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

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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 effect textile mills? (2 pts)

The U.S textile industry shift to the South was prompt due to various aspects. As Rosen stated, the traditional explanation for the southward move of the U.S textile industry was the South's lower labor costs, lower energy requirements and incentive of tax breaks and benefits (Rosen, 2002, p. 78, par 2). The Northern states had labor unions that demanded better working conditions, workers' rights and pay for labor workers, putting a burden on profits for textile producers. Within the North, labor rights were established for industrialized sectors to protect workers from unsafe working conditions and to also be paid fairly and just. While workers gained, manufactures bared the costs that hindered profits. While the Northern labor workers had a union to protect their rights, the Southern states on the other hand wasn't as progressive and didn't have any unions, instead creating laws within some states that fought the creation of unions for workers. This atmosphere within the South created better working environments for employers seeking max profits, being able to pay lower wages and offer worse working benefits and working conditions that generated lower costs and more returns on their investments.

The government incentivized mill owners and textile factory owners to move to the South through numerous supports. First federal laws were created to allow companies to merge and deduct losses from these purchases from their profits. President John F. Kennedy furthered the incentive the shift to the South by allowing for tax breaks for certain businesses. Low profiting businesses were incentivized to invest into machinery and innovation to better their industry and allow tax breaks that would make their investments worth it. With Kennedys programs, the textile factories were able to increase productivity with the help of federal support (Rosen, 2002, p. 80, par 1). While bigger companies acquired the smaller mills that couldn't sustain the new circumstances, they grew in size while profits also flourished simultaneously.

The labor unions affected the textile industry and mills in both Northern and Southern America. The poor working conditions of textile mill workers fueled the growth and need of unions to protect domestic workers. With the implementation of laws to protect workers from OSHA and EPA, such as the government mandating installation of modern technology to remove cotton dust to fight the "brown lung disease", unions affected textile mills and its workers (Rosen, 2002, p.89, par 1). It created better working conditions and fought for better paying wages and benefits, but it also came at a price for unionized workers. The burden from the increase of wages and installing of vents or modernization of mills also led to decreased profits for employers which inadvertently hurt unionizers. While fighting for rights and increasing wages, these industries also faced new global competition that disregarded workers and offered low wage environments for companies to offshore to that affected American workers.

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 situation of where a particular good or service is produced at lower opportunity costs compare to another producer (Landsburg, 2022). The costs are the most important aspects, valuing time, raw materials and opportunity costs in being able to specialize in creating this particular good or service lower than others. With these two sentences, Rosen establishes that U.S. textile and apparel manufacturers seek the lowest producing costs for their products for maximum profits. With this recognized, U.S. manufactures would have to lean to the advantages provided by offshore production in best allowing them to acquire maximum profits.

The American workers especially postwar acquired many workers rights through unions and labor rights that added to the cost's employers dealt thus affecting their profits. In paying for better working conditions and offering higher wages for workers, employers took on an extra cost that wouldn't be applied if their businesses moved to offshore production into low wage paying countries. In taking advantage of lower labor costs and inferior workers' rights, manufactures benefit by using the comparative advantage narrative, acquiring labor at a lower cost that the U.S couldn't match, thus benefiting their profit margins. While the offshore production moves came at a price of sacrificing the welfare of workers in the U.S., the industry and manufactures gained competitive advantages in acquiring lower labor costs that even with import quotas was still cheaper than producing within America.

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 big factor in ending the production and manufacturing of the U.S. textile mills, particularly in the Northern states. Post war, with new U.S. government trade policies and ideologies, the textile and apparel industries were reshaped and impacted heavily by the influence of foreign trade policies and effects of quotas and tariffs changes on imports and trade. Post war, the U.S first thrived in these industries holding comparative advantages with industrialized factories that allowed for domestic production to create products that were exported to other parts of the world. With the governments trade policies post war that sought trade liberalization globally, developing into lower wage costs countries to foster growth of underdeveloped countries transported the textile factories into these countries.

While creating new markets globally, it was difficult for American companies to compete with the wages of these countries, as Rosen stated Japanese and Hong Kong textile workers earned equivalents of $.15 an hour, roughly less than 10% of the average U.S textile wage of $1.65 an hour of that time (Rosen, 2002, p. 82, par 2). As factories closed in the North and the southward move of the textile industry was advanced by Kennedys programs, eventually the industry was mostly offshored by companies seeking max profits into these low wage countries as domestic products couldn't compete with the low prices. “The higher costs of U.S. labor and capital means that textile imports from Asia continue to sell at prices below what it costs U.S. manufacturers to produce them” (Rosen, 2002, p. 94, par 1). The incentive from the government to invest domestically in these industries no longer outweighed the low costs and higher profits that offshoring and the competitive advantage that these nations provided for textiles.

**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)

President Kennedy sought out to help domestic producers and workers within the U.S. textile industry after the dilemma that offshoring and increased global competition had created. “Kennedys textile initiatives offered federal financing for industrial restructuring” (Rosen, 2002, p. 90, par 2). In incentivizing companies within the textile industry, Kennedy created a tax depreciated program that allowed

for tax deductions and allowances costs to be accelerated in helping to offset the costs of machinery and equipment. It encouraged investments into modern technology and machinery within the industry by creating tax write offs that would benefit companies and employers to continuously grow and modernize the industry. With new inventions and a renewed focus on man-made fibers, textile executives focused in on productivity of factories and profits at the expense of factory workers. (Rosen, 2002, p.91, par 2). While these supports aided the industry, it also faced challenges of growing global competitors who had by then caught up to the U.S. advantages in the industry and eventually dominated U.S. textile producers with their low-priced goods.

Despite Kennedys vision and plans, the funds weren't efficiently appropriated to help the textile industry until 1970. As Rosen states, despite the new laws, no funds were appropriated to the industry for the first seven years for firms or displaced workers due to challenges and continuous delays (Rosen, 2002, p. 90, par 4). The program faced a lengthy process to review and administer the aid to allow the restructuring of their operations and adjustment assistances. The labor unions continuously fought for better workers' rights, arguing that these benefits would only help the companies and their profits while trickling any benefits away from workers. The textile industry also faced a challenge of not being the most important initiative for the U.S. government who had bigger priorities and ideologies to pursue should as trade liberalization and growing its influence across the globe while not prioritizing these industry workforces.

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

The two-price cotton policy was an intervention from the U.S government in the cotton markets to protect domestic farmers from global competition. "In 1964, the two-price cotton policy—which had set the cost of raw cotton higher for U.S. textile producers than for foreign manufacturers—was equalized (Rosen, 2002, p. 91, par 3). The policy allowed for cotton produced within the U.S. to be marketed at higher prices to support the cotton production within the U.S textile mills and to ensure workers income safety. The producers would gain stability from a protection on prices for cotton but also had negative impacts that impacted manufactures and workers. Due to the global supply and demand pricing of cotton, the U.S cotton would be priced higher to compensate the workers and industry, but it created challenges in allowing for global competitors to have lower prices and thus gain comparative advantages in producing cotton.

This two-price cotton policy affected textile producers because they now had a preference to offshore production into lower labor costs countries that would gain more profits. After 1964 and the equalizing of the pricing of cotton, U.S. textile producers were able to free up capital for new investment and expenditures on plants and equipment fostering productivity and production within the U.S (Rosen, 2002, p. 91, par 4). While created to support U.S. farmers, it unintentionally created a better

market for cotton globally, allowing for producers to invest in the cheaper costing and producing set-ups offshore. While it ensured the production of cotton domestically, it was hard to compete with lower costs worldwide, creating a domino effect that led to job losses and factories shutting down to instead create infrastructure and produce in these lower costs, comparatively advantageous conditions. This policy created to help American workers, challenged the industry by developing competitors and hindering the competitiveness of U.S textile production with the global markets.

## Work Cited

Landsburg, L. (2022, August 29). *Comparative Advantage - Econlib*. Econlib. https://www.econlib.org/library/Topics/Details/comparativeadvantage.html

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