The contradictions of uneven development for states and firms: Capital and state rescaling in peripheral regions

Amy Adams Quark*

University of Wisconsin-Madison, 350 Agricultural Hall, 1450 Linden Drive, Madison, WI 53706, USA

Abstract

Recent studies suggest that processes of capital and state rescaling are generating new socio-spatial inequalities within nation-states. I explore rescaling in the understudied context of a peripheral region through the case of a global apparel merchant, Lands’ End, and its decision to relocate its call and distribution centers to Dodgeville, Wisconsin. I argue that an empirical exploration of rescaling in peripheral regions demonstrates the need for two revisions to this literature: (1) an extension of the rescaling literature to capture the multi-scalar construction of socio-spatial inequalities and how the interactions between these different scales influence local outcomes; (2) an extension to firms the kind of analysis that scholars have applied to states—that is, we must consider both the rescaling strategies pursued by states and firms, as well as the contradictions both face as a result of new and existing socio-spatial inequalities.

Keywords: Capital and state rescaling; Contradictory processes; Uneven development; Periphery; Economic development; Rural

1. Introduction

A single corporate apparel firm requires that an airport amid cornfields receive a make-over to reflect federal aviation standards if they are to operate their global distribution system from a rural area. Federal and state-level governments, anxious to support the firm’s expansion within their territories in an age of capital mobility, negotiate a cost-sharing agreement for the infrastructural improvements. Desperate for economic growth and job creation, a small local government in a struggling agricultural economy agrees to absorb a quarter of the cost, despite that other community development priorities will be neglected. In an era of neoliberal globalization, this is an example of how processes of local economic development are fundamentally influenced by the strategies of both private firms and states at federal, state and local scales. Moreover, it demonstrates how all actors—firms and states at different scales—negotiate new regulatory arrangements within existing forms of uneven development and, in the process, create new forms of uneven development.

In this article, I interrogate the contradictions created for both states and firms by the spatial uneven development generated by capitalist economic growth. Recent studies argue that negotiations over the direction of economic growth and development play out through intersecting processes of capital and state rescaling. Facilitated by information and communication technologies, capitalist firms have become increasingly mobile and capable of rescaling how their activities are regulated. That is, firms are attempting to circumvent regulations at the national scale and instead are seeking new forms of private and public regulation at a range of different scales. In an attempt to capture mobile capital, national governments are rescaling policy frameworks by renegotiating their relationships with both sub- and supra-national governments and institutions. This includes encouraging sub-national governments to roll-out place-specific regulatory arrangements that meet the needs of private firms in particular places (Brenner, 2004; Peck and Tickell, 2002; on the regulatory role of sub-national governments, see also Cox and Mair, 1988; Harvey, 1989; Logan and Molotch, 1987; Sassen, 1991; Stone, 1989). Such strategies tend to support the entrepreneurial potential of highly competitive cities and regions, generating new socio-spatial inequalities (Brenner, 2004).
Much of the literature on rescaling and on the regulatory role of sub-national governments focuses on highly competitive urban centers. Scholars note that less attention has been given to the experience of rescaling in cities and regions peripheral to national and global accumulation strategies (Brenner, 2004; Lobao and Kraybill, 2005; Lobao, 2007). Thus, I explore the negotiations between a global apparel merchant, Lands’ End, and states at federal, state and local scales over specific local regulatory arrangements to support the firm’s growth in Dodgeville, Wisconsin. Through this case study, I argue that an examination of capital and state rescaling in peripheral regions extends the literature in two key ways. First, we must extend Brenner’s (2004) insights to capture the multi-scalar construction of socio-spatial inequalities and how the interactions between rescaling strategies at different scales influence local outcomes. That is, as states at all scales both create and manage uneven development through rescaling processes, their actions affect local development outcomes. Second, the experience of peripheral regions draws attention to the contradictions rescaling creates for firms. The rescaling literature points to the roles played by both firms and states in rescaling processes and suggests that these processes create new contradictions—particularly new socio-spatial inequalities—that states must manage. I suggest that we must extend this latter analysis to firms as well, in order to understand how firms, too, must manage the contradictions of the uneven development created by rescaling. Moreover, it is within these firm-level contradictions that states, workers and communities can exercise agency and generate greater relative benefits for local communities.

In addition to extending the literature on rescaling, this paper represents a contribution to the literature on economic development in peripheral, and particularly rural, areas. In their review of research on rural economic restructuring, Falk and Lobao (2004) identify a two-fold problem. On the one hand, social scientists focusing on national-level economic restructuring generally fail to extend their analyses to rural areas. On the other hand, rural scholars focus their analyses on particular rural-specific issues, such as non-metropolitan industrialization or farm structural change, but do not link these changes to broader state and federal-level restructuring. Thus, I suggest that by linking analyses of rural economic development to capital and state rescaling processes, we can explore how the agency of actors in rural places, and the competitive structure they face, is shaped by the interaction between firm strategies and state policies across scales. Moreover, the rescaling literature points to how the specific forms of rescaling occurring in the context of globalization privilege certain kinds of local regulatory responses, such as private–public partnerships, and generate new forms of socio-spatial inequalities which local states have increasing responsibility to manage.

2. Capital and state rescaling in peripheral regions

A wide range of scholars argue that sub-national governments, particularly cities, are increasingly responsible for the regulation of economic growth as nation-states “roll-back” national forms of regulation (i.e. Cox and Mair, 1988; Harvey, 1989; Logan and Molotch, 1987; Peck and Tickell, 2002; Sassen, 1991; Stone, 1989; etc.). This work largely focuses on highly competitive sub-national units—such as ‘global cities’ or powerful urban growth machines—and their ability to develop new regulatory capacities at the sub-national level. Scholars analyze the range of strategies employed by entrepreneurialized local governments as they attempt to manage the, at times contradictory, goals of economic growth and development while competing for both public and private investment.

A number of authors have begun to complicate this literature, embedding the growing role of sub-national governments in a more complex understanding of regulatory shifts at the national and global level (Brenner, 1999, 2004; Jessop, 2002; Peck, 2002; Rodriguez-Pose and Gill, 2003; Swyngedouw, 2000). Brenner (2004) argues that the increasing role played by sub-national state units in the regulation of economic growth and development is a result of two processes. First is a process of capital rescaling, whereby mobile capitalist firms attempt to circumvent or dismantle forms of national social, monetary and labor regulation established in the Fordist–Keynesian era that inhibit their ability to organize production in ways that maximize profit. Yet, firms remain dependent upon the establishment of certain infrastructure, regulatory apparatuses and policies to facilitate their accumulation strategies. Therefore, firms strategically negotiate to rescale regulatory arrangements at a range of sub- or supra-national scales in order to meet their specific regulatory goals. Yet, as firms actively shape regulatory arrangements across different scales, a second process of state rescaling is also occurring. Through state rescaling, states at different scales (the national government, state governments, local governments) also renegotiate their different roles and relationships in attempts to capture mobile capital investment. This involves the “rolling-out” of new supra- and sub-national regulatory forms, which may be public, quasi-public or private. In this way, the renegotiation of regulatory arrangements across a range of scales influences economic development outcomes in a particular place.

Brenner (2004) insists that rescaling processes affect different places in different ways. The implications of new regulatory arrangements are different for different cities and regions, depending on their relative position in regional, national and global economies and on their strategic importance for national economic development goals. Brenner (2004) argues that national governments compete to draw mobile capital investment into their territories through two main policy strategies: (1) promoting place-specific forms of governance, regulation and economic growth strategies to enhance the competitiveness...
of specific locations; and (2) creating competition between sub-national state scales for public and private investment and/or funnelling resources to competitive regions. These policies, Brenner argues, have relational outcomes. By concentrating resources and capacities in certain highly competitive cities and regions to ensure national economic growth, other areas are relatively marginalized. Through such policies, national governments are creating new socio-spatial inequalities.

Brenner’s theoretical framework recognizes both the relational effects of rescaling processes and the spatial variability in their effects. His empirical work, reflecting the broader rescaling literature, largely focuses on the new roles of nationally and globally competitive cities and regions. Recent analysts note that less research focuses on the implications of these processes for peripheral regions (some scholars beginning to bridge this gap include: Cloke the implications of these processes for peripheral regions. Recent analysts note that less research focuses on the implications of these processes for peripheral regions (some scholars beginning to bridge this gap include: Cloke the implications of these processes for peripheral regions. Recent analysts note that less research focuses on the implications of these processes for peripheral regions (some scholars beginning to bridge this gap include: Cloke the implications of these processes for peripheral regions. Recent analysts note that less research focuses on the implications of these processes for peripheral regions (some scholars beginning to bridge this gap include: Cloke

To extend Brenner’s framework to take account of rescaling in peripheral regions, first we must conceptualize how new socio-spatial inequalities are being created not only by the national state but by states at other scales as they negotiate rescaling processes. Recent work on rescaling has demonstrated the implications of national rescaling policies on peripheral regions, such as rural areas. These areas, which already command fewer resources and have less institutional capacity to assume new roles, increasingly must assume greater regulatory responsibilities with less fiscal support from federal and state governments (Lobao, 2007; Lobao and Kraybill, 2005; Rodriguez-Pose and Gill, 2003; Sharp and Parisi, 2004; Winter, 2006). To extend Brenner’s framework to take account of rescaling in peripheral regions, first we must conceptualize how new socio-spatial inequalities are being created not only by the national state but by states at other scales as they negotiate rescaling processes. Recent work on rescaling has demonstrated the implications of national rescaling policies on peripheral regions, such as rural areas. These areas, which already command fewer resources and have less institutional capacity to assume new roles, increasingly must assume greater regulatory responsibilities with less fiscal support from federal and state governments (Lobao, 2007; Lobao and Kraybill, 2005; Rodriguez-Pose and Gill, 2003; Sharp and Parisi, 2004; Winter, 2006). However, peripheral areas are not merely marginalized by rescaling strategies of the national state; peripheral areas, and local states in particular, actively negotiate rescaling. In particular, Duncan and Goodwin (1988) argue that just as national states are involved in both the creation and management of uneven spatial development in their territories, so too are local states. Like states at other scales, the “local state” is implicated in the regulation of unevenness and the unevenness of regulation” (Painter and Goodwin, 1995, p. 336). Thus, it is not only the national state but also sub-national states that can create and must manage socio-spatial inequalities through rescaling processes.

Duncan and Goodwin (1988) further suggest that we must understand how the local state’s role in both creating and managing uneven development is embedded within center–local relations (see also Cloke and Little, 1990; Agranoff and McGuire, 1998). Cerny (1995, p. 618) insists that realignments of state power at a national scale generate “a ‘whipsaw’ effect in which each level of the state must react to a wide range of competitive forces, political pressures, and institutional constraints operating both within and beyond its boundaries”. We can link these insights to Brenner’s (2004) framework in order to understand the interaction of rescaling strategies across multiple scales. For example, as Brenner (2004) argues, national governments, compelled to compete for capital investment, tend to concentrate resources in their most competitive cities and regions, creating new socio-spatial inequalities nationally. This may involve directly funnelling resources into competitive regions and/or devolving responsibility for economic development to sub-national states in order to let the most competitive prevail in competitions for both public and private investment. However, we can hypothesize that state governments, themselves either privileged or marginalized by national growth strategies and their path-dependent history, will also privilege their most competitive cities and counties. This generates another layer of socio-spatial inequalities within the state. Finally, local governments, in turn, may concentrate resources in their most competitive development projects, creating socio-spatial inequalities within cities and counties. In this way, sub-national governments replicate national strategies in part due to the constraints they face based on the unequal relationships negotiated between state scales and in part due to competitive constraints in the economy.

This more complex conceptualization extends Brenner’s framework beyond national level processes to focus on how development outcomes in a particular city, for example, depend not only on the regulatory and entrepreneurial approaches of the city government but also on the complex intersection of national, state and local policy strategies. Through the interaction of these processes, not only are new cores and new peripheries generated within a nation-state, as Brenner suggests; new sub-cores and sub-peripheries are further created within the core and within the periphery. This more complex framework provides a more complete understanding of the redistribution of the costs and benefits within emerging regulatory arrangements.

However, a second extension of the literature is also required. The rescaling literature emphasizes the contradictions facing states and pays little attention to the contradictions created for capitalist firms as a result of rescaling. As noted above, scholars suggest that both firms and states take an active role in rescaling processes. Key factions of industrial, financial and service capital are attempting to extract themselves from regulatory processes

To clarify, by ‘peripheral region’, I am referring to areas that historically have been marginalized within the international division of labor. That is, peripheral areas are places involved with parts of the production process that accrue little relative value (i.e. production/ extraction of raw materials vs. their processing; apparel manufacturing or call centers vs. branding and design). This should be distinguished from conventional definitions of peripheral such as that of Wallerstein (1974) that equate the categories of center and periphery to states. I suggest that peripheral regions may refer to states, but may also refer to sub-national regions, such as states, smaller cities and rural areas. Furthermore, we can understand places as being more or less peripheral or more or less central to high-value activities in the international division of labor. In fact, entrepreneurial governments attempt to achieve a less peripheral place within the international division of labor through upgrading.
at the national scale and to instead rescale regulation through negotiations at local and regional scales (Swyngedouw, 2004, 1997; Brenner, 2004). At the same time, Brenner (2004) argues that states are not merely reacting to firms’ rescaling strategies but rather engage in concerted political strategies of their own to redirect processes of economic and spatial restructuring. This includes renegotiating the relationships between different state scales.

Scholars further suggest that, although states actively pursue rescaling, these strategies create new contradictions that states must manage. Perhaps foremost among these, as noted above, Brenner (2004) argues that states’ own rescaling strategies create new socio-spatial inequalities, and states must manage the contradictions created by this uneven development (see also Peck and Tickell, 1995). In this way, the literature provides an approach for exploring how states both actively pursue rescaling strategies and face new contradictions that are created by these strategies. Yet, few scholars use this dual lens of analysis to explore the role of capitalist firms in rescaling processes and thus overlook potential contradictions that rescaling strategies create for firms themselves, and how such contradictions might influence development outcomes.

This gap is somewhat curious, given that Brenner (2004) gives significant attention to the necessity for firms to negotiate new place-specific relations. It is reasonable to believe that the new place-specific regulatory forms firms attempt to create do not provide completely unproblematic relations for firms. Specifically, I argue that firms too must manage the contradictions of uneven development within their rescaling strategies. As firms seek new place-specific forms of regulation, they confront contradictions created by new and existing socio-spatial inequalities. Sassen (1991), for example, demonstrates how, to locate in ‘global cities’, firms must balance the contradiction between the place-specific benefits of agglomeration economies and the exorbitant operating costs in places privileged in previous negotiations of uneven development. Similarly, firms locating in peripheral regions to maximize their relative bargaining power vis-à-vis local workers and governments must deal with the contradictions of a region marginalized in previous negotiations of uneven development. In the case study that follows, for example, we will see that, on the one hand, Lands’ End has significant bargaining power to negotiate cost-savings in real estate, wages and subsidized infrastructure; on the other hand, the firm faces new difficulties recruiting executives, negotiating basic infrastructure, and distancing itself from the small community’s moral economy. Thus the particular rescaling strategy that firms choose at once creates advantages for the firm as well as new contradictions that must be managed based on new and existing forms of uneven development.

Acknowledging the contradictions faced by firms extends our understanding of the tensions within rescaling processes. Moreover, it points to possible sources of agency for local communities, workers and states. Local people can target the contradictions faced by firms to influence development outcomes. These contradictions created by firms’ strategies can open up new arenas of contestation through which states, workers and communities can exercise agency based on their moral economy—their understanding of what is fair and just (Thompson, 1973/1991). To this end, I suggest that we must extend to firms the kind of analysis that scholars have applied to states: that is, we must consider both the rescaling strategies pursued by states and firms, as well as the contradictions both face as a result of these strategies.

3. Methods

In the past decade, a number of authors have produced theoretical analyses of state and capital rescaling (Brenner, 1999, 2004; Peck, 2002; Swyngedouw, 1997; etc.). However, few efforts have been made to operationalize these concepts—to understand how they can inform and be informed by specific empirical cases (Peck, 2002). This case offers a unique lens through which to evaluate and explore processes of rescaling as it traces the intersection of specific firm strategies and policies at different state scales. I look at how the competitive strategies of a global apparel merchant, Lands’ End, intersect with federal, state and local government legislation and economic development efforts. Lands’ End is the fourth largest catalog apparel merchant and the largest online apparel retailer in the world. Once independently owned, the “brand” is now owned by Sears and K-mart. In 1978, Lands’ End relocated its call and distribution center operations from Chicago to Dodgeville, a rural city of 4200 people in Wisconsin; in 1990, the firm relocated its headquarters there. The firm now operates call and distribution centers in six locations across Wisconsin and Iowa.

This study brings together four types of data in order to track interscalar decision-making: census data for Iowa County and the City of Dodgeville from 1975 to present; primary and secondary sources documenting federal- and state-level policy changes; over 60 articles in local, regional and national newspapers covering Lands’ End’s activities from approximately 1978 to present; and ethnographic research. I conducted semi-structured interviews with approximately 30 people, including salaried executives and firm representatives, full- and part-time employees, public officials and other community members. I also attended a quarterly lunch meeting held between Lands’ End executives, city officials and community representatives.

4. Capital and state rescaling in the United States: apparel firms and peripheral places

After World War II (WWII), the Fordist–Keynesian compromise that was being forged between industry, workers and the national state resulted in a particular socio-spatial distribution of development across the United States. These struggles created regulatory arrangements at
the national scale in the form of federal labor legislation, as well as at the international scale, for example, through the Multi-Fiber Agreement to protect the apparel industry. In addition to national-level legislation, the federal government maintained implicit regional policies after WWII that influenced spatial development through patterns of, mostly military-industrial, investment. During this time, the federal government also increased the number of grants given to state and local governments to attract industrial investment (Eisinger, 1988; Summers et al., 1976). As state and city governments offered tax holidays, public infrastructure investments and anti-union legislation, corporations, including textile and apparel firms, relocated from the traditional industrial centers of the north to the low-cost, non-unionized, and previously marginalized rural south (Friedmann and Bloch, 1990; Summers et al., 1976).

By the 1970s, however, the federal government was re-strategizing its approach to economic growth and development in relation to a rapidly changing global economic environment. With new innovations in transportation, communication and information technologies, firms across a range of industries were competitively relocating production facilities in “developing” countries with lower investment costs. This generated severe deindustrialization across the United States, exacerbated by the debt crisis that set in by the early 1980s. At the same time, within the United States, firms were actively attempting to rescale labor regulation by undermining national labor regulations and breaking pattern bargaining on a national scale (Herod, 1991). In its place, firms attempted to create new regulatory arrangements with workers on the shop floor and governments at the municipal scale.

Within these capital rescaling processes, apparel firms were no exception (Collins, 2003). For example, Lands’ End constructed itself as a branded marketer, focusing on profitable design and marketing activities and outsourcing lower-profit manufacturing processes to countries and regions with weaker labor and environmental regulation. By 2002, Lands’ End had established product sourcing arrangements with 350 sub-contracting factories, 80% of which were offshore (Lands’ End Inc., 2002). By 1993, Lands’ End was also marketing products in over 57 countries (Jones, 1993). This sales growth required an expanded network of call and distribution centers. Mirroring its product sourcing strategy, Lands’ End aimed to establish a network of call and distribution centers in regions where the regulatory environment would not make the firm uncompetitive—that is, a relatively low-wage, anti-union environment.

As neoliberalism emerged as the preferred response to these capital rescaling strategies, the federal state launched a material and ideological attack on “big government” (Peck, 2002). In terms of economic growth and development, the federal government significantly altered its relationship with sub-national governments in two main ways. First, while state and local governments had long been involved in economic development, the federal government dramatically reduced the public resources available for state and local economic development (Cox and Mair, 1988; Eisinger and Gormley, 1988; Sharp and Parisi, 2004). Second, through “New Federalism”, the federal government devolved to states and cities responsibility for the regulation of what had been federal or regional development programs (Eisinger, 1988; Friedmann and Bloch, 1990; Logan and Molotch, 1987; Sharp and Parisi, 2004).

In the context of these capital and state rescaling strategies, the Midwest offered a favorable location for Lands’ End’s call and distribution centers. State governments and local governments with city, town and county jurisdictions now faced intensifying competition for both private and public investment (Eisinger, 1988; Peck and Tickell, 2002). Within this changing national approach to economic development, Midwestern states found themselves increasingly peripheral to national economic growth strategies. The Midwestern economy had borne “a disproportionate burden of the decline of American manufacturing” (Eisinger and Gormley, 1988, p. 9), exacerbated by the farm crisis in the 1980s. Thus, Midwestern states were eager to attract—and compete for—corporate investment to shore up their sputtering economies.

In 1978, Lands’ End made the decision to relocate its call and distribution centers from Chicago to Dodgeville. A distinct spatial logic governed Lands’ End’s decision to locate in Dodgeville and not a different peripheral location. While part of the rural periphery of Wisconsin (see Fig. 1), Dodgeville enjoys a privileged position in the spatial hierarchy of the state given its proximity to Madison. Dodgeville is a rural location still close enough to the state’s economic and political center of Madison to ensure solid infrastructure, especially a well-maintained highway to truck out Lands’ End’s products. Madison also offers bigger city amenities and housing options to the firm’s salaried employees.

The firm would later expand its operations across Wisconsin and Iowa. In addition to its low real-estate costs, low wages and tax subsidies, Wisconsin and Iowa locations offered other benefits for Lands’ End: the hard-working, anti-union culture of agriculture (see Dudley, 2000); the greenfields of farm women inexperienced in labor markets; and a struggling agricultural economy that would both subsidize the firms’ low wages and provide

---

2 Federal grants to states and localities had grown steadily during the post-war period, increasing from 0.08% of GNP to 3.7% between 1955 and 1978; by the late 1970s and early 1980s, however, this trend rapidly reversed (Eisinger, 1988). Between 1978 and 1983 alone, the real value of intergovernmental dollars had fallen by 25% (Eisinger, 1988). Federal aid as a proportion of state and local budgets fell from 26% in 1978 to just over 20% by 1983, and, between 1980 and 1987, the real value of federal aid to state and local governments declined by 39% (Eisinger and Gormley, 1988). While these numbers held constant or rebounded slightly in later years, federal aid never again reached post-WWII levels.

3 When Lands’ End made its decision to relocate to Dodgeville, plans were being made to double-lane the highway between Dodgeville and Madison.
workers desperate for extra income and benefits. First hiring a handful of employees in Wisconsin in 1978, 25 years later Lands' End boasted between 6000 and 7000 employees (varying seasonally) across six locations in Wisconsin and Iowa (Dodgeville Chronicle, 1992). Half of these employees are hired on a temporary basis, and 75% are women. The firm would move its headquarters from Chicago to Dodgeville in the early 1990s.

5. Contradictions for states in rescaling processes

Lands’ End’s decision to locate its call and distribution facilities in Wisconsin and Iowa has stimulated rescaling strategies across federal, state and local scales. In the late 1970s and early 1980s, local, state and even federal decision-makers placed their bets on Lands’ End as a source of economic growth in the struggling Midwestern, and particularly Wisconsin, economy. As a result, each of these state scales concentrated resources in the Lands’ End-Dodgeville private–public partnership.

In these early years, this largely meant facilitating the firm’s growth in its initial location in Dodgeville, Wisconsin. With increasing responsibility for local economic development as a result of federal rescaling processes, the local government in Dodgeville was relatively successful in the competition for state and federal investment, given its partnership with Lands’ End. The State Department of Development offered $315,000 of federal funds received through the Community Development Block Grant Program to finance infrastructural development (Massey, 1983). Dodgeville was further able to capture over

4The racial breakdown of workers at Lands’ End reflects the racial composition of Iowa County. In 2000, 98.5% of residents of Iowa County were white, non-Hispanic (US Census Bureau, 2000).

5While originally a federal program intended to address poverty, not economic growth, regulation of the Development Block Grants became a state responsibility under New Federalism and increasingly became used for this latter purpose (Eisinger, 1988). The State of Wisconsin passed legislation that dedicated Development Block Grant funds specifically “to assist businesses that will invest private funds and create jobs as they expand or relocate to Wisconsin” (Wisconsin Department of Commerce,
$700,000 in federal grants during this period through the Economic Development Administration of the US Department of Commerce (Dodgeville Chronicle, 1979; Massey, 1983). The City of Dodgeville negotiated significant concessions for the firm, including waiving rules limiting the amount of land one firm could own in the industrial park, waiving public bidding requirements for Lands’ End to access the land, and selling the firm land the city had previously allocated for a Civic Center (Dodgeville Chronicle, 1982a, 1985a,b). A city councillor explained to the local newspaper that “there are a lot of people in Southwest Wisconsin who envy Dodgeville for Lands’ End. So I think we should support them in every way we can” (Dodgeville Chronicle, 1982a).

Indeed, the rescaling strategies of local, state and federal governments, which created new place-specific regulatory and infrastructural arrangements, facilitated Lands’ End’s growth. In 1982, the firm was employing 300 people and announced a plan to create 100 jobs each year until 1990—a promise it more than fulfilled with 1,400 year-round and 1,200 seasonal employees by 1987 (Dodgeville Chronicle, 1982b, 1987). By 1985, Lands’ End owned all 15 plots in the industrial park built by the City with a state grant a few years before the firm’s arrival. After going public in 1986, the firm was shipping 46 million catalogs a year and operating six outlet stores, with net sales topping $227.2 million (Dodgeville Chronicle, 1986). Between 1981 and 1986, Lands’ End’s net income skyrocketed from $1.5 million to $21.6 million (Dodgeville Chronicle, 1982b, 1986). Twenty-five years later, Lands’ End now pays 24% of Dodgeville’s tax base and is the largest taxpayer in Iowa County (Novak, 2002). The firm is the largest employer in both the city and the county, with more than 15 times as many workers as the next largest firm (Wisconsin Department of Workforce Development, 1999).

However, to allow Lands’ End’s success, federal, state and local governments have been involved in the rescaling of regulation in order to roll-out firm-specific arrangements. In 1994, for example, the firm signed a 3-year, $200 million dollar contract with UPS to guarantee a 2-day shipping standard for customers at no extra charge (Dodgeville Chronicle, 1994). To enable the functioning of its global distribution networks from rural Wisconsin, the firm required improvements that would allow daily UPS flights into the Iowa County Airport, located near the firm’s main distribution center in Dodgeville. In order to upgrade and maintain what had been, in the words of an Iowa County official, “a little family kinda oriented airport” in order to meet federal aviation standards, a cost-sharing agreement was negotiated between the federal (50% of funding), state (25%) and county (25%) governments for the necessary improvements.

While securing Lands’ End’s growth, this creation of this customized, high-performance and place-specific infrastructural development through cooperation across state scales created new contradictions for the local state in Dodgeville. The County Airport Commission’s only revenue source from the airport is gas sales, and Lands’ End is the only major user of the upgraded airport. For a time, a Lands’ End CEO lived in Dodgeville and would fly the corporate jet to Florida each weekend to visit his family, who refused to move to Wisconsin. The County Airport Commission thus enjoyed steady gas revenue. However, when the CEO left Lands’ End to work for Tommy Hilfiger, these sales ended. In 2004, Iowa County ran a $136,629 deficit on the airport (Iowa County Government, 2004). Local residents express concern over such allocations of public resources, the loss of regulatory control to federal authorities, and the corporate largess it represents. A former city councillor demonstrates: “there were three Sears jets on the airstrip at one time. I don’t know why they couldn’t all travel together”.

These concerns about the airport reflect a larger tension between economic growth of the firm and the development of new socio-spatial inequalities within the community as a result of federal, state and local scalar strategies. A public official reports that the city has financed the reconstruction and relocation of the same road three times as Lands’ End expands its facilities and finds that the road is not in the right place to serve its purposes. At the same time, a drive through the streets of Dodgeville reveals that the majority of residential streets are run-down and full of pot-holes. As the city council is compelled to concentrate resources into its most competitive growth potential—Lands’ End, these kinds of disparities stimulate broader concerns regarding what kind of community development is emerging from these policies. For example, community members recognize their growing dependence on the firm, as one part-time employee articulates:

Without them here Dodgeville would just die. So many people depend on them for a paycheck. Now that I think about it, it’s kind of sick actually...it’s like on the movies where there’s this big, bad corporation with all these people surrounding them because they have to...but that’s how it really is, that’s here.

Moreover, even the members of the city council express concerns regarding the increasingly narrow policy options they face. One former city councillor notes: “Lands’ End asks the town to jump and they ask, how high?” Thus, even a peripheral city that has managed to attract private and public resources faces new costs and risks through the
development of socio-spatial inequalities within the city itself.

Some of the policy constraints faced by the City of Dodgeville are rooted in the role Lands’ End plays in the economy of the State of Wisconsin. As the firm represents a ‘clean’ industry that creates jobs in the new ‘knowledge economy’, the State of Wisconsin has taken an entrepreneurial role in ensuring Lands’ End’s growth and its contribution to the State’s economic development. For example, before establishing call and distribution centers in Reedsburg, WI in the early 1990s, Lands’ End considered alternative sites in Wisconsin and Iowa. The firm was finally wooed by the State of Wisconsin’s efforts to ensure the firm’s expansion in-state. The local newspaper in Dodgeville described these efforts:

Governor Thompson had several discussions with the company regarding Wisconsin advantages, such as a skilled, productive work force, low land and utility costs, and the nation’s fourth lowest business taxes…. The Department of Development assisted the company in finding the Reedsburg site. The governor added that he had written a letter to the Reedsburg Planning Commission in support of the company’s request for a zoning change to accommodate the expansion. He also said that the Department of Development and the City of Reedsburg have discussed state assistance for necessary infrastructure improvements to the site (Dodgeville Chronicle, 1993).

Here, the state government not only advertised its favorable business climate but further took an active role in negotiating a suitable location within Wisconsin for Lands’ End’s expansion. These efforts, however, required the cooperation of local governments who control zoning laws and must be involved in the financing of infrastructural improvements. With intense interlocal competition for public and private funds, the City of Reedsburg is aware that if they do not compete for these public investment dollars to support Lands’ End’s growth, the city is unlikely to receive alternative public support.

Thus, not only do cities in Wisconsin compete for public and private investment, but the State of Wisconsin is also embroiled in a competition for investment that has implications for local outcomes. In another example, in 1995, Lands’ End embarked on a period of rapid growth as it became one of the first apparel merchants to embrace internet retailing. With Lands’ End’s increasing reliance on computer technology, Wisconsin Manufacturers and Commerce (WMC), a Madison-based industry group with 1200 members including Lands’ End, began lobbying to have taxes removed from businesses’ personal property, such as office furniture and computers. The WMC cited difficulties faced by Lands’ End and other mail-order companies that rely on computers to be competitive in Wisconsin: “‘If they set up their business in Illinois or Iowa they don’t have to pay that tax’” says James Buchen, WMC’s vice president of government relations” (Oshkosh Northwestern, 1996). Responding to this lobby effort, the State of Wisconsin exempted computer equipment owned by businesses from property tax, effective January 1, 1999 (Wisconsin Department of Commerce, 2004b).

This concession represents a competitive attempt to maintain capital investment, but it also demonstrates the way in which interlocal competition between state governments affects local governments working beneath them. Exempting Lands’ End from paying tax on their computers resulted in a revenue loss for the City of Dodgeville and Iowa County. Such competitive state government policies can create dissent among local governments, as a former Dodgeville city official explains: “‘there’s a lot of mistrust between the local government and the state government, I can tell you that.’” To address these concerns, the state attempted to compensate for this loss by offering aid money to municipal governments. While varying each year, the City of Dodgeville received $209,000 and Iowa County, $136,306 in 2004 (interview with city official; Iowa County Government, 2004). Despite compensation, this policy shift moves away from redistributive taxation on business property and instead induces public subsidization of the firm’s activities in the form of “aid.” It increases the risk assumed by municipal governments; “aid” money is more subject to change than legislated progressive taxation. Moreover, it demonstrates how states must actively create hegemony among local governments, compelling them to understand their own growth as tied to and enhanced by such state actions.

Policy strategies at different state scales aimed to generate competition and reward entrepreneurialism are further exacerbated by firm strategies. By rescaling to negotiate with local governments rather than with the state or federal government, Lands’ End uses the threat of interlocal competition to ensure cooperation from local governments. For example, a public official in Dodgeville recounted a phone call with the president of Lands’ End:

“I got a call one day from the president saying, hey, we want to grow our Business Outfitters. You know we can take it to Steven’s Point now, because Steven’s Point has that, you know, it has that operation…”

By threatening to expand in Steven’s Point, Wisconsin, the firm successfully squeezed more concessions out of the Dodgeville government. As the firm’s scalar strategies to negotiate with local governments induces competition, the city council felt pressured to meet the firm’s demands in order to ensure further job creation and economic development in the city.

It this way, it becomes clear how the intersection of local, state and federal growth policies and firm strategies impinge on local outcomes in Dodgeville. Firm, state and federal strategies induce local governments to funnel their resources into the Dodgeville-Lands’ End public-private partnership, despite the creation of new socio-spatial inequalities within the city. Yet, the concentration of federal, state and local resources into Lands’ End’s growth
in Dodgeville and a few other key locations has further implications for the development of socio-spatial inequalities across the state. As state and local governments replicate national strategies to concentrate resources in their most competitive locations, other communities are relatively marginalized as economic opportunities are concentrated in the public–private partnership in Dodgeville.

Dodgeville has experienced significant gains through capital and state rescaling—an economic boom in a suffering agricultural economy. Thousands of jobs (currently between 4000 and 6000, varying seasonally) have been created. During the 1990s, Iowa County’s population grew faster than the state and the nation, with most of this growth (60%) due to in-migration concentrated around the Dodgeville area. The household median income in Dodgeville has risen to $44,445, higher than that in the state (US Census Bureau, 2000). Dodgeville has become a regional center within the periphery, as local residents note:

We’ve got a Wal-mart, we’ve got a lot of restaurants…we have a small town atmosphere, but we’ve got the major corporation, and that has provided things like every choice of fast food you could possibly want in this town. It’s a lot more than we’d have if we were living in, you know, Mineral Point [a smaller town nearby, many of whose residents commute to work at Lands’ End]. I mean, they have nothing. They don’t even have a McDonald’s there (Lands’ End employee and Dodgeville resident).

As Dodgeville has experienced growth, surrounding areas have become peripheralized, generating a complex hierarchy within the periphery itself.

The creation of new core and periphery relations within the rural periphery of south-western Wisconsin is perhaps most clearly demonstrated through employment and commuting patterns. With few alternative employment options, farm women and others in surrounding communities drive up to 100 km one way to access Lands’ End’s jobs and particularly the accompanying health insurance. At Lands’ End, health insurance is offered to all employees, and farm women, as well as other people in Dodgeville, attempt to secure part- or full-time jobs to access this benefit. The health insurance plan offered to part-time employees (which constitute half of all employees), however, is considerably worse than the benefits other employees receive. As a manager at Lands’ End describes, this plan, which costs about $200 a month, offers “basic care” which is “by no means the same healthcare plan that we have for our regular employees”. Despite this, many farm women and other residents are compelled to take part-time positions:

They do offer benefits to them [part-time employees] at a cost. That’s how I got our insurance when I was a flex employee. They had…insurance that you paid…I mean, it’s cheaper than if you went out and got it on your own. But it’s…it’s still…it still took pretty much all my paycheck to cover that (full-time employee).

I know some older people, like farmers who have sold their farms, don’t have any insurance. I know one couple…they needed to work and really took home very little money because they were on Lands’ End’s insurance. They were paying most of it (retiree, flex employee).

As employees commute significant distances to part-time jobs and pay much of their paychecks to cover insurance costs, the consequences of the spatial concentration of economic opportunities get passed onto some of the most vulnerable actors. In this way, we see how the reconstruction of core, periphery, sub-core and sub-periphery is a multi-layered process. Even as one community benefits from the concentration of resources, this creates new core–periphery relations within the periphery as economic opportunities in peripheral regions become spatially concentrated in particular places and particular development projects.

6. Contradictions for firms in rescaling processes

Lands’ End’s accumulation strategies and the regulatory approaches of states at different scales thus create contradictions for states as efforts to stimulate private-led economic growth create complex new socio-spatial inequalities. However, these rescaling processes do not create contradictions only for states; firms also face contradictions within their rescaling strategies based on new and existing socio-spatial inequalities. As a result, understanding firm-level contradictions is key to conceptualizing the opportunities and constraints generated by rescaling.

Location in a rural area is problematic for firms. For example, while a rural location lowers many operating costs, it increases Lands’ End’s recruitment expenditures. The firm not only relocated their call and distribution centers to Dodgeville but also followed in 1990 with their corporate headquarters. However, Lands’ End has reported difficulties recruiting executives for their marketing and design divisions, given their rural location. The firm has employed a variety of strategies to overcome this new obstacle, including hiring head-hunters, building a multimillion dollar gym and activity center to rival big city amenities, starting recruitment programs targeting local university graduates, and paying incentives to induce executives to live in Dodgeville (although most reject these incentives and commute from Madison and its bedroom communities). Thus, despite lower costs, Lands’ End faces new challenges that would have been avoided had the firm remained in Chicago or another major city.

Relocating to rural locations also creates infrastructural constraints, and thus contradictions, for firms. By locating in Dodgeville, Lands’ End rescaled regulatory negotiations to maximize their bargaining leverage vis-à-vis both workers and the local government. At the same time,
however, given its previous marginalization as an agricultural economy, Dodgeville lacks much of the basic infrastructure taken for granted in the agglomeration economies found in larger centers (airports, streets and highways, stoplights, post offices capable of handling large volumes, etc.). Dodgeville’s marginalized position within processes of uneven development thus creates new contradictions for the firm. Lands’ End has had to devote considerable energy to negotiating for infrastructure that would have existed without question in a larger center. Moreover, the kinds of demands the firm can make are also limited by the degree of debt a small city, in conjunction with the state, can hold with only one firm paying taxes.

For example, traffic increased dramatically when Lands’ End arrived, bringing thousands of commuters from farms and surrounding cities, as well as large trucks transporting their products. In order to keep traffic moving between shifts and to ensure timely and efficient product transportation, Lands’ End required the installation of a number of stoplights. In a city that had never had stoplights, the community used the contradictions of a rural location against the firm, forcing the firm to absorb the costs of this infrastructure, rather than offloading it onto the community. As a public official explains:

[Lands’ End] came to the city and asked for 9 street lights...we said, yeah, we could do the 9 street lights without a problem, but the street would have to be dedicated for public use. And when he understood that public use meant everything from public traffic, our traffic control, to, for example, ...if a farmer wanted to park a pick up truck and a dirty manure spreader, they could do that on a public street. And Lands’ End wouldn’t have had anything to say about that, even right in the threshold of their offices. They rethought the request and said, we’ll [pay for] it.

In this example, we see that how, despite its powerful bargaining position vis-à-vis this small city, Lands’ End had to manage the contradictions of locating in a community previously marginalized in processes of uneven development. Moreover, it is within these trade-offs that the firm makes that local places can exercise agency.

In another example, through their rescaling strategies, Lands’ End has attempted to bypass national and state regulatory bodies and to negotiate directly with the less powerful local government. Yet negotiating with a small local government also involves the negotiation of obligations to that community, mediated by the community’s moral economy. In Dodgeville, this has meant a struggle over to what extent Lands’ End and its executives will be considered part of the “community”, and thus subject to the responsibilities that entails. This tension is sharpened given the new socio-spatial inequalities created by the firm’s presence. For example, the influx of highly paid corporate executives living in or commuting to Dodgeville has created a radical shift in the class structure of this agricultural community, reflected visibly in the comparison between old neighborhoods in the city center and the new housing sub-divisions on the outskirts of town. A Lands’ End employee describes this gap: “There is a huge, um, difference between what we get paid and what they get paid. I mean, some of them make a million dollars!” (part-time woman employee). A public official explains how the community views the corporation through its moral economy, using an example from when Lands’ End’s council have managed to convince successive CEOs to have lunch with them every 3 months, creating an outlet through which they can attempt to influence the firm’s actions. One public official describes:

I’m sure they’re in a different world and a different league and everything, but, uh, [the city council’s] gotta gain some trust for the community, and that’s what it’s about—a relationship. You know, the president still is willing to have lunch...sends a message...I looked her right in the eye, I said, your commitment is the same as Lands’ End’s has always been, isn’t it? To Dodgeville? And I made her promise they’ll leave it here. Cause I promise we’ll be here for them. But, time will tell, won’t it?

Inviting community members to the lunch meetings—from clergy to members of local civic organizations (who are also often Lands’ End employees)—the city council attempts to include the unwilling executives within the boundaries of the community and its attendant obligations.

For example, at one quarterly lunch meeting I attended, a school board member and Lands’ End employee had the opportunity to describe the school board’s financial problems to the firm’s chief financial officer. The school board, which receives 36% of local tax revenues, was seeking ratepayer approval to exceed their revenue caps. Their budget could not meet current demand for educational services. While it was not voiced during the lunch, this fiscal problem represents a socio-spatial inequality created within the community by the Tax Incremental Financing (TIF) agreement between the firm and the city.8

---

8This is not to say that the ‘community’ of Dodgeville is homogenous and that everyone views Lands’ End in the same way. Rather, significant divisions have emerged, particularly as some community members have been recruited into salaried positions within the firm (Quark, 2007).

9In 1996, a 70-acre TID was established in which Lands’ End promised to build $3.5 million of improvements, with a projected annual tax revenue of just over $100,000, contingent upon approximately $1.5 million of City financing for infrastructural improvements to the site. The following year,
As public dollars are concentrated in the firm’s infrastructural projects, other public institutions must do without.

Under the TIF agreement, the city borrows money for infrastructural improvements. The taxes generated from the improvements are used to pay back the city’s loans or bonds. The city has 20 years to repay the loans. Until the loans are repaid, the public entities that receive a share of property taxes—the city, the county, the vocational school and the school district—do not receive tax revenue from those improvements. Yet the school and the other public institutions must continue to provide services for a growing population. In 1996, Lands’ End was expanding its Corporate Sales division and asked the City of Dodgeville to create a Tax Incremental District (TID) to make infrastructural improvements. The city agreed, but not without dissent. A local newspaper reporter recalls that “when [the TIF] happened, people were squawking about whatever Lands’ End wants, they get.” Moreover, the school district voted against it.

Several years later, the school board is facing the financial squeeze that they had predicted during the initial debate regarding the TIF. In the meeting with Lands’ End, school board members tried to compel the firm to address the socio-spatial inequalities this policy had created. In this way, the city council uses these quarterly meetings to give voices to the community members and employees who depend on the firm’s jobs and tax dollars. Thus, while the firm’s rescaling strategies attempt to generate place-specific regulatory arrangements to bypass federal or state regulatory power, the firm faces the contradiction of managing dissent within the community regarding the socio-spatial inequalities the firms’ rescaling strategies create. Community members, workers and leaders use innovative strategies to exercise agency within the contradictions of the firm’s rural location and cost-cutting strategies.

7. Conclusion

Processes of state and capital rescaling represent struggles over the socio-spatial distribution of the costs, benefits and risks of capital accumulation—over the implications for people and places. As mobile capitalist firms gain power vis-à-vis states, they attempt to avoid national forms of regulation and rather rescale these arrangements at supra- and sub-national scales. National states find themselves in an intensified competition to attract and maintain private investment within their territory. In this context, national policy strategies involve concentrating resources in nationally and globally competitive cities and regions and devolving responsibilities for economic growth and development to sub-national governments. In this way, national, state and local governments are negotiating new interscalar forms of regulation of capital accumulation. This has involved the creation of new roles and responsibilities, changing institutional capacities, and an innovative range of policy strategies at all scales.

This case study has specifically aimed to explore capital and state rescaling as it plays out in peripheral regions. The literature on rescaling has largely focused on the implications for highly competitive global cities and urban growth regimes. By focusing on the national scale and on highly competitive sub-national scales in major urban centers, scholars have underestimated the complexity of capital and state rescaling processes. In smaller cities and rural regions, local governments find their own economic development goals constrained by the economic priorities of state and national governments. The competitive policy framework developed at the national level that either funnels resources to the most competitive cities and regions and/or devolves responsibility for economic development to lower level states and compels them to compete for private and public investment is replicated at state and local levels. As a result, a complex hierarchy of cores and peripheries within peripheries are created through rescaling processes. These insights gained through a study of peripheral regions point to the need to extend Brenner’s (2004) insights to capture the multi-scalar construction of socio-spatial inequalities and how the interactions between these different scales influence local outcomes.

In addition to creating complex contradictions for states, capital and state rescaling further generates contradictions for firms. The literature on rescaling points to the role both states and firms play in rescaling processes and explores the contradictions created by scalar strategies for states. Yet, the contradictions created for firms by these strategies tend to be overlooked. Through this case study, I have demonstrated how firm strategies to construct place-specific regulatory arrangements in rural areas have created new contradictions for firms themselves based on new and existing socio-spatial inequalities. Locating in a rural area does lower many of the firm’s operating costs. Yet, at the same time, the firm must overcome new obstacles, including the negotiation of basic infrastructure and regulatory arrangements in the context of the community’s moral economy. These firm-level contradictions represent opportunities for local people and places to influence economic development outcomes.

Acknowledgements

I would like to thank Jane L. Collins, Jamie Peck, Erik O. Wright, Brent Kaup, Nicole Breazeale, Paul Cloke and two anonymous reviewers for their comments on earlier
drafts of this work. I would also like to thank Jenn Huck for creating Figure 1. Usual disclaimers apply.

References


Dodgeville Chronicle, 1985a. Civic Center may relocate facility site to help make way for LE expansion, December 5.

Dodgeville Chronicle, 1985b. Land tie-up may snag Lands’ End, October 17.

Dodgeville Chronicle, 1986. Lands’ End stock to go public later this month, October 2.


Dodgeville Chronicle, 1993. Lands’ End to expand in Reedsburg, November 11.


