BY AAYUSH SINGH

The Rise and Fall of Company Towns

They're long gone, but they have much to tell about America's economic history

In the heart of Appalachia, just up the road from vast forestry and national parks, lies the town of Gary, W.Va. Built at the turn of the 20th century, Gary and its surrounding region was blessed by geography; the town sat on valuable coal fields and was on the route of a major rail line. Its creation was no accident: U.S. Steel, the brainchild of J.P. Morgan and Andrew Carnegie, needed the coal in the area to supply its blast furnaces. The gargantuan corporation owned and operated the city — it was named after Judge Elbert Gary, U.S. Steel's chairman of the board — and it was the typical company town. The company owned the factory, the houses, the schools, and the government.

For a while, business was booming. The area was once so prosperous that in the early 1900s, the neighboring town of Bramwell had the highest per capita income in the United States. Fourteen millionaires reportedly lived there, building lavish mansions that were a testament to the fact that coal was king.

But by the midway point of the century, things had taken a dramatic turn. Employment fell, and Gary had become such a symbol of blight that then-Senator John F. Kennedy visited the town during his presidential campaign, vowing that help was on the way. Once inaugurated, Kennedy's first executive order established the modern food stamp program, and its first recipients were residents of McDowell County, home to Gary.

The rise and fall of Gary — and that of company towns across the country — mirrors the arc of the nation's economy. From the textile mills of the early 1800s to the coal mines of the 20th century to the manufacturing hubs that defined America's industrial prowess, the story of the United States can be told through the company town. It is a tale of abundance and abandonment, boom and bust, plenty and poverty.

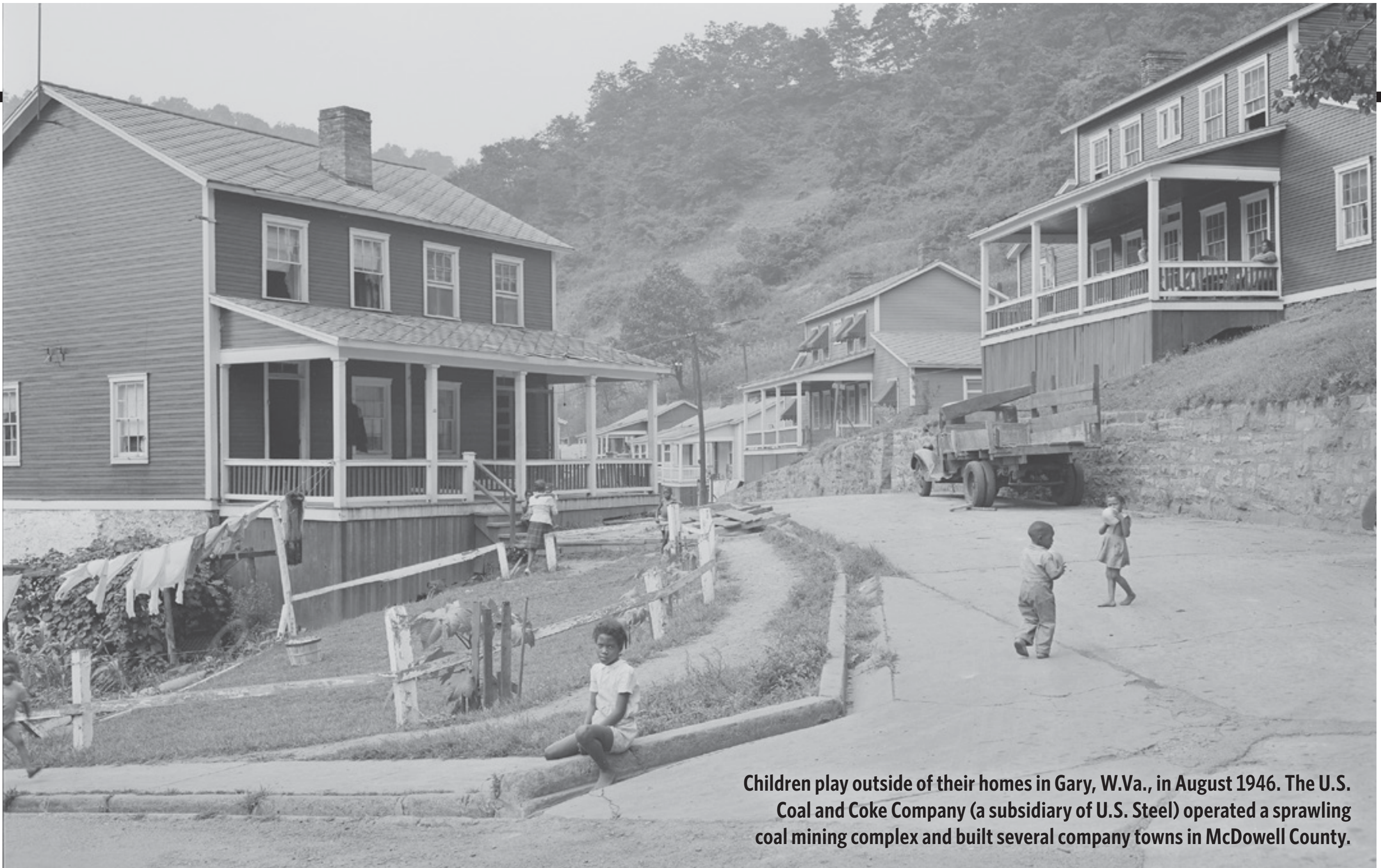
THE EARLY COMPANY TOWNS

The first company towns were primarily textile mills in New England, reflecting one of the dominant sectors of the world economy at the time (it was just a few years earlier that Eli Whitney had invented the cotton gin). The deliberate nature with which these all-encompassing locales were built — Pierre L'Enfant, the famous engineer who planned Washington, D.C., was also involved in building one of the first company towns — was a direct response to the perceived squalor of industrialized England, which, the philosopher Friedrich Engels wrote, consisted of "filth, ruin, and uninhabitableness." Ambitious and grandiose, L'Enfant's plans included factories in the center of a bustling city, with hundreds of diagonal roads, canals, and aqueducts decorating the scenery and providing transportation.

Although these manufacturing towns may seem like the quintessential representation of the American industrial age, their early creation was subject to fierce debate. As UC Berkeley architecture historian Margaret Crawford noted in her 1996 book *Building the Workingman's Paradise*, the conversation about company towns at the time echoed the two sides in the debate over industrialization: one arguing for market-driven growth, and the other raising social concerns about how the manufacturing economy would warp cultural norms, the class system, and democracy itself.

Perhaps the most famous example of the textile company town is Lowell, Mass. — the nation's "first large-scale planned industrial community," as business writer Hardy Green put it in his 2012 book, *The Company Town*. Lowell's landscape marked a new industrial reality, a far cry from the picturesque tableaus Pierre L'Enfant had in mind. As Crawford wrote, the layout of the settlement resembled the factory hierarchy, with housing for executives located close to the town square and boardinghouses for workers located near the factory. "The rigid geometry and tight spacing echo the increasing regularity of the textile production process," Crawford explained.

Built by the Boston Manufacturing Co., Lowell was immensely profitable and became famous for employing young women (known as the "Lowell Girls"). Because the region was fairly remote at the time, laborers were recruited from a wide swath of the country. This became common practice for company towns; there are significant startup costs associated with building a city from scratch, and building housing is chief among them. Workers who weren't from the area would have to rent from the company, thus allowing it to recoup some of its initial cost. Once its laborers were on the premises, the Boston Manufacturing Co. kept a watchful eye on them, a prospect made easier because its workers were also its tenants. Such paternalistic regulations included mandatory church attendance, the prohibition of alcohol, and even a ban on dance classes. This moral policing defined a new social contract between employer and employee. Crawford argued that this corporate paternalism arose out of "the sagacity of self-interest." Employers believed that curtailing workers' perceived excesses would stop the kind of unruliness that would serve as kindling for labor protest. Yet in a theme that would be



Children play outside of their homes in Gary, W.Va., in August 1946. The U.S. Coal and Coke Company (a subsidiary of U.S. Steel) operated a sprawling coal mining complex and built several company towns in McDowell County.

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repeated in nearly every other company town, the Boston Manufacturing Co. was unsuccessful: Wage cuts in 1834 and 1836 led to work stoppages, with female workers petitioning the statehouse for a 10-hour workday.

Eventually, prevailing economic conditions came for Lowell. Outside competition, overproduction, and the onset of the Civil War led to 10,000 workers in Lowell losing their jobs. The mills would operate into the 20th century, but the Boston Manufacturing Co.'s dominance was long gone. With it came the unraveling of the company town. The company dropped requirements like church attendance and the mandate that workers had to live in employer-owned houses. Lowell's story resembles what can be called the life cycle of a company town: early success, followed by protests from workers, and later, financial troubles that render the city unrecognizable.

THE HEYDAY OF THE COMPANY TOWN

As the structure of the American economy changed — with industries like coal and steel taking a greater share and textiles' importance dwindling — so too did the company town. Many of the company towns that popped up in the late 1800s were examples of what Green called "industrial satellite towns" that were built close to natural resources. Gary, W.Va. was one such town.

It was a time of change in the economy, with railroads, steel, and coal forming what Louisiana State University historian Ronald Garay called an "industrial triad" in his book *U.S. Steel and Gary, West Virginia*. Coal was necessary for the manufacture of steel, which in turn was necessary to build the railroads that connected the continent. This trinity came to dominate the American economy for a time — from 1850 to 1890, consumption of coal doubled every decade — and was responsible for the birth of Gary.

Like Lowell, Gary had ornate houses for its engineers and superintendent — some even had six bedrooms — while laborers lived in rows of tightly packed dwellings. But this was the era of industrial paternalism, sometimes called welfare capitalism, in which businesses sought to provide additional benefits to their employees. In Gary, this meant that clubhouses, pool halls, and bowling alleys were scattered around town, providing workers with sources of entertainment.

Nevertheless, the industrial satellite towns that powered the new economy were marked by a balance of power so tipped in favor of the employer that Green called them "exploitationvilles." One reason was the nature of the work: Mines could not pop up just anywhere — they had to be where the resource was — and so these towns were often isolated and dispersed. As a result, unionization proved to be particularly difficult across the sector.

Yet Gary was also representative, in many ways, of company towns across the nation. For instance, there was no city government: Gary was run by the general superintendent of the U.S. Coal Co.; he was not elected, but he was the de facto mayor of the town, even possessing the power to evict residents. Indeed, many company towns in the United States remained unincorporated, run only by the employer. It is in this broader context that unions became essential to workers, for they served not only an economic purpose — in building worker power to counteract corporate demands — but a political one as well.

How else could workers restore some semblance of democracy to a town like Hershey, Pa., when its sole owner and operator was Milton Hershey?

Nevertheless, unionization was no straightforward process. According to Garay, the mines recruited Eastern European immigrants and "displaced Blacks from the American South," groups that didn't have much experience in the coal fields. As such, they were initially unorganized and received paltry wages. But unionization was also difficult because companies worked hard to prevent organizing. So effective were these regulations that Green called the closed company town the most effective mechanism to block worker action. Employers limited visits to the town, often restricting guests to only family of employees. They also exercised control over law enforcement; in Logan County, W.Va., for instance, the sheriff received money from mine owners in return for assaulting union sympathizers. Leases were contingent on employment, so the company could evict striking workers. "Even thinking about the United Mine Workers could result in eviction," quips Drake University economist William Boal, who has extensively researched the economic history of company towns.

Regarding the difference in wages between unionized and nonunionized coal fields, Boal says, "The union wage differential was very large" by the mid-1920s — so much so that "employers would do anything to get rid of the union." But for workers, there was no other choice. An injury could mean both the loss of one's job and an eviction, a particularly cruel fate because dangerous working conditions were the norm. This extended beyond the inherently deadly work of mining: In Kannapolis, N.C., for example — once home to the world's largest manufacturer of towels — brown lung was common. The seven-day workweek and 12-hour workday that was in place for much of Gary's existence also significantly increased the possibility of injuries. Unions were able to make a difference. Boal states that, at one point, "About three workers out of 1,000 were dying every year. That's just astronomical compared to today." Unions reduced that fatality rate "on the order of 30 percent."

Despite these findings, there is substantial debate within the field of economics about just how much power company towns had. At first glance, it may be tempting to view company towns as the textbook example of a monopsony: a labor market with only one employer. Yet modern research paints a far more nuanced picture. In a 1995 article for the *RAND Journal of Economics*, Boal found that labor supply in West Virginia company towns was actually quite elastic, and that "miners moved relatively quickly in response to wage differences across employers." He attributes this in part to railroads: "Even these remote mining towns have to have a way to get the product out, and that meant a railroad. And the railroads also had passenger cars." This unravels one of the central pillars of monopsony models, for the available transportation means that workers can take their labor to another employer. "Wages were, by our current standards, quite low," Boal explains, but "you don't need monopsony to explain why."

Monopoly, another economic concept which has historically been used to explain company housing and stores, has also begun to come under more scrutiny in recent years. Research from University of Arizona economist Price Fishback indicates that companies charged relatively competitive rents because workers could move between towns, and because workers demanded roughly a dollar increase in monthly wages for every dollar increase in monthly rents. Housing forms a large part of the argument in favor of company towns. As Fishback explained, company housing eliminated some market imperfections, because the employer had already surveyed the land and because the success of investments in the mine and in housing were "strongly intertwined." In a similar vein, prices at the company store were also far more competitive than they would have been if the store had monopoly power. Boal attributes this in part to the union demand that some noncompany stores be allowed in the area. The upshot is that while wages were low and conditions were poor, workers had a greater degree of mobility than many have believed.

RACE AND COMPANY TOWNS

It is no accident that the pinnacle of the company town — especially in the former Confederacy — came in the decades following the Civil War. If company towns were marked by conflicts between labor and capital, the post-Civil War economic order — defined by Jim Crow practices that sought to maintain a permanent underclass of Black workers — allowed companies to profit from lower-paid Black employees. In 1891, miners at the Tennessee Coal and Mining Co. went on strike, and the company responded by firing all of its employees. The reason it could do this? At the time, Tennessee — like many states — allowed convict leasing, a form of penal labor that mainly exploited Black men. The convicts replaced the miners, and the conflict eventually morphed into an armed uprising of displaced miners, leading to Tennessee becoming one of the first states to formally abolish convict leasing in 1896. In Clinchco, Va., a company town of Clinchfield Coal Co., much of the workforce was made up of Black laborers from outside the state. Many of them came to the coal town to flee coercive practices like sharecropping that developed in the aftermath of slavery. This was the first generation of Black freedmen in the American South, and their labor was crucial to the functioning of the company town.

In addition, company towns reflected the inequities of the time. Unequal pay between Black and White teachers in schools persisted, and company housing was often segregated. As Boal

explains, company housing would be built with three clusters: "native White people, European immigrants, and African Americans who had migrated up from the South." Some towns went even further. In Kannapolis, the Cannon Mills Corp. expressly rejected Black labor, with one manager testifying, "Mill life is the only avenue open today to our poor whites." It was not until a federal lawsuit in 1971 when Kannapolis agreed to stop discrimination in employment and housing.

Unionization, though historically fraught with racial conflicts, gradually became one avenue by which these racial disparities could be closed. In his chapter of the book *Blacks in Appalachia*, history professor Russell Parker wrote, "Unionization in the mid-1930's reduced the vulnerability of black workers." At a time when Black workers were often brought North to break strikes, labor solidarity was an important conduit for ethnic and racial solidarity. "The United Mine Workers journal for a while had a section in Italian and a section in Slovak," Boal said, illustrating the importance unions put on cross-group understanding. "The United Mine Workers had many problems," he continued, "but one of the things they did out of necessity was to try to get all these groups to work together." When asked about race relations, one miner in Clinchco said in an interview in 1982, "Miners always get along together. Miners is a clan."

THE FALL

By the mid-20th century, company towns were little more than a relic of a bygone era. A few factors contributed to their demise. Perhaps the biggest was technological developments like the automobile, which significantly lessened transportation costs and allowed people to live further from where they work. It also gave workers more of an ability to move between towns in search of better conditions, in turn lessening companies' ability to impose paternalistic regulations on their workforce.

It is also notable that the demise of the company town coincided with the passage of the New Deal. By significantly empowering workers, the New Deal rewrote the contract between capital and labor and made the existing business model of the company town untenable. For instance, the Cotton Textile Code, part of the National Industrial Recovery Act (NIRA), declared, "There is something feudal and repugnant to American principles in the practice of employer ownership of employee homes." Although the NIRA was later struck down by the Supreme Court in 1935, the Wagner Act — passed later that same year — guaranteed the right of private sector employees to join unions and engage in collective bargaining. In the eight years after the law's passage, union membership tripled. The more obscure Guffey-Vinson Coal Act protected miners' right to organize, resulting in an increase in union membership and wages. "West Virginia in particular became 99.9 percent unionized" after New Deal legislation was passed, Boal says. As Crawford explained, after seeing unions amass more power, companies eventually started to sell off their houses, undoing the very fabric of the company town.

Beyond their immediate effects, these laws defined a new economic order where the government more vigorously protected workers' rights and where both workers and executives saw unionization as inevitable. As Boal states, "If the goal was to keep the union out, you couldn't do that anymore after the New Deal." The paternalistic contract between capital and labor written centuries ago in Lowell was gone, and with it, the company town was too.

Perhaps the final death knell for the company town was the changing structure of the American economy. Company towns reflected prevailing economic conditions for as long as they existed, and they were thus not immune to forces like deindustrialization and globalization that significantly reduced the United States' manufacturing capacity. Sectors that saw their jobs shipped overseas were heavily represented in company towns; as such, their decline corresponded with the end of many company towns. From 1955 to 1960, coal production in Gary fell by 28 percent, and the workforce saw a 38 percent cut, in large part due to foreign competition.

In 1932, the writer William Faulkner set his novel *Light in August* in a company town, describing it as such: "All the men ... worked in the mill. ... In seven years more it would destroy all the timber within its reach. Then some of the machinery and most of the men who ran it ... would be loaded onto freight cars and moved away ... [leaving a] ... scene of profound and peaceful desolation. ..." Faulkner's city is fictional, but his description is a fitting end to the story of the company town. Gary saw migration out of the city take place en masse in the 1960s, leaving schools and company stores closed. In 2020, its population sat at just 772. Less than a third of McDowell County residents are in the labor force. **EF**

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