

# BETWEEN UTOPIA AND EXPLOITATION VI

America's experiment with company towns.

By **Matthew Budman**

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**It's a neat idea:** Build your factory in an attractive location and, to keep your people happy and productive, build houses for them to live in and schools and churches for them to attend. Win-win, right? In theory, perhaps. In practice, company towns have never worked as well as their patrons envisioned. In the heyday of corporate paternalism, U.S. companies set out to create utopian partnerships between employer and employee—except for the notorious Appalachian mining towns (“I owe my soul to the company store”) that evidenced no utopian ideals at all.



Historian Hardy Green, former associate editor at *BusinessWeek*, set out to document the country's company towns and explore why they worked or, far more often, failed. Some towns, like Kannapolis and Hershey, were designed and constructed by their company founders; others, like Flint and Bartlesville, became one-company towns gradually. A few partnerships, such as Hormel Foods Corp. and Austin, Minn., had long runs—in Hormel's case, “a company-employee-community social contract that lasted for more than forty years.” Most fell apart as soon as a shaky bottom line required the company to cut back not only working hours but town services. And one corporation has managed to maintain pretty much the same relationship with its thriving town for more than 120 years to date.

Green spoke about his new book, *The Company Town: The Industrial Edens and Satanic Mills That Shaped the American Economy* (Basic), during a visit to The Conference Board's New York offices, far from the mills and mines and meatpackers that spawned entrepreneurs' efforts to draw boundaries around their workers' lives.

**ABOUT THE PHRASE “COMPANY TOWN”: YOU WRITE, “TO THOSE WHO LIKE TO THINK OF THE UNITED STATES AS A SWEET LAND OF LIBERTY, THE VERY WORDS SOUND UN-AMERICAN.” WHY DID SO MANY U.S. COMPANIES SET OUT TO CREATE TOWNS OF THEIR OWN?**

It's a very basic part of the way America was—a virgin land with lots of open space and raw materials to be gathered and exploited, from redwoods to copper ore—and a part of our character, that we can invent things and build things anew. Some of the first company towns, industrial towns like Lowell, Massachusetts, came into being not long after the Constitution was written, not long after we'd become an independent republic. So I think that sense of invention was there.

Moreover, in spite of what some people say, America is a country that has always been friendly to business, with a laissez-faire attitude on the part of government. The Cannon family wanted to build the town of Kannapolis for Cannon Mills workers in North Carolina, and there was no one to say they couldn't.

**WITH COMPANY-OWNED STORES, SCHOOLS, AND HOUSES, PLACES LIKE KANNAPO-LIS SEEM LIKE THE ULTIMATE IN CORPORATE PATERNALISM. WAS THAT ATTITUDE ALWAYS, AS YOU PUT IT, UN-AMERICAN?**

I don't think so. It seems like a natural response on the part of people like George Pullman and Milton Hershey who saw that things weren't going quite right in the country's cities, that slums were developing and crime increasing. Hershey in particular did not like cities. So the idea of building your own town—one with amenities for the people who lived and worked there—wasn't perceived as being out of step with the way the country ought to be going.

**AS YOU DESCRIBE “MODEL COMPANY TOWNS,” THEY SOUND PRETTY GREAT: “WORKERS GOT A CORNUCOPIA OF BENEFITS, INCLUDING INSURANCE, MEDICAL COVERAGE, AND A RETIREMENT PLAN. THERE WERE NO LOCAL TAXES, JOBS WERE ABUNDANT, AND SERVICES SUCH AS GARBAGE PICKUP AND SNOW REMOVAL WERE A GIVEN.” TODAY, GETTING ALL THAT MIGHT SOUND LIKE A GOOD DEAL IF ALL PEOPLE HAVE TO GIVE UP IS A LITTLE AUTONOMY.**

I suppose, as long as no one was telling them, “You can’t leave town” and, “There’s a curfew—you can’t go out after dark.” Henry Ford had a sociological department, which functioned both as a way of getting people certain social-welfare benefits and as a spy apparatus. He would help you get a loan if you needed one, but if you had a General Motors car in your driveway, you might get fired. And he didn’t want people smoking, so if you smoked you might get fired too.



## **THERE’S NO ABSOLUTE LINE BETWEEN WHAT WAS A BAD PLACE AND A GOOD PLACE, BECAUSE THE GOOD PLACES SHADED OFF INTO WAYS THAT WOULD MAKE PEOPLE UNCOMFORTABLE TODAY.**

But in the company towns, that trade-off didn’t always work out for the best. One of the first, Pullman, Illinois, had all those model amenities, but it was awfully controlling: Company inspectors kept an eye on everyone’s behavior, and, for instance, there was no liquor allowed in town. And often these places had no real government—the government *was* the company—

so if you expected to have a civic role in life, you weren’t going to find it there. Pullman, ironically, ended up being the site of a famous railroad strike and a violent national boycott in the late nineteenth century.

There’s no absolute line between what was a bad place and a good place, because the good places shaded off into ways that would make people uncomfortable today. The company might hire the local minister or the local teachers, and that could be a good thing or a bad thing. The minister might feel like he’d better toe the line and not say anything that might offend anybody, but at least the towns had those institutions.

**MOST OF THESE TOWNS, AND INDUSTRIES, SEEM TO FOLLOW A SIMILAR PATTERN: AFTER ONLY A FEW YEARS, THERE’S AN ECONOMIC DOWNTURN, AND CUTBACKS IN SERVICES, AND THEN REBELLION, AND THE TOWN IS JUDGED A FAILURE. PULLMAN REALLY WAS A MODEL TOWN, BUT FOR JUST A FEW YEARS, AND THEN IT IMPLoded.**

At Pullman, tough times came in the form of a national recession, and the company began cutting wages and hours of the workers there—and they refused to reduce the rent on the houses owned by the company. They said, “We built these houses to be for people who worked at Pullman, but your employment here is a separate matter from your status as a renter of these buildings, and we have to make a profit on them. So we’re not going to cut the rent.” This was one of the issues that caused a big strike at Pullman and became part of a national railway strike in the late nineteenth century.

But a contrary example is Corning, New York. Corning Inc. has gone through a lot of ups and downs, and through thick and thin—including some really tough years—they’ve supported that town. They see this not as a charitable enterprise; chairman Jamie Houghton told me, “We don’t do this out of some do-gooder instinct—it’s purely something that benefits the company.” Now, I suspect that he has to say that, because he doesn’t want the stockholders saying, “You’re squandering our earnings!” But Corning has a highly skilled workforce, and they’d like these people to stay and work there rather than go to Silicon Valley. Plus, it builds

goodwill for the company that tourists stop in this little town, halfway between New York City and Niagara Falls, and enjoy themselves and go to the Corning Museum of Glass.

**NOW, A LOT OF TOWNS COME FROM FOUNDERS’ UTOPIAN IDEALS . . . AND THEN THERE ARE COAL-MINING TOWNS, WHICH**

**YOU DUB “EXPLOITATIONVILLES.” I HAD TO WONDER, UPON READING THAT CHAPTER, WHY ANYONE, NO MATTER HOW DESPERATE, WOULD WORK AS A MINER IN THE 1910s OR ’20s.**

It’s a little bit mysterious. There must have been people who thought that coal mining was . . . I can’t say *enjoyable*, because it can’t be enjoyable, but *appealing*, I guess. As the songs go: Their daddy did it, and their granddaddy did it. But when you read about the coal dust that hovered over the town, and the fact that all the buildings were gray, and the miners being treated almost like prisoners—and then there’d be something really terrible, like a mine cave-in—you do have to wonder why anyone would do this. A lot of people felt that they were debt peons, just working to pay off their debts, but they didn’t know any better. It’s what their families had always done.

**AND THESE WERE COMPANY TOWNS OFFERING PRETTY MUCH NONE OF THE AMENITIES OF, SAY, HERSHEY, PENNSYLVANIA—THEY DIDN’T EVEN SMELL LIKE MILK CHOCOLATE.**

They smelled like something else—the privy was right down there by the creek.

**YOU USE THE WORD *TOTALITARIAN* TO CHARACTERIZE THOSE MINING TOWNS. WHAT FINALLY ENDED THE WORST OF THE ABUSES?**

A big part of it was the automobile. If you have limited transportation, then you need to live where you can walk to work, and that was the case in a lot of these towns. Once you have a car, you can live somewhere else. And there were a lot of changes happening in the beginning and middle of the twentieth century, like radio, that indicated that there was a wider world. People learned about industrial cities and realized they could move to Detroit, to work in the auto plants, or to Pittsburgh, to work in steel mills.

**MOST OF THE COMPANY TOWNS YOU DESCRIBE WERE SHORT-LIVED, FOR WHATEVER REASON. BUT PLACES LIKE CORNING AND HERSHEY AND GARY, INDIANA, ARE STILL AROUND. DO YOU CONSIDER THEM SUCCESSES?**

It depends. Hershey has become a more complicated place, not the pure company town that it once was. And Gary is really not a success—it’s been a depressed, crime-ridden, kind of scary place for years.

**BUT DON’T YOU CALL GARY “THE CROWNING ACHIEVEMENT OF AMERICA’S COMPANY-TOWN BUILDERS”?**

It was—in 1915, before anyone knew how it was going to turn out.

**HOW MUCH COMPROMISE FROM THE BUILDER’S ORIGINAL VISION BEFORE THE TOWNS ARE NO LONGER “SUCCESSFUL”?**

You need to put it into perspective—how long do *companies* last? I was in Lowell last weekend, and back in the 1830s, they

built those brick buildings to last. They must have thought that their textile companies would endure for centuries. No one would build factory buildings like that today. They’re in good enough shape that several have been turned into condominiums—with river views! Lowell is one of the company towns that have survived by becoming part of the tourist economy: There’s a complex there that’s a national park; you can tour some of the buildings, and they have operating looms and open boardinghouses where the mill girls lived in the 1830s. Hershey has Hersheypark, where you can take rides and buy chocolate. And Kohler, Wisconsin, where they make toilets and where the company built the town, is now a vacation destination—the company owns a spa and two golf courses.

**YOU’VE STUDIED THE HISTORY OF CORPORATE CONNECTIONS TO AND RELATIONSHIPS WITH COMMUNITIES—WHICH COMPANIES HAVE GOTTEN IT RIGHT?**

I’ve seen more bad examples than good ones. The whole meatpacking industry is a sad situation—it’s a profitable industry, and it’s hard to see why they have to lower wages so much that they create slums in these little towns. As far as good examples, I keep coming back to Corning. I do think the company does an awful lot for that town—for good reasons.

Now, I don’t talk a lot in the book about Cupertino, California, or Redmond, Washington. I don’t really know what companies like Apple and Microsoft do for their people, but they probably do a fair amount—they’re prosperous companies.

**AND MICROSOFT WORKERS HAVE A LOT MORE OPTIONS THAN, SAY, WORKERS IN THE MEATPACKING INDUSTRY.**

Right. Again, you want the town to be a good place to live because you want the skilled workforce to stay.

**SOME WOULD ARGUE THAT WHATEVER BENEVOLENT IMPULSES EXECUTIVES MIGHT HAVE SHOULD BE CONSIDERED SEPARATELY FROM THE FREE MARKET. BUT YOU ARGUE THAT ONE OF THE FUNDAMENTALS OF MARKETS IS “THE NECESSITY OF FAIR DEALING, GOOD BEHAVIOR, AND TRUST.” IS THAT WHAT WE HAVE TO LEARN FROM THE HISTORY OF COMPANY TOWNS, THEN—THAT THERE SHOULD BE MUTUAL RESPECT BETWEEN COMPANIES, EMPLOYEES, AND COMMUNITIES?**

Yes, though I’m sure that some will resist that: There’s a very clear line drawn by someone like Milton Friedman, who says that businesses have no business being concerned with such issues except a little bit for hypocritical public relations. But the example of Corning makes clear that it needn’t be either hypocritical or public relations. It has to do with creating a sense that everybody is being dealt with fairly and that we’re all in this together, and that the company benefits when the community is doing well. ■