Technology Entrepreneurship HDCS 4370
Quiz #5: The US Textile Industry
Dr. Adomaitis
__Brandon Coreas __

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. The University of California Press.

Please answer to the best of your knowledge the following essay question. Use detail where appropriate. Remember grammar, punctuation & spelling count.

a. What was the initial lure for textile mills to move south? Was there any government incentive to attract mill owners to the South? How did unions affect textile mills? (2 pts)

The initial lure for textile mills to move south was because of the fact that it was much cheaper to work in the south. Initially, the northern textile industry employed around 124,000 workers whilst the south employed around 477,600 workers. According to Rosen “The traditional explanation for the southward movement of the U.S textile industry and for its lost jobs and shuttered plans, is the South's lower labor costs, its lower energy requirements, and the efforts of southern communities to lure textile mills to the region with state tax breaks” (Rosen, 2002, Pg.78, Par.3). Another reason for the move was that the federal tax laws had made it possible for textile companies to deduct the losses of an acquired company against a purchasing firm's profits. Unions had affected textile mills by exposing the various issues within the textile industry according to Rosen, Harris had stated that “ While the industry was consolidating in the South with high levels of productivity and profitability, and new increased investment in man-made fiber production, the process of restructuring was accompanied by intense suffering among textile workers in the north” (Rosen, 2002, Pg.78-79, Par 1).

b. On top of page 84, Rosen states, “They were considerably better off than women textile workers in the low-wage South during America’s postwar prosperity. Indeed, it was in part the very welfare these workers enjoyed that made the U.S. textile and apparel manufacturers begin to seek the comparative advantage of offshore production.” Define comparative advantage. In your own words, describe the author’s view, given in these two sentences, of offshore production.

(2pts)

Comparative advantage is essentially having an edge over something else when carrying out a specific task. In economic terms, according to Oxford comparative advantage is the “ability of an individual or group to carry out a particular economic activity, more efficiently than another activity” (Oxford Dictionary, n.d). In this instance, Rosen is essentially stating that offshore production had a relative comparative advantage compared to the actual home textile and apparel manufacturers. I would say that Rosen’s view on offshore production is that she believes it is beneficial for the U.S. considering she stated that textile manufacturers in the U.S. wanted to opt for that rather than staying on house.

c. How did the U.S. government play a part in ending production at U.S. textile mills, especially in the North? (2pts)

The U.S. government played a role in ending northern textile mill production because not only was the north losing workers to the south but also when Eisenhower was president the Industry had requested financial support but these requests were either ignored or denied. According to Rosen, this had led to the “Reluctance of U.S textile producers to invest in research and development —their inability to fund the development of their own technology had made the industry dependent on foreign textile machinery manufacturers” (Rosen, 2002, Pg.93, Par. 5).

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. The University of California Press. (cont.)

d. What were the textile initiatives offered to the textile industry by President Kennedy? How come no funds were appropriated to the textile industry until 1970? (2pts)

The textile initiatives that were offered to the textile industry by President Kennedy included federal financing for industrial restructuring. Rosen states that “Kennedy’s program ordered a speedup of tax depreciation allowance schedules” (Rosen, 2002, Pg.91, Par 4). Eventually, this led the U.S. textile industry to switch its emphasis to the development of new technologies which reduced the cost of production. No funds were appropriated to the textile industry for several years although requests have been made by the industry all of these requests have either been denied or ignored because the administration was focusing its efforts on expanding trade on behalf of more valued industries.

e. What is the two-price cotton policy? How did this affect U.S. textile producers?

The two-price cotton policy had set the cost of raw cotton higher for U.S. textile producers than for foreign manufacturers. In turn, this resulted in making the cost of raw cotton 26 percent lower and also freed capital for new investment. This affected U.S. textile producers by having them make new expenditures on equipment and plants. Between the years 1960 and 1970 production had rapidly expanded and finally in the 1980s the move to the south was complete. According to Rosen “Textile executives’ demands on Congress for trade, and protection were often accompanied by less-public requests for government aid for industrial restructuring, an issue that many advocates of industrial policy have failed to note. U.S. textile productivity increased and the industry shed more of its labor” (Rosen, 2002, Pg. 91, Par. 5).