

Technology Entrepreneurship: HDCS 4370
Quiz #6: The US Textile Industry
Chapters 6

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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) In relation to the textile industry, where was the apparel industry located? When was the formation of the Apparel industry? What were considered “inside-shops” versus “outside shops”? (2 pts)

America’s apparel industry was located in both New England and the South during the early nineteenth century (Rosen, 2002, p.96, para 1). During the late nineteenth and early twentieth century however, the apparel industry began moving to New York City (Rosen, 2002, p.96, para 1).

The formation of the apparel industry happened between the years of 1880 and 1920 when Italian and Jewish immigrants, who later became small manufacturing and contracting firm owners, began moving to the United States (Rosen, 2002, p.96, para 2). They were very skilled at tailoring and sewing which is what was needed to make the industry successful.

Inside shops were shops where producers designed, manufactured and sold clothing (Rosen, 2002, p.97, para 1). Outside shops were run by contractors who had the role of either cutting and assembly or assembly alone (Rosen, 2002, p.97, para 1). Their job also included producing an array of garments that were planned out and designed by different manufacturers (Rosen, 2002, p.97, para 1).

b) Define *runaway* shop. How did *runaway shops* affect the apparel industry? How did the International Ladies’ Garment Workers’ Union (ILGWU) make union contract shops honor their contractual obligations? (2pts)

A runaway shop was a shop that was moved anywhere outside of New York City by a manufacturer that was seeking low wage labor (Rosen, 2002, p.98, para 3). This included shops being moved to southern states, across the country to California or even upstate New York

(Rosen, 2002, p.98, para 4). These were places where manufacturing was beginning to expand heavily or women were taking jobs regardless of the wage. The south in particular offered textile producers and apparel manufacturers cheap financing, tax breaks and union free environment (Rosen, 2002, p.99, line 1).

Runaway shops affected the apparel industry in several ways. Firstly the movement of so many shops caused a huge decline in the NYC apparel worker population (339,000 in 1949 to 271,200 in 1960) (Rosen, 2002, p.99, para 1). This too obviously led to a decline in the earnings of apparel workers and apparel wages dropped tremendously in NYC (Rosen, 2002, p.99, para 1).

The International Ladies' Garment Workers' Union (ILGWU) made union contract shops honor their contractual obligations by enforcing fines (Rosen, 2002, p.101, para 2). The union also financed a \$40,000 apparel plant in Virginia in 1954 which a New York apparel manufacturer ran as a union shop (Rosen, 2002, p.101, para 3). This was so they could take on unfair competition by some southern cities through bargain basement tactics on the lax and labor front, according to the New York Times (Rosen, 2002, p.101, para 3). The ILGWU also gave a southern manufacturer three years of immunity from union organization as long as he agreed to pay wages of at least fifteen cents above minimum wage (Rosen, 2002, p.101, para 3). The ILGWU strategy was to enforce union contracts in runaway shops which required union manufacturers that moved out of town to pay union wages and employ union contractors (Rosen, 2002, p.101, para 4).

c)What was the result when U.S. importers, retailers, and manufacturers decided to contract work to East Asian producers? Why did U.S. importers, retailers, and manufacturers decide to contract work to the East rather than to U.S textile mills if foreign competition was already problematic? (2pts)

The result when U.S. importers, retailers, and manufacturers decided to contract work to East Asian producers was domestic production increase from 6.6 million to 10.8 million, as well as the growth rate of Japanese imports(Rosen, 2002, p.103, para 3).

U.S. importers, retailers, and manufacturers decided to contract work to the East rather than to U.S textile mills if foreign competition was already problematic because they assembled low wage apparel by United States retailers (Rosen, 2002, p.105, para 1). Contracting work in the East also allowed them to benefit from lower labor costs across national boundaries and avoid unions (Rosen, 2002, p.105, para 2).

d)Define MFA? What was the purpose of the MFA? How did the NIC (Newly Industrializing Countries) of Hong Kong, Taiwan & South Korea keep abreast of the changes in foreign policy and manage an increase in imports? (2pts)

MFA is the Multifibre Arrangement (Rosen, 2002, p.110, para 2). The purpose of the MFA was "to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products" and "to further the economic and social development of developing countries and secure a substantial increase in their export

earnings from textile products and to provide for a greater share for them in world trade in these products” (Rosen, 2002, p.110, para 2, line 12). MFA functions also included balancing the needs of developing countries for export markets with the needs of the United States and other industrialized countries to regulate the rate that imports of textiles and apparel expanded (Rosen, 2002, p.111, para 2).

The NIC (Newly Industrializing Countries) of Hong Kong, Taiwan & South Korea kept abreast of the changes in foreign policy and managed an increase in imports because Association of Southeast Asian Nations (ASEAN) countries started expanding their exports (Rosen, 2002, p.113, line 3). U.S. imports began to expand faster than the increase in domestic demand which called for a bigger proportion of domestic consumption (Rosen, 2002, p.113, line 7) .

e) How did the Reagan administration view foreign trade policy? What were some of the social transformations that the U.S. had endured in the 1970’s that affected foreign trade policy? What was the effect on apparel imports? Imports from The People’s Republic of China (PRC)? (2pts)

Reagan believed in free trade. However he made it very hard for workers to receive benefits. In the Job Training Partnership Act of 1982, he limited the eligibility criteria (it went from 88 percent to 14 percent), which allowed the administration to reduce funding for the compensation, retraining, and relocation allowance programs (Rosen, 2002, p.115, para 1). Between the years 1980 and 1985 as apparel producers increased their offshore sourcing and imports grew tremendously, textile industrialists, domestic apparel manufacturers, and the apparel unions fought for import controls and against Reagan’s efforts to reduce tariffs even more (Rosen, 2002, p.118, para 3). Apparel imports still continued to increase. Republican and Democratic parties were now ready for an increase of global trade liberalizing initiatives (Rosen, 2002, p.118, para 3).

One of the social transformations that the U.S. had endured in the 1970’s that affected foreign trade policy was that married women had started to re-enter the workforce. Originally women apparel workers had typically been young and unmarried but most started leaving their jobs to get married and have children. In the 1970’s and 1980’s they began to return. By the mid-to late 1970s layoffs in the apparel industry began in earnest, U.S. wages and family incomes had stopped (Rosen, 2002, p.115, para 3). Many of these women experienced a stop in earnings and were married to men who were more likely to lose their jobs (Rosen, 2002, p.115, para 3). Not many reemployment options with similar wages were made available (Rosen, 2002, p.115, para 3).

Between the years of 1973 and 1992 textile and apparel industries lost 750,000 jobs (Rosen, 2002, p.118, line 1). As workers lost jobs, organizing became more difficult, leaving the apparel trade unions unable to sustain their power to negotiate decent wages (Rosen, 2002, p.118, line 2). Working conditions began to deteriorate and the unions lost their membership (Rosen, 2002, p.118, line 4). Many leaders of the industry started abandoning domestic

production and sought trade regulations that made it easier and less expensive for them to move their production to lower wage areas (Rosen, 2002, p.118, line 6).

Apparel imports started to grow which led some producers to embrace industrial restructuring in the hopes that it would make their domestic production capabilities more competitive due to low-wage imports(Rosen, 2002, p.116, para 2). Due to industrial restructuring apparel and textile producers were entitled to tax depreciation benefits according to the Expansion Act of 1962 (Rosen, 2002, p.116, para 3).. However they were better suited to utilize these resources to restructure their plants (Rosen, 2002, p.116, para 3). Mergers and acquisitions that led to increased consolidation and concentration resulted in producers growing profitability in the 1970s.