Technology Entrepreneurship HDCS 4370
Quiz #5: The US Textile Industry
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______(Shaimelys Marcano)______

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 initial lure for textile mills to move south were tax breaks, lower cost of labor, and less use of energy (Rosen, 2002, p. 78, par. 2). Textile manufactures were intrigued by the south's federal tax laws that allowed companies to receive deductions for any losses they had. This meant that there were lower taxes paid by factory owners. The workers employed in the south were paid lower wages. Manufactures saw this as an opportunity to make higher profits for the same if not more labor. In the south workers made approximately $1.17 per hour while the workers in the north made $1.32 per hour (Rosen, 2002, p. 81, par. 2). Even though lower wages was a big attraction to manufactures, what really gravitated them towards the south was the lack of unionization in the south. A lack of unions meant that there was room for lower wages. Unlike the north that had formed many unions to achieve workers rights and fair wages, the south lacked this. This meant that manufactures had the upper hand when it came to setting wages. One example of this took place in the 1950s when the north and south workers came together to demand higher wages. It then backfired on the south because southern employers would use cultural and political oppression as tactics to control southern workers (Rosen, 2002, p. 80, par. 0).

There were government incentive to attract mill owners to the south such as the creation of the Taft-Harvey Act. The Taft-Hartley Act was established in 1947. This Act was put into place to prevent unions from forming in the south. According to Rosen section 14(b) of the Taft-Hartley act gave individual states the right to pass laws that forbid unions from functioning (Rosen, 2002, p. 80, par.1). This attracted mill owners because they benefitted from non-unionization and lower wages.

Unions effected textile mills because they allowed factory workers to come together and form alliances. Often times unions sought out to acquire fair wages and workers' rights. Unions can be seen as a way of the employees to keep tabs on the employers behavior. They ensure that the employees are being treated fairly.

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 is a country's ability to manufacture goods at a lower opportunity cost. For the U.S, comparative advantage meant being the first to get a hold of foreign manufacture goods before its competitors. The U.S began to seek textile industries in foreign countries in efforts to gain a comparative advantage of the markets within those countries. An example of this is the U.S involvement in the reconstruction of Japan and Southeast Asian countries. They were the first ones to take interest in investing in Asian markets. They later convinced the rest of the world to also invest in them because they held trade value.

Based on the given two sentences, the author's view of offshore production is based on the U.S government comparative advantage. The U.S went seeking out these offshore productions just to be the first ones to do so. They knew that in the future it would benefit them.

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 part in ending production of U.S textile mills especially in the North by simply ignoring the concerns that were being addressed by the protectionist and textile workers. As stated by Rosen, the industry leaders were concerned with investing in foreign textile industries rather than domestic textile industries (Rosen, 2002, p. 79, par. 2). An example of this was the U.S government involvement in the reconstruction of the Japanese textile industry. The U.S provided Japan with new innovative textile production machinery. The U.S invested large quantities of money into the Japanese industrial markets as well. While the U.S government spent all this time, money and effort to modernize Japanese textile & apparel industry they left the American textile and apparel industry to rot. Many factories went out of business because they were not receiving funding from the U.S government to invest in new machinery and technological advances in the textile industry. The U.S government also kept enforcing lower tariffs on foreign goods and increased importation of textile and apparel product from foreign countries. Many of these products were imported at much lower prices that American textile industries could simply not compete with. Which then lead to manufactures demanding pay cuts and lower wages from their employees. Which lead to the migration of textile mills to the south where there were lower wages, tax breaks, and lack of unionization. The U.S government had to do with this change because they placed the Taft-Hartley Act in 1947 which gave the factory owners the power to oppress unionization from developing in the south.

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)

The textile initiatives offered to the textile industry by president Kennedy was funding for reconstruction of the textile industry (Rosen, 2002, p. 90, par. 3). This initiative help provide income assistance, job training, and relocation assistance to workers that had been displaced (Rosen, 2002, p. 74, par.1). Kennedy understood that the American textile industry had been left behind compared to foreign textile industry competitors. He wanted the American textile industry to compete with foreign competitors but he must first provide them with new machinery and equipment to do so.

No funds were appropriated to the textile industry until 1970 because it took time for the U.S government to set the institution that would operate the new initiatives sent by Kennedy. They had to establish some of the groundworks to get this new program up and running. This included finding a physical location and hiring the workers that were qualified to carry out this program most effectively.

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

The two-price cotton policy was a policy set into place to increase the price of raw cotton produced by U.S textile manufactures at a higher price then those of foreign manufactures (Rosen, 2002, p. 91, par. 2). What this meant is that U.S textile cotton was held at a much higher standard than the cotton produced by other foreign countries.

This effected U.S textile producers because it made the cost of producing raw cotton 26% lower for American producers. This allowed U.S textile producers to make a profit and use that money to reinvest in new machinery and equipment (Rosen, 2002, p. 91, par. 2). This also paved the way for U.S textile production to expand at a much faster rate.