

Technology Entrepreneurship HDCS 4370
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.

- 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 biggest temptation for textile mills to move to the south is that the south shows that as long as the factories are moved from the north to the south, there will be benefits (discounts) in terms of state taxes (Rosen, 2002, Pg.78, Par.3). Not only are there tax advantages, but labor costs are lower in the south than in the north, so textile mills are more willing to relocate. Almost every boss wanted to pay a lower salary to hire employees who had the same skills. In addition, at that time, raise a babel of unions in the north, and some textile factories that did not want to join the unions had the idea of moving to the south. Not only that, but the government has also made contributions to encourage the textile industry to move to the South, and the federal tax law lets the acquiring mills be balanced in terms of losses (Rosen, 2002, Pg.78, Par.3).

Unions have a big impact on textile mills, and unions help mill workers face the problems they were having head-on. The problems could be declining employment rates and wage inequality. At that time, the United States focused most of its attention on the textile mills in Southeast Asia because of the benefits (discounts) of opening factories there and the lower wages. However, the local (U.S.) textile industry is a competitor to the textile mills of Southeast Asia (Rosen, 2002, Pg.79, Par.2). This is related to the issue of the unemployment rate. If textile mill investors set their sights on the Southeast Asian market, this would mean that the United States would reduce the existence of textile mills.

- 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 means that you or something has a comparative advantage over another person or thing. This means that if you and one other person produce two identical products at the same time, but the quality of your

product is better and cheaper than the other, then your product has a comparative advantage, and consumers are more likely to buy it from you.

According to my own thoughts on these two sentences, the author has a supportive attitude toward offshore production. Working conditions and wages in the U.S. textile industry have improved. And some employees who work in the textile industry earn higher wages than male employees. Rosen explains, “apparel workers earned 77 percent of the men’s manufacturing wage” (Rosen, 2002, Pg.83, Par.4). But compared to the East Asian textile industry at the time, the American textile industry was in a much better position.

- c. How did the U.S. government play a part ending production at U.S. textile mills especially in the North? (2pts)

The American textile industry was affected by competitors, who put pressure on the domestic textile industry by taking advantage of low wages. In addition, the US government showed an ignore attitude towards the difficulties faced by domestic textile mills (Rosen, 2002, Pg.84, Par.3). The government has set its sights on something other than just serving the textile industry. Another reason was that so many textile mills were closed in the North that textile mill owners chose to reopen factories in the South.

- 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 the reconstruction of the textile industry in the United States (Rosen, 2002, Pg.90, Par.3). These funds have brought great help to the reconstruction. It has helped improve equipment and technology. After upgrading equipment and technology, textile mills may be able to make more and better products in less time and with better quality. But when the president made this proposal, it was not implemented immediately due to a lack of funds and other reasons. Not only does the textile industry need financial help, but so do a number of other industries

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

The two-price cotton policy is that the price of raw cotton for foreign manufacturers is lower than that of U.S. manufacturers, which is relatively higher (Rosen, 2002, Pg.91, Par.2). The purpose of doing this is to balance the two. As the price of raw cotton is balanced, the U.S. textile industry has more funds to develop new fields. And it also accelerated the migration of the textile industry to the South. Rosen writes, “By the beginning of the 1980s, the move to the South was complete” (Rosen, 2002, Pg.91, Par.2).