Fashion Economics: FM 4339
Quiz #5: The US Textile Indusytry
Dr. Adomaitis

Carlos Contreras

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. 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 effect textile mills? (2 pts)

Textile mills were initially located throughout the United States until the South's lower labor costs, lower energy requirements, and most importantly, federal tax laws that allowed textile companies to deduct the losses of an acquired company against the purchasing firm's profits for at least two years enticed them to relocate South (Rosen, 2002, p. 78, pp. 3). Those were more than enough incentives to attract mill owners down South. Textile mills, on the other hand, were impacted by unions protecting their workers because textile producers supported trade protection, but textile unions did not, and America's textile producers were to blame for the job losses experienced by the country's northern textile workers; union leaders viewed textile executives who invoked the problem of job loss to justify protectionist demands as dishonest (Rosen, 2002, p. 79, pp. 2). In short, unions made sure to protect their workers and do what was in their best interest.

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 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 when a country produces a good or service at a lower opportunity cost than another (Rosen, 2002, p. 75, pp.2). Rosen was trying to say about offshore production in those two sentences that textile and apparel manufacturers began to see if all these benefits that U.S. workers were getting were worth paying for when they could get the same product done for less in a developing nation. Her views were against offshore production, but she described why textile and apparel manufacturers could take a liking towards it.

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

The U.S. government played a significant part in ending production at U.S. textile mills, especially in the North. One way they contributed was by helping Japan rebuild its textile industry. As the years went on, Japanese textile promoters began to charge less than the cost of production, or what trade analysts now call “dumping” (Rosen, 2002, p. 85, pp. 4). Textile mills began to fail in the North because the government allowed the industry to pull off those highly profitable mergers and acquisitions, which displaced many workers in the northern sector (Rosen, 2002, p. 90, pp. 2). In the end, the U.S. government was always either doing too much meddling or too little.

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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 of John F. Kennedy provided federal funding for what Kennedy hoped to be a restructuring of the entire industry. Kennedy's program mandated that tax depreciation allowance schedules be accelerated and that tax write-offs for technological innovation become available, making more capital available for modernization, and representing a new mandate for the textile industry to increase domestic productivity in a more competitive international marketplace (Rosen, 2002, p. 90-91, pp.4). Funds were supposedly being pumped into the program, but surprisingly the government appropriated no funds to the textile industry. This remained the case until 1970 when the Department of Labor established a small office to oversee the program (Rosen, 2002, p. 90, pp. 4). This demonstrated that nobody took the program seriously when it first started.

e. What the *two-price* cotton policy? How did this effect U.S. textile producers? (2 pts)

The two-price cotton policy raised the cost of raw cotton for U.S. textile manufacturers compared to foreign manufacturers until it was abolished in 1964, making natural cotton 26 percent cheaper than it had been for domestic producers (Rosen, 2002, p. 91, pp. 2). In a nutshell, this meant a lot of newly freed cash for U.S. textile producers to invest in new projects. Such projects included the U.S. textile manufacturers spending money on plants and equipment (Rosen, 2002, p. 91, pp. 2). The money that the U.S. textile manufacturers spent on the plants and equipment resulted in a rapid expansion of productivity.

References

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