Fashion Economics: FM 4339
Quiz #5: The US Textile Industry
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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. 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 due to the benefits that came with the relocation. The South offered low labor costs, which resulted in increased productivity and higher profit shares, (Staples,2024). Additionally, energy requirements for production were lower in the South. With further promotion the tax laws allowed textile companies to deduct the losses of an acquired company from the profits of the purchasing firm, (Rosen,2002). This made it easier for textile mills to thrive in the South. Moving to the South also provided an abundance of resources for textile mills. Cotton crops were being fertilized, which meant more productivity for mill workers.

However, the shift in labor to the South caused a shortage of workers in the North, leading to a struggle among textile workers, (Rosen,2002). Unions began to emerge, advocating for the protection of workers. In contrast, textile producers favored trade protection. Unions helped workers combat wage inequality and unemployment in the North. This put pressure on American textile producers, who were held accountable for worker exploitation.

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 refers to the ability of a company to produce goods or services at a lower cost than their competitors,(Rosen 2002, pg 75, par 2). Rosen further suggests that if manufacturers are noticing shifts in the industry, it may be because, during the post-war era, women textile workers in the lower-wage southern region were not as fortunate as their counterparts in other areas. Women's workforce was also ahead of the current welfare employers which was beneficial to manufacturers who were profiting. Despite receiving welfare benefits, they were eventually drawn to U.S. textile manufacturers in search of comparative advantage.

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 part in ending the production of the U.S. textile mills when competition started arising in the industry and advantages were taken due to the low wages that were output. The U.S. government also contributed to the reconstruction of Japan's textile industry to keep the trade intact. However, the Japanese promoters had begun to charge less than the cost of production, also known as "dumping", (Rosen,2002, Pg. 85. Par 3). This created a conundrum in the North because the government was not responding to such actions, and consequences were faced due to the lack of textile production being organized led to the failure of U.S. mills in the North.

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

For years under the presidency of Eisenhower, the constant need for assistance and funding was always denied. Until the 1960s when the government responded with aid towards the industry under Kenedys Presidency. President Kennedy's textile initiatives were to offer support for industrialized reconstruction. Although the support was set, there was no funding for the industry until the 1970s, (Rosen,2002, P.90 par. 40). During the 1970s the Department of Labor was able to adjust office spaces to administrate the program.

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

The two-price cotton policy was set to finance a higher cost of raw cotton for U.S. textile manufacturers in comparison to those of foreign descent, (Rosen,2002, Pg 91. Par 2). The government had offered expenditures to foreign buyers to address the problem of production surplus and encourage exports within the nation. However, these foreign buyers were able to sell the cotton at low prices in the US market due to the subsidies they received and their access to cheap labor. This led to increased competition which later on affected the U.S textile producers.

The policy had a significant impact on the U.S. textile industry. The reduction in the cost of raw cotton by twenty-six percent was one of the primary effects, (Rosen,2002, pg 91, par 2). Additionally, the policy freed up capital for inputs in investment. As a result of these measures, manufacturers in the U.S. were able to make new expenditures on plants and equipment, which helped to stimulate growth in the industry. As time went on the expansion of production grew rapidly and the south had now been fully covered.

References

Importance of labor cost reduction for small businesses explained: Business Hub: Staples.com®. Staples® Official Online Store. (n.d.). https://www.staples.com/sbd/cre/tech-services/explore-tips-and-advice/tech-articles/importance-of-labor-cost-reduction-for-small-businesses-explained.html

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