrative example of how far the Republican center had shifted to the right since the elder Romney’s 1968 primary run. But his son’s business credentials should have given scholars more pause. Father and son dramatically symbolize the momentous shift from factories to finance, as Judith Stein recently put it.

Historians have been slow to recognize the coming of postindustrial America; probably because they have almost reflexively asserted that General Motor’s was the icon of American manufacturing. Three generations of scholars have scrutinized Detroit and its unionized, regulated auto industry, assuming them to be a microcosm of American labor, business, and politics. Yet from the vantage point of 2012, GM, Michigan, and the United Auto Workers hardly seem like templates to understand postwar capitalism. For that story, academics should be reconsidering General Electric, whose metamorphosis from Schenectady-based electronics producer to captain of global finance offers a much better lens to explore the fate of American unionism, manufacturing, and moderate Republicanism.

That was certainly the perspective of Ronald Schatz, whose 1984 The Electrical Workers: A History of Labor at General Electric and Westinghouse stood out because he did not study auto. Indeed, Schatz admitted his choice had been out of convenience; he was one of David Montgomery’s Pittsburgh PhD students and could more readily travel to GE and Westinghouse’s mid-Atlantic archives than to Midwestern auto enclaves. But Schatz stumbled onto an industry that was more central to twentieth-century political economy, even if the light bulb did not have the same symbolic cache as the postwar American roadster. Schatz noted that Henry Ford had deemed the twentieth century the “Age of Edison” for good reason: between 1899 and 1958 “value added by manufacture in the electrical industry increased 24,145 percent. This was a rate of increase eight times greater than that of the manufacturing sector of the U.S. economy as a whole.” During this era, both Westinghouse and GE diversified into “multipurpose engineering companies” that dabbled in a range of industries, including computing, plastics, and nuclear power. But GE did not just “bring good things to life,” as 1980s advertisements crowed; by then the firm turned a pretty profit in the most lucrative sector of the postindustrial economy, high finance. GE’s institutional history thus stood in sharp contrast to the more myopic Big Three (GM included). GE had blazed the trail for the nation’s largest postwar corporations. Like IBM, Greyhound, and ITT, GE had survived the Great Depression, had been fatted on defense contracts, and then swelled into a conglomerate with financial subsidiaries that now ensure its millennial survival.
Recent research also suggests that GE was a lodestar for those executives who disdained the automakers’ bargaining in good faith with the country’s greatest industrial union, the UAW. In some respects, the UAW deserves the scholarly attention it has received. True, the American Federation of Labor had always had far more affiliates and members and union density never crept much past a third of the workforce, even at labor’s postwar high watermark. But the UAW epitomized the crusading spirit of the Congress of Industrial Organizations, whose organizers, many of them Communists, had seized the opportunity the Roosevelt administration had given them during Depression and World War II to empower the rank-and-file to police wages, working conditions, and hiring decisions from the shop floor. The UAW’s visionary president Walter Reuther, moreover, had hammered out the famous 1950 Treaty of Detroit, a five-year contract that prevented yearly strikes and negotiations over controversial issues in exchange for extensive private benefits and cost-of-living-adjustments, an agreement that would be aped by large employers across the country (unionized or not) and guarantee that America’s social welfare would be provided by private employers and personal contributions to public plans.

GE’s executives had always been cool to industrial unionism. The company’s founders had practiced the kind of welfare capitalism that many enterprises used to maintain production standards, stabilize labor costs, and avoid union organizing drives. GE’s corporate liberals had tried to forestall unionism with a company union but begrudgingly recognized the United Electrical, Radio and Machine Workers of America (UE) in 1936. A decade later, a strike ground production to a halt and convinced a new generation of managers that they had to rid GE of its Communist-led union. Most scholarship on GE’s UE locals have focused on the acrimony within the organization between the anti-Communist rank-and-file and Communist leaders, whose militancy on questions of racial, gender, and economic progress frustrated those more concerned with bread and butter. These tensions certainly existed within the UAW but GE executives proved far more adept at exploiting shop-floor discontent. In fact, as historian Kim Phillips-Fein has shown, GE vice-president Lemuel Ricketts Boulware nurtured member dissatisfaction with their leadership through “Boulwarism,” a pioneering, take-it-or-leave-it bargaining technique, which the National Labor Relations Board deemed illegal in 1964. By then the damage had been done. More than a few companies had used Boulware’s playbook to convince workers that union leaders were calling unnecessary strikes, endangering the small raises that managers had calculated that they could absorb (or, more likely, pass on to consumers).

GE proved itself a pioneer in union avoidance. The company began to extricate itself from the Steelbelt during World War II when industrial dispersal sounded patriotic. FDR’s wartime decree that war production take place outside the interior initially enraged contractors, who despised Dr. Win-the-War’s economic diktats. But industrialists soon turned cost-plus arrangements to their advantage, building factories in Southern and Western communities where local businessmen promised they would received the full support of the community to keep costs down and unions out. These boosters made the same guarantees during demobilization to ensure investment stayed, even passing local and state laws that hindered labor organizing and security. Most manufacturers returned to the Steelbelt but new enterprises would move into abandoned factories, thanks to a federal fire sale and generous cancellation agreements that made postwar divestment profitable and product line expansion possible. But GE also urged these desperate underdeveloped communities to compete with Steelbelt company towns for existing and
potential investment. The firm, for example, began to disseminate its Guide to Making a Business Climate Appraisal, which prioritized “an absence of unwarranted strikes and slowdowns”; “an adequate supply of people ... , who have a good work attitude”; wage scales that “provide an opportunity for employers to operate profitably”; and low business taxes.

Boulware took great pains to disguise this form of anti-unionism as being “business friendly,” a benign phrase to disguise his firm’s malignant politics. Occasionally he would warn voters that GE would only consider moving to an area that used so-called right-to-work laws to hamstring unionism but he generally preferred to extoll the benefits of a business climate, which he promised would bring opportunity, growth, and prosperity. Or he had others promote free enterprise for him. Boulware rescued Ronald Reagan from obscurity when he hired him to host General Electric Theater and to visit GE assembly lines, where the actor lauded GE managers and free-market capitalism. Boulware was instrumental to Reagan’s political career, which really took off in 1964. Reagan stood before the Republican National Convention to endorse a conservative Republican, the one brave enough to damn moderate Dwight Eisenhower for giving the nation a “dime store New Deal” and chastise Detroit automakers for not realizing that Reuther was “more dangerous to our country than Sputnik or anything Soviet Russia might do.” Senator Barry Goldwater was just the kind of charismatic cowboy conservative that Boulware would retire from GE to help elect. After all, George Romney may have realized that Reuther was “the most dangerous man in Detroit” but Goldwater had made a career out of the free-enterprise politics that Mitt Romney would run on decades later.

Indeed, the younger Romney and GE continue to profit on the kind of union, tax, and regulatory avoidance politics that Boulware spent the remainder of his life funding. Unlike his father, Mitt Romney took pains to hide his tax returns, assuring voters that, like any good businessman, he had avoided paying any more than he actually owed. Romney senior had famously overpaid; his son, as revealed days before the election, had used a charity to avoid paying taxes for fifteen years.

GE has not paid taxes in awhile either. The firm stood out among the 55 percent of American companies that paid no federal income taxes in the 2000s. The company’s tax bills and financial service products continues to make GE emblematic of American capitalism. True, GE never moved into retail or relied on dealerships to move its products but it has diversified into finance. Like so many other conglomerates, GE’s bottom line rests on finance, the business sector that covers the contemporary Republican Party’s tab and structures the global postindustrial economy.