Quiz #5
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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 was the federal tax laws that allowed merging companies to deduct the losses of the company acquired from the last 2 years' profits. Other reasons included. "the South's lower labor costs, its lower energy requirement and the efforts of the southern communities to lure textile mills to the region with state tax breaks" (Rosen, 2002, par.3, p.78). Later, between the 1960s and 1970s, the federal government launched other tax breaks, the president Kennedy's administration that made it possible for low-profit business owners to purchase up to date machinery.

Labor was more expensive in the North of the country because the North was heavily unionized, people in the North demanded basic work rights while the Southern workers failed to organize themselves implicating in worse work conditions and cheap labor; that helped to attract profit-driven mergers.

ADD TO ANSWER:Jim crow laws segregation in the south, cheap labor cause. A segrageted south had cheaper labor.

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)

To be more productive in a certain niche is to have a comparative advantage, even if a country is not absolutely superior in production on all levels, a country can have an advantage or produce a certain product or part of it more efficiently. "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" (Rosen, 2002, par.1, p.84) the Rosen quote is saying that it was becoming too expensive to produce in America as the workers demanded their rights and unionized, so overseas developed a comparative advantage because they could manufacture items in more cost-effective ways, meaning with low-cost labor.
ADD:UNDER .50 CENTS IN ASIA WHILE 1,40 IN THE USA AT A TIME

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

During the 1950's the demands of the Unions for better work conditions, small mills needed to purchase new machinery to end the brown lung disease for example. Eisenhower's administration refused to help the textile industry at the time, this fact was significant as the Northern mills went broke and were purchased by mergers. During that time the US was selling cotton to Japan and focusing on containing Communism. small mills needed to purchase new machinery. "A New England company would be closed ans its workers displaced as a new facility opened in the lower-cost South"(Rosen, 2002, par.3, p.78), the federal tax break given by the US government to companies to deducted losses from 2 years earnings was the main incentive that ended the North mills and had them move to the South.

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)

Before Kennedy, the focus was on "expanding trade on more valuable industries" (Rosen, 2002, par.2, p. 90), so no funds were released to help the textile industries. During the Kennedy presidency, federal financing was offered to the textile industry. "Kennedy's program ordered a speeded up a tax depreciation allowance schedules." (Rosen, 2002, par.4, p.90), this allowed investment in technology, machinery for the industry. Another government initiative in the 1970s was the OSHA and EPA mandates, environment protection regulations that resulted in smaller companies not being able to keep up and going out of business, same happened with the tax allowances they benefited most of the larger companies as only they managed to get financing.

ANSWER: It wasn't past in 1970 because Kennedy was shot in 1963 and the administration had different approaches

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

The 1964 policy set by the Kennedy administration, had the price of raw cotton be the same for foreigners and for Americans, 26% cheaper than Americans were paying before the two-cotton policy. As we discussed in the previous chapters Japanese were buying cotton from the US to rebuild their economy after the war.

After the two-price cotton policy took place Americans had more money to purchase new equipment and develop the local industry. The following decades saw the expansion and establishment of southern production.

ANSWER: Page 91 par 2

References

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