Fashion Economics: FM 4339
Quiz #5: The US Textile Industry
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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 for textile mills to move to the South of the country was primarily for the availability of cheap labor. Wages were generally lower in the southern states as the southern states were to have a less-developed industrial base and a lower cost of living. Southern committees also lured textile mills to the region with state tax breaks. (Rosen, 2002, p. 78, par. 2). The south's lower labor costs, as it requires lower energy requirements, The climate and the geographic of the sector was also more favorable for the cultivation of cotton, a key raw material for the textile industry. The move helped reduce the transportation costs and ensured a steady and affordable supply of raw materials.

During the late 19th and early 20th century, the textile industry experienced a diverse change in economy, moving away from its traditional reliance on agriculture and promoting industrialization. The southern states had huge water resources, as the factories were surrounded by rivers that could be harnessed for hydropower. This was a crucial technique that was used in the early stages of textiles as they relied on water wheels to drive machinery. As textiles producers saw America's textile, not Japanese imports as they are responsible for the job losses experienced by the country's northern textile workers (Rosen, 2002, p. 79, par. 2). As some of the southern states actively promoted industrial development by offering tax incentives, subsidies, and other favorable conditions to attract businesses.

The labor unions affected the textile mills as unions pushed for better working conditions to enhance employee well-being. Many union employees engage in strikes or work stoppages as a way to leverage their bargaining power. This strategy began disrupting production in textile mills, which led to financial losses for the companies as well as potentially impacting the supply chain. Emanuel Cellar states "this comparative ease of entrance into the industry led to a condition of chronic overcapacity which resulted in a condition of low profit and instability" (Rosen, 2002, p. 79, par. 3). As unions often advocate for job security for their members, this could also escalate to resisting job cuts or outsourcing, which could then affect the decisions of textile mill owners in terms of hiring, firing, or relocating operations.

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)

Rosen's believed offshore production post-WW11 to be characterized by economic growth, increased industrialization, and a general economic prosperity in the U.S. As growth continued to expand in the nation, the economic success of the country improved the living standards during those times. The majority of the textile employees in the south were poor white Americans who lived near the mills. The southern textile mill owners did not want to hire African Americans to handle the hard labor. They used a family labor system where they would pay adults less than a living wage. Workers were working an average of 55 to 60 hours per week using dangerous machinery, and brought home less than $10.

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 created factories that provided a wide variety of textile products, also becoming an important source of new jobs. People moved from farms and small towns to larger towns and cities where they were able to work and be a part of many businesses that were also evolving. The government created free trade agreements such as the North American Free Trade Agreement (NAFTA) and the General Agreement of Tariffs and Trade (GATT) that helped shape global trade. The agreements were aimed to promote international trade, and allow for increased competition from low-cost overseas producers, particularly in countries with lower labor costs. In addition, the advance in technology in manufacturing processes allowed for the increase in efficiency and slo led to job losses in traditional industries.

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 president provided funds for reconstruction of the textile industry in the United States as the federal government responded to their needs. They offered support that was potentially more useful by minimalist protection provided by the quotas of the Long-Term Arrangement (Rosen, 2002, Pg. 90, Par. 3). By improving the industry with raw materials as they helped improve equipment and technology. As the improvement improves work conditions, the textile mills may be able to make more and better products in less time and with a better quality. The president wanted immediate reform but due to the lack of funds, the other industries needed assistance as well. Only six of the firms were funded, with only five producing textiles and one manufacturing apparel.

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

The two-price cotton policy was created in 1964 to stabilize the mass-production strategy to the cost of raw cotton 26 percent lower for the U.S. textile producers (Rosen, 2002, Pg. 91, par. 2). As it created new investments, to the leading of increasing expenditures on plants and equipment. The shift of technology increased the cost of crude oil, and the U.S. textile industry shifted its technology development focus to no producing any less man-made fiber to reduce the production costs. Throughout this time, there was a huge acceleration in the textile industry especially in the South (Rosen, 2002, Pg. 91, Par.2), as it was the beginning of the 1980s, as the move to the south was completed and more factories were being created. The geographic shift may have been influenced by factors such as cost of consideration, policy changes, and the need for modernization.

References:

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