

BIG MEAT, SMALL TOWNS:

**The Meatpacking Industry's Shift to Rural America and the Reemergence of Company
Towns**

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Abstract

This study explores the reemergence of company towns in American society through the analysis of slaughtering communities in rural Iowa. The return of company towns occurred because of a market climate that made their monopsony position in these communities attractive to firms, and these firms exhibit many of the same exploitative and thus, problematic traits as the historic company towns of previous eras. This paper concludes by discussing the policy implications and options for addressing this market failure. It is recommended that the federal government raise the minimum wage for those employed in the meatpacking industry.

Background on Company Towns

Company towns emerged in the United States during the Industrial Revolution of the late 1800s and early 1900s. The firms that constructed these towns tended to be part of the extractive or manufacturing industries. Company towns in the Northeast U.S. were mainly manufacturing firms, particularly textile firms, whereas extractive industries like coal, lumber, and metal mines dominated the list of company towns found in the West and Appalachia. At their peak, there were more than 2,500 company towns, housing approximately 3% of the U.S. population at that time (*Economist* 2010). Many of the Northeastern company towns remain today in different capacities; however, many of their Western counterparts no longer exist.

Despite the significant role company towns played in U.S. history, scholars struggle to offer a concise definition for ‘company town,’ as this term encompasses a diverse range of communities with important differences in administrative structure, industrial base, and location. For this reason, the concept of a company town encompasses a wide range of communities. However, for this paper’s purposes, I will employ the traditional definition of a company town as the close association of a small town to the production activity of a single firm. In such situations, the company is typically the largest, or in some instances, the only employer in the community, and further, such companies typically own all of the land and buildings in their communities.

The evolution of such company towns during the 20th century mirrored the evolution of the corporate form in America. ‘Pullman paternalism’ served as the first governing ideology of company towns, and the nature of early American capitalism allowed this era to occur. Railroad car magnate George Pullman built a company town south of Chicago for his firm, the Pullman

Company, in the 1880s. Housing and many modern amenities including parks, churches, and community centers were constructed for workers. However, employees were not allowed to own any of the housing. The company maintained ownership over the vast majority of entities in the town. Additionally, various social ideas played an important role in the community including company-mandated social and religious policies. Hence, workers had very little agency in this town. However, rigid paternalist management eventually became the town's undoing. In 1894, almost three thousand workers went on strike for two months, inspiring a wave of protest and labor strikes throughout the country (Dinius and Vergara 2011, 3).

Oliver Dinius and Angela Vergara argue that this strike triggered a 'new company town' movement (3). This new ideology in governing company towns included social ideals from the Progressive Era and reflected the rise of welfare capitalism within corporate America. The biggest difference that resulted from this movement was a wider array of social programs, as well as the opportunity for worker home ownership (Dinius and Vergara 2011, 3). The Pullman backlash coupled with the onset of the Progressive Era displaced 'Pullman paternalism' as a governing ideology in company towns.

The Progressive Era coincided with the rise of finance capitalism in corporate America. The finance capitalism era arose out of the merger wave that hit the U.S. banking sector at the turn of the century (Davis 2009, 62). Financiers held a great deal of power in this era, as their capital position provided them with enormous leverage. However, this arrangement quickly created public backlash among those who feared the abuse of this economic control. In order to quell these concerns, corporate managers pursued various measures to combat this perception; this response, in conjunction with other factors, led to the concurrent emergence of welfare capitalism. Welfare capitalism emerged in this era as a way to "inculcate a work ethic, to bind

employees to their companies, and of course, to forestall unionization and prevent government intervention” (Davis 2009, 69). The social theory of Fordism also contributed to this era.

Fordism is the belief that the investment in the workers’ quality of life would increase productivity and improve labor relations (Dinius and Vergara 2011, 3). Fordism coupled with corporations fear of government intervention resulted in the granting of paid vacations, pensions, health insurance, and housing assistance among other things to employees in this era. Although Fordism is still a form of labor control and employers still acted paternalistically through their employment requirements, it was a less arbitrary system than Pullman paternalism.

Nonetheless, the finance capitalism era ended as the power of financiers lessened. Their power diminished as firms turned instead to the financial markets to raise capital, which in turn led to the separation of ownership and control and thus greater managerial autonomy (Davis 2009, 63). From this change in business arrangement arose the next era of the corporate structure in America. As companies grew larger, with more diffused ownership bases, professional managers came to dominate in the governance of corporations, and a period known as the era of managerial capitalism. It lasted from the 1920s until the 1980s. This structure fostered the rise of the ‘soulful’ corporation, where firms raised wages and increased demands to enact social policies around equally employment opportunity, safe products, and environmental protection (Davis 2009, 63). Elements of welfare capitalism continued under managerial capitalism as companies pursued various measures to prevent government intervention and bind employees to them. Nonetheless, this restructuring of the corporate form did not directly lead to the end of the historic notion of the all-providing company town.

Instead, the New Deal and its social policy reforms played a significant role in the decline of the company town. The expansion of government welfare programs under the New Deal

removed the need for many of these programs offered by these towns. Further, homeownership became more accessible to the working class because of Progressive and New Deal era programs that created a lower-interest, lower-down payment system. Additionally, other government policies of the era contributed to this decline. Interstate construction and the automobile also played a role in the end of the company town, as workers no longer needed to live near their place of employment and simultaneously gained greater access to more employment opportunities. Margaret Crawford argues that this new-found freedom produced a change in the mindsets of workers, who began to increasingly view welfare capitalism as demeaning rather than as an incentive (Crawford 1995, 201).

Although various political and policy factors contributed to the end of the all-providing company town, the most recent era of the corporate structure, shareholder capitalism, arguably (although unintentionally) fostered the resurgence of the company town. This era began in the 1980s as a handful of private equity and leveraged buyout firms began to take over large conglomerates. They believed that the whole (the conglomerate) was worth less than the sum of its parts (its subsidiaries and divisions). This belief implied that shareholders would be better off if the conglomerate was split up into free-standing companies operating in their own industries (Davis 2009, 81). Globalization accelerated the rise of shareholder capitalism as the competition for capital increased. This competition for capital and focus on horizontal integration led to a resurgence of company towns because this new political climate made company towns more attractive to firms. Rural America offered low taxes, labor costs, and real estate prices. The meatpacking industry, in particular, has shifted most of its production to rural communities in recent decades. As a result, these communities have become company towns, and consequently, these firms have had a monopsony on local labor markets.

Theory: The Company Town as a Labor Market Monopsony

Throughout their history, company towns have been examples of a market monopsony. The definition of the term is similar to that of monopoly, but occurs on the demand side rather than the supply side (Cambridge Business English Dictionary). Thus, in a monopsony, demand/buying power is concentrated in one source. In the case of company towns, these firms are the only employers in these communities. As a result, they have a monopsony in the labor market. Those seeking employment have to accept the wages and benefits offered by the firm. This predicament means that if they do not, they will have little chance of employment in the community, and they likely will have to move. Workers have little agency in this situation, and as a result, firms benefit heavily from this arrangement, as it allows them to essentially dictate wages in the labor market.

Nevertheless, the meatpacking industry has shifted its production to company towns for several reasons. Warren argues that the history of slaughterhouses in the United States contains four main development phases in the Midwest: Merchant Wholesaling (1820-1865), Terminal Marketing (1865-1950), Early Direct Buying (1920s-1950s), and Modern Direct Buying (1960-2000). In the most recent phase, Direct Buying, slaughterhouses moved from urban regional centers to isolated rural communities. This phase started with the construction of the IBP (Iowa Beef Processors) plant in Denison, Iowa in 1961 (Warren 2007, 23). This slaughterhouse was the first plant from a new business venture created by two industry veterans who thought that industry practices at the time were antiquated (Warren 2007, 23). This plant revolutionized the industry in three main ways: location, layout, and labor.

First, the company located the plant in the center of a large cattle-producing area. The company could now “purchase cattle directly from the farmer, eliminating the need for middlemen, and reducing transportation costs and the shrinkage and bruising associated with transporting animals long distance” (Stull, Broadway, & Griffith 1995, 18). Second, the plant itself had only one floor, whereas, prior to this plant, slaughterhouses contained multiple stories. This modification in turn led to the third change, as this physical change allowed for greater automation and the development of a disassembly line (Stull, Broadway, & Griffith 1995, 18). The modification also allowed IBP “to take the skill out of every step” of butchering. One of the company’s founders explained to *Newsweek* in 1985, “We wanted to be able to take boys right off the farm and we’ve done it” (Stull, Broadway, & Griffith 1995, 18). Because this new plant reduced operating costs on multiple fronts, it forever changed the business model for the industry. Workers now worked more hours in less safe conditions and for less money. Iowa has seven packing communities: Columbus Junction, Denison, Marshalltown, Perry, Postville, Storm Lake, and West Liberty.

Company towns, once relics, reemerged in this instance because of the labor savings that were possible. The firm’s monopsony position allowed them to drive down labor cost in the various ways. The current predicament benefits them as the labor buyer while disadvantaging the labor seller (townspeople). Additionally, this situation is tolerated by the townspeople because they feel desperate. Many of these small towns have experienced declining populations and shrinking tax bases for decades. These slaughterhouses offered the chance to halt or at least slow this decline.

Furthermore, many of these slaughterhouses employ immigrant labor, which further enhances power asymmetries in favor of the plants, as in addition to providing a cheap labor

source for these firms, “Many immigrants are willing to work for lower wages; they provide a flexible labor supply (e.g., willing to work overtime or at night, easy to hire/fire); and they have higher organizational flexibility (e.g., willingness to work in substandard environments)” (Cantu 1995, 402). Given immigrants’ peripheral position in society, this adds to these firms’ monopsony positions, as immigrants have even less agency than a typical worker. Although the citizens of these towns are not always happy with the influx of these immigrants, these citizens, for the most part, have embraced these new members of their community because the immigrants’ arrival has tended to reverse declining school enrollments, increase the tax base, and provide a sense of renewal.

This paper explores this phenomenon and presents an intriguing addition to the research on company towns and the reasons for their reemergence. The return of company towns occurred because of a market climate that made the firm’s monopsony position in these communities attractive. However, these firms exhibit many of the same exploitative and thus, problematic traits as the company towns of previous eras.

Methods

The qualitative data for this study came from interviews in three of the seven communities in question: Columbus Junction, Denison, and Postville. I conducted interviews in a semi-structured fashion. In total, I conducted interviews with 21 subjects. These interviewees included teachers, principals, superintendents, mayors, city managers, and clergy members. I selected interviewees based upon their prominence in these rural communities. Most interviews lasted around an hour, but some were brief (lasting only 30 minutes) and others long (lasting

over 90 minutes). I conducted my interviews in two phases. I interviewed the teachers and principals in May 2011, and I interviewed the mayors, city managers, superintendents, and clergy in March 2012. I analyzed the interview transcripts as objectively as possible.

The quantitative labor data for these communities and counties came from United States Census' County Business Patterns Survey. The labor data is from 2009, as it was the year with the most recent data available. The population data for these communities and countries came from the United States 2010 Census. When discussing labor and population data, I compared and contrasted these figures. Although there is a year difference between these sources, this comparison was the best possible solution, as 2010 labor data was not available at the time of this research. Alternatively, I could have used Census data from 2000; however, given the rapid changes in these communities, these data were unlikely to capture current conditions. An additional caveat is in order: the population figures in these communities are likely undercounted and biased. As one city official asserted, his community's latest Census count is highly undercounted, as many of the recent immigrants were not recorded in the Census. And since one specific and distinct population is underrepresented, there is likely some amount of bias as well.

Findings

The available labor data for these communities highlight the economic dominance of these slaughterhouses. As shown in Table 1, Denison has the largest population in the sample with 8,298 residents. Of its large employers, the largest two are packing plants (Smithfield the larger one, Tyson the smaller one) employing between 250-499 and over 1000 employees each (1000+ being the largest employment category used by the Census). Based on these data, almost

one in four private sector jobs in this town are in the slaughterhouses. However, as mentioned earlier, the actual employment figures are likely even higher than the minimum for each category. Nonetheless, the county Denison is in (Crawford County) has a population of 17,096. Looking at the county level in Table 2, three out of four people in the county are employed in the town of Denison. Of this total population, 7,545 are employed; 83% of them are in the private sector, with the remainder in the public sector. Based on these data, almost one in five private sector jobs, and one in six overall jobs, in this county are in these slaughterhouses.

Denison's employment data could change very soon, however. Tyson announced in March 2012 that it is exploring closing its Denison plant and shifting the production elsewhere in mid-2013 (Piller 2012). As of April 2012, the plant's fate remains unknown. However, city officials, who received no advanced notice from Tyson's, have little hope that it will stay open. One official said, "They made this announcement for three reasons: One, to be nice. Not true. Two, to give

TABLE ONE: TOWN DATA¹			
	Population	Workers (private sector)	Largest Employers (private sector)
Columbus Junction	1,899	1,686	<ul style="list-style-type: none"> ● 1:1000+ Manufacture (Animal Slaughtering) ● 1:100-249 Commercial machinery repair and maintenance
Denison	8,298	5,537	<ul style="list-style-type: none"> ● 1:1000+ Manufacture (Animal Slaughtering) ● 1:250-499 Manufacture (Animal Slaughtering) ● 1:100-249 Discount department stores ● 1:100-249 Supermarkets and other grocery (except convenience) stores ● 1:100-249 General medical and surgical hospitals ● 1:100-249 Nursing care facilities ● 2:100-249 Vocational rehabilitation services
Postville	2,227	1,302	<ul style="list-style-type: none"> ● 1:500-999 Manufacture (Animal Slaughtering) ● 1:250-499 Manufacture (Poultry Processing) ● 1:100-249 Laminated plastics plate, sheet and shapes ● 1:100-249 Wired telecommunications carriers ● 1:100-249 Payroll services ● 1:100-249 Continuing care retirement communities

¹ This study only included firms with at least 100 employees.

their employees notice to leave so that way they don't file for unemployment. Three, to see if we would have not begun, and he is not sure if they even will occur.

Postville's labor data show similar trends. As shown in Table 1, Postville has a population of 2,227, and of its large employers, two are slaughterhouses employing between 250- 499 and 500-999. Almost 60% of private sector jobs in this town are in these plants. These figures demonstrate that these slaughterhouses essentially dominate the labor market in this community. Additionally, at the county level (Table 2), this slaughterhouse provides a large share of the county's jobs as is the case in the other towns.

However, what makes Postville unique is that this community experienced a large immigration raid on its packing plant in May 2008 (the largest raid in U.S. history at the time). The plant reduced production for a brief period of time until a new owner purchased it (Henderson, 2010). The plant has since returned to pre-raid production levels. Table 3 shows that the total numbers of workers in the county decreased by 10% in the year after the raid.² This decrease most likely occurred because of the packing plant's decrease in production levels. However, employment figures appear to be returning to pre-raid levels based on the most recent

	Population	Total Workers (Private and Public)	Private Sector Workers (%)	Public Sector Workers (%)
Louisa County (Columbus Junction)	11,387	3661	75%	25%
Crawford County (Denison)	17,096	7545	83%	17%
Allamakee County (Postville)	14,440	4733	77%	23%
Clayton County (Postville)	18,129	6477	79%	21%

² The labor data likely captured the undocumented workers at the plant. Firms report their total number of employees on the payroll and most undocumented workers are included on the payroll.

³ Postville is in both Allamakee and Clayton counties. However, the slaughterhouse is located in Allamakee County.

data. This table also shows that the number of public sector workers mirrors the change in overall workers in the country as it appears that public sector employment decreased when the plant reduced production and then increased when it returned to pre-raid output levels. This relationship would imply a level of dependency among public sector employees on the slaughterhouse.

Additionally, the monopsony becomes apparent in Postville when comparing it with the neighboring town of Guttenberg. The two towns have many similarities. They have a similar population level as seen in Table 4 (around 2,000). Both are in Clayton County and were founded by German immigrants more than 150 years ago. However, they vary in private sector employment. Postville has around 1,300 people employed in that sector while Guttenberg only has roughly 1,000. Thus, Guttenberg has almost 25% fewer people employed in their

TABLE THREE: ALLAMAKEE COUNTY DATA			
	Total Workers (Private and Public)	Private Sector Workers (%)	Public Sector Workers (%)
2008	5295	80%	20%
2009	4733	77%	23%
2010	5033	78%	22%

community in the private sector than Postville. Guttenberg is also aided by the fact that it is located on the Mississippi River. Additionally, Guttenberg has far fewer large employers than Postville. For this reason, although these towns are very similar, they vary greatly in diversity of labor employment. Postville employs more people largely because of the slaughterhouse, but it appears that the source of employment is more diverse in Guttenberg and less dependent on any one industry or firm.

Columbus Junction’s labor data shows similar trends as the other two towns. It has a population of 1,899 and has one employer of 1000+ people (Tyson’s). Additionally, looking at the county level, this slaughterhouse provides a large share of the county’s jobs. The county Columbus Junction is in (Louisa County) has a population of 11,387. Of this total population, 3,661 are employed; 75% of them are in the private sector, with the remainder in the public sector. Based on these data, at least one in three private sector jobs, and one in four jobs overall are in the slaughterhouse. In this community, Tyson’s, like the slaughterhouses in other case studies, occupies an evident monopsony position. Individuals looking for employment in these communities have to accept, in large part, the wages and conditions offered by Tyson’s. This predicament stems from the power dynamics in these towns.

	Population	Workers (private sector)	Largest Employers (private sector)
Postville	2,227	1,302	<ul style="list-style-type: none"> ● 1:500-999 Manufacture (Animal Slaughtering) ● 1:250-499 Manufacture (Poultry Processing) ● 1:100-249 Laminated plastics plate, sheet and shapes ● 1:100-249 Wired telecommunications carriers ● 1:100-249 Payroll services ● 1:100-249 Continuing care retirement communities
Guttenberg	1,919	1,021	<ul style="list-style-type: none"> ● 1:100-249 Health care and social assistance

There are several analytical lenses available to examine the power structures in these communities. One such lens is the one-dimensional approach. The one-dimensional approach is defined as “A [having] the power over B to the extent that he can get B to do something that B would not otherwise do” (Gaventa 1980, 5). One would study this use of power by examining

who participates, who loses, and gains, and who wins in decision-making. Another way to study power dynamics is through the two-dimensional approach. This approach builds on the first by including the notion of mobilization of bias not only through decision-making in political arenas but also through non-decisions. This approach is defined as “situations were B, confronted by A who has greater power resources decides not to make a demand upon A, for fear that the latter will invoke sanctions against him” (Gaventa 1980, 15).

Steven Lukes puts forth an additional face of power, the third face, which focuses on subjective and real interests, observable (overt) and latent (covert) conflict, issues and potential issues, and decision-making and control over the political agenda (not necessarily through decisions) (Lukes 2005, 29). Simply, A may exercise power over B by getting B to do what he or she does not want to do, but A also exercises power over B by influencing, shaping, or determining B’s very wants (Lukes 2005, 27). Furthermore, the third dimension also includes a process of information control or socialization as B has been “socialized into compliance, so to speak, they accept the definitions of political reality as offered by dominant groups, classes, or government institutions” (Gaventa 1980, 18). As will be made clear below, I believe that power dynamics in company towns are best understood through the three different faces of power.

When asked what are the largest employers in these communities, most interviewees responded by naming the packing plant(s), a hospital, a school district, retirement facilities, and sometimes a grocery and/or another non-slaughtering manufacturer. Additionally, after listing these employers, many interviewees pointed to this list as evidence of economic diversification in their communities. One city official who has lived in the community for decades asserted, “Once you get away from the big dogs we have a nice mix of employers.” However, most of the employers listed depend, to a large degree, on the health of the packing plant in their respected

community. The school district, hospital, grocer, and some manufacturers' fiscal conditions rely on the health of the plant. For example, the school district relies on employees of the plant to pay property taxes to cover a large portion of its operating budget. The grocery store relies on employees of the plant to spend a portion of their income in their store. The examples of dependence go on. The majority of the other employers in town depend on the health of the slaughtering house in various ways and to a great extent.

However, while some interviewees asserted that their community was not dependent on the packing plant, others appeared aware of this dependence. Interviewees' willingness to recognize this dependence varied inversely with the number of years that they had lived in the community. That is, newcomers viewed the town as more dependent than those who had lived there longer. One superintendent, a relative newcomer, claimed that, if the slaughtering facility in his town were to close, the district would quickly lose a third of the student body. The consequence of this enrollment decline would be a staff reduction. Additionally, as one city official who has lived in the area for fewer than 5 years commented,

Many of the retailers in town would be significantly impacted as they depend heavily on worker spending. Our future depends on Tyson, if they stay or not. If they were to leave, the town would dwindle down. People would find new things to go to, new places to live with better opportunity.

Thus, the lifeblood of these towns beats through the slaughterhouses; however, the longer an individual lives in these communities, the less one notices this dependency. While there remains a degree of naivetés among some people's view of the slaughterhouses power, most people do not have a false consciousness that the plant is benevolent and has no power. People are aware of its power. This suggests that firms are not using the third face of power, but they do use the first and second faces as the remainder of this section will show.

Given the awareness of this labor dependency by some, efforts are being made in each of these communities to diversify. One Postville official said, “We gradually are working our way out of where we were after the [immigration] raid. We now have a new Dollar General store.” However, the opening of a new Dollar General is not an example of economic diversification. It is not a capital generator; it captures existing capital, and its success is likely dependent on the plant’s continued operation. Nonetheless, all three communities have various economic diversification programs in place; however, there are natural limits on these programs ability to succeed. As one economic developmental official stated,

I don’t have any mountains. I don’t have any lakes. I don’t have any seashore. I don’t have a temperate climate. I have corn, beans, cattle and hogs. These are our natural resources... Our economy in Iowa has always revolved around that. It is not going to end. People still need to eat. People will always have to eat. For us to abandon the ag[riculture] side of things doesn’t make much sense. But we have to figure out ways of finding other businesses.

Thus, although efforts have been made to diversify the employment bases in these communities, they all remain heavily dependent on their packing houses, as the cheap labor and close proximity of inputs are their primary source of competitive advantage.

Additionally, a primary difference among the interviewees was their opinion on the relationship between the packing plant(s) and their community. Many commented on how willing the plants were to donate meat to various events in town (school functions, community fundraisers, etc). Jerome Himmelstein argues that symbolic gifts like these are part of a bigger overall corporate strategy. He says, “What corporations usually expect in return for their gifts is not anything specific or tangible (even in the long run), but simple a certain quality of relationship with the recipient” (Himmelstein 1997, 129). Michael Useem argues that giving by corporations varies by industry. He writes, “Much of the sectorial variation can be traced to firm-

level factors: the largest contributions are offered by companies in sectors whose profits are high, whose products are directed at consumers, and whose competition is low” (Useem 1984, 125). Meatpacking historically operates with low profit margins and high competition, with products are directed to consumers. These characteristics likely explain the lack of more substantial and less symbolic community support by these packing plants.

These relatively small symbolic donations do not impress everyone. One city official asserted, “If I wanted to run a big fundraising campaign, [the packing plant] would not be a big donor. They are not going to exert that kind of influence on the community.” Some argue that the plant-town relationship only recently took this turn. One longtime resident asserted that the plant in his community used to give a lot of monetary contributions decades ago when they were locally owned and locally controlled. Another interviewee commented, “We have a functional relationship with them, but not in an embedded relation. I don’t think you see it being really close. They donate meat to various things, but I’ve experienced a close relationship with a big business in a community, and I don’t see that here.”

Amy Quark found that the anonymity and distance created by absentee ownership allows “firms to extract themselves from the moral economies that once bound them in relations of mutual responsibility to employees and communities” (Quark 2006, 26). She argues that this disconnection occurred because of the effects of globalization and shareholder capitalism. Both of these increase competition for capital, and as a result, efficiency becomes the main focus of firms, not stakeholder management. Consequently, the monopsony positions of these firms allows them to do nothing beyond symbolic actions, meat donations, as giving meat is both the bare minimum they can do, but it’s also the maximum they are willing to do.

Additionally, the power dynamics in these communities continue to heavily skew in favor of the packing plants. One city official confessed, “There isn’t a whole lot I can do for them. They can do a lot more for me than I can do for them.” Given this predicament, when asked if there were any point of contention between the city and slaughtering facility, no interviewee could name a current issue. However, officials in Postville described how contentious the annexation of the packing plant was in their community a decade ago. In this case, when the town moved to annex the slaughterhouse, the owners threatened to close the facility if the town followed through with this intention.⁴ In response, the community was split. Businessmen sent letters to city official saying “don’t annex them or else they will leave town,” while members of the community favored annexation. After much discussion, the city council voted to incorporate the plant, and the owner’s threat proved to be a bluff (Bloom 2000). However, this event remains unique to Postville. This firm (Agriprocessors) was significantly smaller than the other packing companies in this study, and its Postville plant was its only facility compared to dozens of Tyson facilities across the country.

Annexation, however, has not been an issue in the other communities. The Tyson’s plants in Denison and Columbus Junction are not incorporated in their communities, nor has annexation ever been something pursued by these towns, according to these interviewees. Also, both of these plants have been in operation for decades. The status quo has remained unchanged for quite a while. Annexation is a non-issue. One city official affirmed, “The people who originally build it [the packing plant] didn’t want it to be in town for a reason.” He believes that these factories were purposely built outside the community as to avoid paying taxes and that these towns are afraid to annex them because of the fear of upsetting them. This is a demonstration of the second face of power. These communities are too afraid to annex these plants because they appear too

⁴ Without knowing, one would naïvely assume that the plant was in the town based on its location.

afraid to upset them and potentially cause them to leave. Their fear is, in fact, so great that annexation does not appear on the political agenda.

However, a city official in another community argued something different. The person said, "I'm sure we would have some controversy if we annexed the plant, but the controversy would probably be with the county and not the plant because the county would lose a lot of the tax revenue. A lot of the plants property tax goes to the county, not the city. Their tax rate wouldn't change." These contradicting opinions make it unclear what annexation would do to the tax bill for these factories. Further research regarding the financial impact of annexation is needed as it presents an intriguing instance of power relations.

Nevertheless, the fear of a raid in these communities remains minimal because there is a belief that these plants are too powerful to touch. Across the board, respondents had little fear of an immigration raid occurring in their community even though large raids have occurred in recent years in Iowa (e.g., Postville 2008, Marshalltown 2006, Storm Lake 1996). Many non-Postville interviewees quickly asserted that what happened in Postville would not happen in their communities. One city official commented,

They [Tyson's] are too much of a national chain. They are too big. You just can't compare [the plant in our city] to Postville. Postville was just a group of who started a little plant up there. This [plant], my god, they advertise on television. They are going to make sure they don't need to hire illegal people to fill their workforce.

Another community member said,

These companies have powerful lobbying groups. Our sense is that if they raided them like Postville that a lot of hell would rain down on them. The political connections are much deeper. Postville was just a small family-owned plant. I don't think that there is a huge worry about that.

Thus, these plants (Tyson and Farmland) wield enough power through the second face that the chance of a raid occurring remains minimal.

Additionally, many interviewees expressed certainty that the slaughterhouses in their communities would not close in the foreseeable future. One mayor asserted, “I have no indication or feeling that they will leave this area. We are in a hog producing area and the surrounding transportation is good. It is exactly what they need.” Another city official remarked when asked about the chance of the plant closing, “I have my doubts that I will ever see that happen. We have too good of a relationship.” This view makes the underlying assumption that the dynamics between these two are equal. However, one city official disagreed with this assumption. This person stated,

Now, our personal relationship is pretty good. However, they don't make decisions if I am their buddy. They make decisions on if there are making any money. Also, decisions aren't made here. They are made in other places so it doesn't matter if I have good relations with people at the plant. Do we make sure that as a community that Farmland is loved? Yes. We do that in a lot of different kind of ways. There are a lot of people who talk to them constantly to make sure they are happy... There isn't a whole lot I can do for them, and I don't want to wear out my welcome.

This statement presents a very different power dynamic than the previous interviewees' comments. This person operates under the assumption that his town is dependent and holds much less power than the slaughterhouse; therefore, these factories have to be constantly appeased for the sake of the community's wellbeing. Some city officials are keenly aware of the monopsony in their communities and how this arrangement strips them of their agency, a clear example of the second face of power.

Lastly, each interview concluded with the interviewee attempting to define a company town. Then the interviewees responded to the question whether they thought that their town was a company town. Predictably, two factors appeared to influence opinion. First, those who had

lived in the area longer were more likely not to view their municipality as a company town. Secondly, the way they defined a company town also had an impact. Individuals whose definitions resembled the historic notion of a company town (e.g., Pullman, Ill.) were less likely to believe that their community was a company town than those whose definitions of a company town more broadly viewed it as a town dominated by one firm. For example, one interviewee said,

I had a good friend in college from Appalachia and he would talk about coal mining towns where the coal mines used to own the store where they used script so the employees are also embedded to the firm. On that basis I don't think [our town] is a company town. My sense is that the companies don't call the shots with the city government, hospital, etc.

This interviewee compared his municipality to an historic Appalachian coal mining town, and based on that comparison, he concluded that his community was not a company town. This individual has lived in the area off and on for more than 40 years, whereas, a city official, a relative newcomer, who used a modern definition, said,

It is a town that depends on one company for a great deal of the economic activity that is undertaken in this town. It is a town that is wholly dependent, perhaps for its present economic environment, on it and to some extent the future might as well... Yes... we are dependent on them and I don't say it proudly.

Underlying this interviewee's statement is the assumption that the community's dependence on the plant is a form of power; the town's dependence on the plant gives it power that it can exercise in subtle ways, but ways that are still more overt than the third-face of power.

However, those rejecting the notion of their community being a company town held a view of power that did not extend beyond the first face. This face of power is the ability of A to exert power over B, when A can get B to do something B would not otherwise do. Not only did they have a limited definition of power, but they did not see it in play. One city official said,

If [the slaughterhouse] came to us and said we want you to do this, it better be really reasonable. It's not like they can tell us exactly what to do and that is what comes to mind when you say company town. That is not how things are here. They are very good to us. They are the first one to donate... whether it be bacon, hot dogs, or pork chops.

At no point during my interviews did anyone provide examples of the plants using the first face of power (plants telling the towns what to do). However, their power has been revealed through the exercise of the second face of power. The monopsony position of these firms gives them this power. These communities cannot afford to lose these jobs, and as a result the townspeople tolerate this situation out of desperation. One community official asserted, "Without the plant, we would be in a lot of trouble. We would look like 75% of the little towns in Iowa: empty main streets, aging population, schools shrinking and possibly closing." By allowing monopsony conditions, these communities can halt or at least slow their declines.

Historically, company towns exhibited the use all three faces of power (e.g., Pullman, Ill.). However, only the first two faces of power occur in these modern company towns. The slaughterhouse's structural power allows them to use the second face of power to dominate the discourse in these communities. They cannot use the third face because no one really has a false consciousness regarding the companies' roles.

Similar Cases

Across the country, in a very different setting, a different type of company town has emerged. Journalist Ashlee Vance asserts, "It is no secret that Silicon Valley is one long string of company-dominated towns: Hewlett-Packard & Palo Alto, Intel & Santa Clara, Apple & Cupertino, and Google & Mountain View" (Vance 2010). These high-tech firms are extremely

different from the slaughterhouse industry, demonstrating that company towns and labor market monopsonies can emerge anywhere. Unlike slaughterhouses, high tech firms employ very highly skilled labor in their U.S. locations. Apple, for example, employs over 34,000 in the community of Cupertino, population 58,000 (U.S. Census) (City of Cupertino). A monopsony in the labor market is apparent in this and other Silicon Valley communities, and it has serious consequences for public policy.

A recent *New York Times* story reported that Apple has avoided millions of dollars in taxes in California and other states by setting up an office in Reno, just 200 miles away from its headquarters: California's corporate tax rate is 8.84%, Nevada's is 0% (Duhigg and Kocieniewski 2012). This is a point of contention for this community and others like it.

In one of his last appearances before his death, Steven Jobs, Apple's former chief executive, addressed the Cupertino city council, seeking approval to build a new headquarters. Although most of the council was effusive about it, one councilwoman had questions. She asked how residents would benefit, suggesting perhaps Apple could provide free wireless internet to the town, matching Google's efforts in neighboring Mountain View. Jobs replied, "See, I'm a simpleton; I've always had this view that we pay taxes, and the city should do those things. That's why we pay taxes. Now, if we can get out of paying taxes, I'll be glad to put up wi-fi" (Duhigg and Kocieniewski 2012). Jobs went on to suggest that perhaps Apple could move (the company is currently the largest tax payer in the community at \$8 million per year). The councilwoman dropped her inquiry. This exchange clearly indicates the second-face of power at work. The councilwoman, when confronted by Apple with the possibility of relocation, decided not to push this issue on Apple, a significant employer in the community. Cupertino and other Silicon Valley communities demonstrate that great variation exists in modern company towns.

Policy Implications

Gregory Mankiw defines a market failure as “the inability of some unregulated markets to allocate resources efficiently. When markets fail, public policy can potentially remedy the problem and increase economic efficiency” (Mankiw 2008, 154). A monopsony is an example of a market failure. Because it is such a failure, public policy is needed to remedy the situation. While there is little public policy that can be done to quell a monopsony directly, legislation can be enacted to improve the conditions of labor and lessen the power of these firms. Economists William Boal and Michael Ransom describe the relationship between firms and labor in a monopsony,

In labor markets, “buyers” are employers, “sellers” are individual workers, the “good” is time and effort, and the “price” is the going wage or salary level. An employer who enjoys monopsony power holds down the wage by limiting the number of workers it hires. At the resulting inefficient level of employment, the value of the last worker's contribution to output is greater than the wage she or he receives (Boal and Ransom 2010).

In principle, a well-placed legal price floor (minimum wage) can alleviate a firm's monopsony position in a labor market. However, certain conditions must be met in order for the minimum wage to be effective and efficient. If the price floor is set too high, “the monopsonist will reduce its purchases -- just as competitive buyers would do in response to a price floor -- and inefficiency recurs” (Boal and Ransom 2010). Additionally, if the price level is too low, then the policy is ineffective. Accordingly, determining the most efficient and effective price floor is crucial to this policy.

Also, the jurisdiction of this price floor impacts its effectiveness. If a town enacts a law that increases the minimum wage, then firms, packing plants, can shift production to other

communities that do not enact such policy. Furthermore, while minimum wage laws that target the packing industry can be done at the state level, production can be moved to neighboring states that do not have minimum wage laws as high. For example, Iowa passes legislation that raises the minimum wage for those employed in meatpacking; as a result, many of the meatpacking firms in the state relocate to neighboring states such as Nebraska, Minnesota, etc. This is referred to as a race to the bottom. This term refers to the ability of firms to get governments (city, county, state, etc.) to compete against each other in offering a firm the best arrangement (low taxes, preferential treatment, etc.). For these reasons, I argue that minimum wage legislation for those employed in the slaughtering industry is needed at the federal level in order to effectively and efficiently address this market failure. Additionally, the communities in this study are a microcosm for meat production in American society.

Thus, Congress needs to pass legislation that raises the minimum wage for those employed in the slaughtering industry. There are two potentially negative results of this policy. First, the increase in labor cost in meat production will likely result in higher meat prices as this increase in production cost will be partly passed onto consumers. Secondly, while federal legislation will prevent a race to the bottom from occurring between municipalities in the United States, this policy will not prevent it from occurring between the United States and other countries. Meatpacking could shift to neighboring countries. However, this is unlikely given the high cost associated with moving these animals long distances (transportation and product shrinkage) coupled with the narrow window firms have to sell the product before it perishes.

Additionally, while this paper has pointed out many of the misfortunes that occur between these plants and townspeople, there have been some benefits from this relationship. One interviewee commented, “We are an entry point for Iowa for a lot of new people... Without

immigration we wouldn't have grown, we would have lost ground in the last 20 years." As mentioned earlier, the labor pool that these plants have drawn has prevented these communities from experiencing the severe decline that many other Iowa communities have experienced. However, this policy prescription only addresses the monopsonies that occur in the meatpacking industry. Additionally, further investigation and policy is needed for the rise of monopsonies in other industries as discussed in the previous section (Silicon Valley).

Conclusion

The time has come to revisit the relationship between labor and slaughterhouse firms. Like the company towns of yesterday, the slaughterhouse communities of now operate on the same formula: low taxes, municipal subsidies, marginal support to their community, and hostility toward organized labor. The most recent era of corporate organization, shareholder capitalism, arguably and unintentionally fostered the resurgence of company towns in American society. The findings in these three communities are a microcosm for meat production in American society, as rural America is dotted with similar communities, and for similar company towns in other industries. This predicament causes a market failure and in order to correct this market distortion federal legislation that raises the minimum wage for those employed in the slaughtering industry is needed. One interviewee remarked, "Change brings opportunity." While these changes have brought opportunities to these towns, they have also brought serious challenges that must be addressed. Furthermore, this paper did not explore the fact that many of the workers at these plants are immigrants; their peripheral position in society likely enhances

the slaughterhouse's monopsony position and further complicates the power dynamics in these communities. Further research in this area is needed.

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Appendix 1: Citation Correction

The following citation corrections have been made in this research paper.

- Page 2
 - At their peak, there were more than 2,500 company towns, housing approximately 3% of the U.S. population at that time (Economist 2010).
- Correction
 - “At their peak, there were more than 2,500 company towns, housing [approximately] 3% of the U.S. population” at that time (Economist 2010).
- Page 4
 - This structure fostered the rise of the ‘soulful’ corporation, where firms raised wages and increased demands to enact social policies around equally employment opportunity, safe products, and environmental protection (Davis 2009, 63).
- Correction
 - This structure fostered the rise of the ‘soulful’ corporation, where firms raised “wages and increased demands to enact social policies around equal[ly] employment opportunity, safe products, and environmental protection” (Davis 2009, 63).
- Page 5
 - This belief implied that shareholders would be better off if the conglomerate was split up into free-standing companies operating in their own industries (Davis 2009, 81).
- Correction
 - This belief implied that “shareholders would be better off if the conglomerate [was] split [up] into free-standing companies operating in their own industries” (Davis 2009, 81).
- Page 7
 - This modification in turn led to the third change, as this physical change allowed for greater automation and the development of a disassembly line (Stull, Broadway, & Griffith 1995, 18).
- Correction
 - This modification in turn led to the third change, as this physical change “allowed for greater automation and the development of a disassembly line” (Stull, Broadway, & Griffith 1995, 18).
- Page 14
 - Steven Lukes puts forth an additional face of power, the third face, which focuses on subjective and real interests, observable (overt) and latent (covert) conflict, issues and potential issues, and decision-making and control over the political agenda (not necessarily through decisions) (Lukes 2005, 29). Simply, A may exercise power over B by getting B to do what he or she does not want to do, but

A also exercises power over B by influencing, shaping, or determining B's very wants (Lukes 2005, 27).

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- Page 23
 - A recent New York Times story reported that Apple has avoided millions of dollars in taxes in California and other states by setting up an office in Reno, just 200 miles away from its headquarters: California's corporate tax rate is 8.84%, Nevada's is 0% (Duhigg and Kocieniewski 2012).

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