VICTIMS AND VICTORS: FACING THE CHALLENGES OF CHANGING TIMES

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ABSTRACT

There is much we can learn from the textile industry, which has been particularly hard hit by globalization. This article first explores the history of the industry in America, revealing a pattern of exploiting cheap labor, circumventing regulation, and leveraging Government actions to its benefit. Next the events precipitating the textile crisis are discussed and related to events of the past. Finally, the outcomes are considered, calling into question the efficacy of corporate strategies and of government measures taken to support an industry teetering on the brink of obsolescence.

The most important message conveyed herein, however, is not found in the stories of the victims of change, but in those of the victors over change – the entrepreneurs whose vision focused not on the past, but on the endless possibilities of the future.

Oppugn thee not the winds of change,
Pray they billow thy sails unfurled.
Lest eternal shoreless doldrums
Be thy lot in tomorrow's world.

Tom Stevens

PROLEGOMENON

It is not necessary to change. Survival is not mandatory.

W. Edwards Deming

Andy Grove, former CEO of Intel, stated "Success sows the seeds of its own destruction" (Grove, 1999). In essence this reveals one of the most insidious side effects of success – a sense of innate superiority. Grove's comment regarding industry applies equally to the individual and to nations as well. It strikes youth with particular ferocity because the young have a staunch but unproven belief in self coupled with an air of invulnerability. This combination is both a vital asset and a fatal flaw.

There are countless examples of individuals and corporations with great promise that have met early demise due to this phenomenon, self-evident truths that requires no further exposition. Among the nations of the modern era, the United States of America provides the iconic example.

Within only a few centuries – moments on the time scale of civilization – this nation rose from a motley crew of idealistic rebels to become an invincible power, creator of wondrous technological innovations, architect of a new economic order, and premier example of the potential of a free society. Sadly, we have lost sight of that which brought us such greatness and have taken it to be our birthright.

In total, the changes we brought to the world have been of benefit to the advancement of our species. We can rightfully claim a pivotal role in jump starting a new era of evolution, setting in motion unprecedented changes on a global scale full of promise for a better future for all of mankind. It is profoundly regrettable that we now resist that which we have set in motion, that pride for what we have wrought has given way to false pride in what we once were.

Periods of transition are marked by chaos and fear. There are many who would have us follow Miss Havisham's path; jilted by an unscrupulous world interested only in our wealth, we retreat into a delusional place apart from the world, a place wherein we stop the hands of time. We are on a mezzanine; either we rise to the challenge or we retreat to wither away in our decaying mansion.

On the Devil's behalf, in light of our explosive advancement and what had been the continual betterment of each successive generation, it is understandable that we came to believe in limitless wealth for everyone willing to work for it. Our ignorance of the finiteness of our resources and of the impact our actions would have on future generations may once have excused the culture of consumption, the possession based value system, and the sense of entitlement engendered by our success. But we can no longer afford to feign such ignorance; to stay the course in the name of progress is inexcusable.

The endless rhetoric decrying the unfairness of globalization is moot. Globalization is here and cannot be undone. Our world and its people are evolving; it is a process not to be resisted but embraced and cherished. Extinction is a necessary part of that process; it clears away yesterday's debris to make room for whatever is next to come. Yet extinction is not inevitable; it is but a product of the choices we make and our ability to adapt to a changing environment. Our nation was forged with the entrepreneurial spirit and that spirit took us to greatness. We must once again call upon entrepreneurs to guide us through these times of change.

INTRODUCTION

Coming together is a beginning; keeping together is progress; working together is success.

Henry Ford

It is not the intent of this paper to debate government's role in the free market; that debate has continued for decades and is not to be won or lost on these few words. However, an overarching premise is in order to provide clarity and structure; for this paper it shall be:

With proper oversight and regulation a free global market will produce the most stable and healthy economy in the long term. Proper oversight and regulation in this context consist only of those actions necessary to curtail predatory business practices and to prevent exploitation of consumers. Furthermore, to minimize the threat of precipitous changes in the market, it may be necessary and acceptable to impose restrictions, provided such restrictions are equitable, of the smallest magnitude possible to be effective, and of the shortest reasonable term.

The evolution towards a global economy has been fraught with many painful experiences for Americans. For decades, as we led the world forward we fell ever deeper into complacency. We came to believe that our place in the world order was our birthright and that we are entitled to direct the course of world economics.

In this new era the ability to quickly and proactively respond to market changes will determine whether corporations survive; artificial supports can only impede that ability. In all areas of human endeavor – social, political, and economic – the time has come for us to expand our vision, to redefine ourselves in the broader scope of a global community, and to assume the role of a true leader - one that leads by example and not by dictates and threats.

The deeply emotional reaction to the textile crisis is understandable, however. The industry is tightly woven into the tapestry of our history. Much has been lost, and the price we have paid is dear; we have had to learn many hard lessons. But stories of hope and promise abound as well; surely many chapters are yet to be written before this story ends.

Today we face the greatest challenges in our history, but the opportunities presented to us are greater still. All we need do is accept these changing times for what they are, and channel our every resource into the boldest of ventures - building tomorrow.

NEW ENGLAND: THE BIRTH OF THE INDUSTRY

> *If you would understand anything, observe its beginning and its development.*
>
> Aristotle

In the early years America was a land of vast potential, its seemingly boundless resources waiting only for wealth and manpower to exploit them. In Virginia and Maryland early settlers set out to build their empires on tobacco, a crop native to the land that had become immensely popular abroad. To reap their fortunes, however, demanded "labor which was cheap but not temporary, mobile but not independent, and tireless rather than skilled" (Jordan, 1968). The solution was slavery, and its success in maximizing profit soon spread to other crops.

The first slaves "were brought by Captain William Pierce of the Salem ship Desire in 1638" and soon "a brisk trade got under way", which "proved to be the salvation of New England's economy" (Jordan 1968). Robert Dabney, in *A Defence of Virginia*, neatly summarizes the chain of events that gave rise to our textile industry:

> The shipping which first earned wealth for it owners in carrying the bodies of the slaves, was next employed in transporting the cotton, tobacco, and rice which they reared, and the imports purchased therewith. And when the unjust tariff policy of the United States allured the next generation of New Englanders to invest the swollen accumulations of their slave trading fathers in factories, it was still slave grown cotton which kept their spindles busy. (1867, 42-43).

With the success of industrialization in the North came an understanding that a stronger federal government was vital to sustaining economic growth. A cause was needed around which the government could rally support, and because slave labor had been producing diminishing returns for several years, abolition was ideal for the purpose. While the ensuing war was adding momentum to industrialization in the North it was laying waste to the agrarian economy of the South.

THE INDUSTRIALIZATION OF THE SOUTH

> *If hard work were such a wonderful thing, surely the rich would have kept it all to themselves.*
>
> Lane Kirkland

The growth and diversification of northern industry produced a large pool of skilled labor, which consequently led to ever escalating labor costs. At the same time the cost of inputs to the textile mills was also rising as a result of emancipation and the devastation of southern plantations during the war. Northern investors were quick to see opportunity amidst the ruin, and to exploit the tattered southern economy.

Thus textile mills throughout New England began to close their doors as the industry migrated southward. There mill owners found a unique opportunity to set up shop free of the constraints imposed in the north – they would build entire towns for the sole purpose of serving their mills.

The immediate lure of the South was the abundance of cheap labor. These were the "yeomanry," "impoverished, landless or small-holding whites on the verge of leaving their farms" (Moore, 1999). Because this was a rural population, mill towns could be built distant from existing urban centers where they would otherwise have to compete for available labor. Building a stable and productive workforce with these people, however, was not without its challenges.

The southern working class was perceived to be lazy and shiftless by northern investors and the southern elite alike. In truth, these were people defeated in a war of principles, people who had lost almost everything to the northern invasion and who now faced losing their way of life as well. Worse yet, they were called upon by the elite among their own to work as the slaves had worked. Understandably these were people without a purpose; unless that changed, little could be expected of them.

To that end a campaign was launched to teach southerners "that the path to regional and personal redemption from defeat and poverty lay in physical labor, and that such labor was not the domain of blacks but of Christian whites" (Moore, 1999). The campaign's rhetoric was both colorful and bountiful, typified by an 1880 editorial in the Raleigh *News and Observer,* cited by Moore:

> We must have less politics and more work, fewer stump speakers and more stump pullers, less tinsel and show and boast, and more hard, earnest work. We must make money – it is a power in this practical business age. *Teach the boys and girls to work and teach them to be proud of it.* [emphasis the author's] (1999).

The final sentence became the mill owners' rallying cry because it not only made working for wages a social issue, it gave them means to avert charges of exploitation (Moore, 1999). [That the editor's intent was to promote child labor, however, is highly questionable.]

The campaign to elevate southern workers also gave mill owners a perfect forum for currying public favor for their towns. Platitudes were plentiful, such as these, cited by Moore: "Our mills shall be run not only to make cotton cloth, but to make the right kind of men and women as well." And, "We make American citizens, and run cotton mills to pay the expenses" (Moore, 1999). Motivating these people to go to work, however, was only the first step.

Discontent still ran deeply through the population, drawing great numbers to the Farmers' Alliance, a politically active "fraternal organization of white farmers and other rural southerners, including teachers, ministers, and physicians" whose agenda "included demands for the free coinage of silver, a graduated income tax, the direct election of U.S. senators, and governmental ownership of the means of communication and transportation." The alliance also "introduced the subtreasury plan, which called for the federal government to give farmers low-interest loans against nonperishable crops, which were to be stored in government-built warehouses" (Hild, 2007).

Although the Alliance failed to achieve much of its agenda, its popularity was of considerable concern to those in power. Clearly these were people willing to fight for a cause, and the one cause that mill owners feared the most was the labor movement.

MILL TOWNS: CULTURE FORMING THE SOUTHERN WORKER

The enemy came. He was beaten. I am tired. Goodnight.

Vicomte Turenne

In the final two decades of the 19^{th} century there were 23,000 strikes against 117,000 businesses in the United States, many of which were violent (Davis, 2003). The mill owners felt the key to preventing that from happening in the South was control – "control of housing and community institutions such as churches and school". The mill towns "produced a place-based form of worker identity" that proved to be "an obstacle to effective labor organization" (Moore, 1999). In addition, the mills provided many other amenities – such as medical care and facilities for recreation – to foster loyalty and high productivity among their workers. (Davis, 2003). But welfare capitalism, as this practice came to be known, had a sinister side as well.

Control of the churches allowed the mills to preach the doctrine of work as a spiritual end, by which they "hoped to maintain the old hierarchies in the brave new world of Southern industrial capitalism" (Moore, 1999). Control over schools allowed them to filter what was taught and it gave them the power to hire teachers whose beliefs were in alignment with those of the mill owners. Thus the mill owners were free to mold both children and adults (by providing them with evening classes) into their perception of the ideal worker. Finally, control of housing gave them a most effective weapon against strikes – the ability to cast a worker and his family onto the streets if he chose to strike (Davis, 2003).

None-the-less, the mill town system succeeded overall in meeting the needs of both workers and owners in the years before the Great Depression, and the southern textile industry boomed. The unions thus far had failed to get a foothold in the South, a fact that likely had as much to do with lingering anti-northern sentiment as it did with worker satisfaction. Union organizers descending from the north were bound to be less than welcome, even to a workforce that was experiencing growing discontent. But the bubble was about to burst.

In the first two decades of the 20^{th} century investors from the North and other regions fueled tremendous growth in the southern textile industry. "Workers in the region, they claimed, faced longer hours, less pay, raised much of their own food, were protected by fewer labor laws, and even needed less clothing than their counterparts in Northern states" (Graham, 2004). As the industry grew, so did competition, and when the economy fell into rapid decline in the late 1920s, the mills had to scramble to cut costs.

Although many mills began to introduce modern management techniques, their primary cost cutting measures were directed squarely at their workers. Employers pushed for ever greater productivity, "increasing individual workers' responsibilities while banning restroom trips and other breaks," a practice the workers called "stretch-out" (Murray, 2010). While discontentment waxed, loyalty waned, particularly in the mills predominantly owned by northern interests.

"In the spring of 1929 there were 18,000 textile workers on strike in 15 different communities in North Carolina." Because the strikes took place in company towns, "strikers were evicted from their homes, their children thrown out of schools; the company-controlled newspapers and preachers ranted and raved against the strikers" (Resistance, 2010). For the National Textile Workers Union (NTWU), the time was ripe to gain a foothold in the south. They would start "with one mill in North Carolina, in hopes that a single strike would inspire sympathetic walkouts at other mills throughout the state". They chose the Loray Mill in Gastonia for the effort (Graham, 2004).

The Loray Mill was ideal for the purpose; it was one of North Carolina's largest mills and it was owned by Yankees. When workers began to join the NTWU, the company sent out a warning by firing five union members. Shortly thereafter, 1,800 workers went on strike. The company refused to negotiate, however, and after a month, having no means to continue, many strikers were forced to give up the effort and go back to work. Still, a few hundred workers kept the strike alive, living in a tent city provided by the union after the company had evicted them from their homes (Graham, 2004).

A little more than two months after the strike began deputies were called to disburse a picket line manned mostly by women and children. That done, they proceeded to the tent city to confront the union leaders; a gunfight erupted and Orville F. Aderholt, the Gastonia chief of police chief, was shot and killed. The trial of sixteen union members charged with the murder ended in a mistrial in September 1929 (Graham, 2004). At about the same time, another tragedy would bring this chapter to a close.

Ella Mae Wiggins was a revolutionary strike leader and dedicated champion of working women. She was also a singer and songwriter whose music gave support and comfort to strikers wherever they congregated. On September 14, 1929 shots were fired into the truck carrying her and some strikers to a rally; she was struck in the heart and fell dead (Resistance, 2010). It was widely believed that the men responsible had been hired by the mill. [See Appendix A for the lyrics of one of her songs, *A Mill Mother's Lamen*t, which was played at her funeral.]

Even though Wiggins's death attracted much attention and garnered sympathy for the workers' cause, the union ultimately failed to take hold. Perhaps it was due to the strong distaste for northern meddling in southern affairs; or perhaps it was a strong mistrust of the politics involved. Vera Weisbord, one of the strike's organizers and one of those charged with Aderholt's murder, was also one of the leading communist radicals of the 1930's (Resistance, 2010).

Despite the intensity and violence of the strikes of 1929, they were but a prelude to the Great Strike of 1934. Although the workers' grievances remained unanswered, this strike was born of their disenfranchisement in the New Deal.

Following the passage of the National Industrial Recovery Act (NIRA) in 1933, Franklin D. Roosevelt created the National Recovery Administration (NRA) by a separate executive order. The intent of the NRA's industrial regulatory committees was to "represent the interests of consumers, workers, and business owners alike" (Murray, 2010). However, George Sloan, the chair of the Textile Industry Committee, also represented the industry's trade organization. This conflict of interest effectively precluded representation of both workers and consumers on the committee (Murray, 2010).

Thus it was not surprising that the 1933 Cotton Textile Code created by the committee, despite its veneer of wage and hour reform, greatly favored the companies. The true impact on the workers was a reduction in wages of nearly 25%. As a result, the ranks of the United Textile Workers (UTW), the industry's largest union, swelled nearly tenfold to 270,000 between 1932 and 1934 (Murray, 2010).

Even with their new found strength the UTW was unable to bring the industry to the bargaining table. The only option left, they reasoned, was to stage a general strike. To underscore their purpose, textile workers across America went on strike on Labor Day, 1934.

In North Carolina, 65,000 textile workers walked off the job, bringing the state's textile industry to a standstill. Fittingly, the strike centered in Gastonia, where thousands joined in a Labor Day parade. The initial fervor soon faded, however, as Governor John Ehringhaus called in the National Guard to protect the mills from strikers.

Meanwhile, an excess of supply left no motive for the mills to bargain with the union, which did not have the resources to sustain a prolonged strike. The federal government took no action on the behalf of the workers, even though a mediation panel appointed by President Roosevelt had concluded the situation called for further study. In the end, the panel served only to urge strikers back to work; by the end of the month, Roosevelt added a personal appeal to end the strike. It was over, nothing had been gained, and the UTW had been declawed (Murray, 2010). To this day unions have failed to make inroads into North Carolina's mills. "As of 2003, only 3.1 percent of North Carolina's workers were members of unions, the lowest representation in the United States" (Graham, 2004).

In 1935 the Supreme Court invalidated the NRA. Although wages in the mills fell slightly after that action, "they recovered quickly and continued to trend upwards until the early 1950s," due in great part to the 1938 Fair Labor Standards Act, which was "aimed at the low-wage South" (Moore, 1999). To compensate for the rising cost of labor and to counter the growing trend towards radicalism amongst the workers, mill owners began to rethink their philosophy of the mill town. The task, as the industry saw it, was to reinvent their workers.

FORDISM, CONSUMERISM, AND THE END OF THE MILL TOWN

Be glad that you're greedy; the national economy would collapse if you weren't.

Mignon McLaughlin

The decades old campaign extolling the virtue of labor with its emphasis on communal life was too close a parallel with the emerging communist philosophy. Furthermore, as noted by textile magnate Caesar Cone Jr., "with all [the] village tenants working for one employer, it is easy for them to condemn little things that may come up since they have little access to neighbors who work for others" (Moore, 1999, Cited). Selling the mill owned housing to the workers, they reasoned, would not only generate capital to help offset higher wages but would spark the transformation of workers into Fordist consumers as they purchased homes and made them unique through improvements and added amenities (Moore, 1999).

Another goal of selling the village houses was to bring diversity to the community as people working outside the textile industry moved into village neighborhoods. Likewise, by breaking their identity with work, "community institutions such as schools, churches and local sports teams" would become "more heavily cornmodified and more thoroughly integrated into the larger community." (Moore, 1999).

Although diversification of the community was not fully realized and the towns "remained centers of a simmering anti-town, anti-elite sentiment," the strategy resulted in improved work conditions and a higher standard of living for the workers. Consequently it became ever more difficult to rally workers along class lines, giving the mills, "at least in the short term, a more stable economic and political system through which to pursue profit" (Moore, 1999).

Throughout the 20th century the textile industry continued to grow despite steadily rising production costs. At first this could be explained by the Fordist model of growth: As production increased and mills realized economies of scale, prices fell. At the same time increased wages fueled higher demand, driving production even higher. Clearly such a cycle cannot go on indefinitely. By the 1950s many industries, including textile mills, had matured to the point where "the advantages of the Fordist models were already exhausted" (Valli, 2009). Further reductions in the cost of production would come only through increased productivity.

THE CALM BEFORE THE STORM

The great menace to the life of an industry is industrial self-complacency.

Joyce Carol Oates

In order to increase productivity mills turned to technology, replacing men with machines. James Cowan, CEO of Stonecutter, a once highly successful North Carolina mill, observed that such advances had been steadily eliminating textile jobs since 1947 but the industry's growth had compensated for the loss. Technological advances also made the mills more agile, able to produce a broader range of goods and to respond quickly to customers' demands (Caudle, 2004). As the country entered the final decade of the 20th century, the industry was going strong and the perils of globalization were yet to be discovered. Many had in fact rushed into the global market hoping to capitalize on what they perceived to be miraculous growth in emerging economies.

At the time such growth was generally attributed to export-led development strategies, which "at times led to complacency and distracted attention from fundamental structural weaknesses in economic and political conditions." Furthermore, significant presence of American investors in foreign markets "may have discouraged official scrutiny" (*The Asian*..., 2006, p4). With fears thus allayed and bolstered by the belief that technology would secure their place in the future, management of most companies felt no need to rethink their strategies.

For many mills the strategic flaw lay not in *how* they produced, but in *what* they produced. Patrick Conway, professor of economics at the University of North Carolina, concludes in his research that "mills like Stonecutter were set up to run large quantities of a basic product and those basic products are now coming from overseas" (Caudle, 2004, cited). As the garment industry shifted from New York to abroad, the mills lost their primary advantage – the ability to deliver quality raw materials more quickly than could offshore competitors. Huge looms filling the floors of vast mills, representing millions of dollars in capital, fell idle.

Even as the industry was losing the garment segment, many companies producing other finished goods were forging ahead, oblivious to the changing market. In North Carolina, PillowTex was setting course towards what would become the state's largest textile failure.

When Chuck Hansen became CEO of PillowTex at the end of 1992, he had bold plans for the company. After taking PillowTex public the following year he embarked on an acquisition spree, intending to position the company at the top of the industry. Rushing headlong into the blanket segment, PillowTex quickly bought Tennessee Woolen Mills, Inc. and Manetta Mills, Inc.; one year later the company acquired the segment's leader, Beacon Manufacturing Company. Among the other early acquisitions were two pillow/comforter manufacturers and Newton Yarn Mills, a North Carolina cotton yarn spinning factory that was purchased to help control input costs (Pillowtex: FundingUniverse).

At first the strategy was very successful and the future looked bright for Pillowtex. In the company's 1996 annual report the firm confidently announced its "next major milestone: $1 billion in annual sales" (Pillowtex: FundingUniverse, 2010). Then, in September 1997, in a cash and stock transaction valued at over $700 million, including refinancing $200 million of debt, PillowTex purchased Fieldcrest Cannon. It was expected that this much heralded merger would catapult sales to $1.5 billion (PillowTex to acquire ..., 1997).

Shortly after the acquisition, however, PillowTex lost Fieldcrest Cannon's biggest account - Wal-Mart. Although the retailer was the target of many venomous accusations regarding the incident, the decision was most likely due PillowTex's inability to match the prices of overseas competitors. (Cannon Mills Company: Wikipedia, 2010).

Three years later, PillowTex filed under Chapter 11 and, despite reemerging briefly in 2002, the company closed its doors forever on July 30, 2003. The permanent layoff of 7,650 people was the largest in North Carolina's history (Cannon Mills Company: Wikipedia, 2010).

Stories such as these abound, and much energy has been wasted pointing fingers and casting blame to account for them. Three of the major events that precipitated the industry's decline, however, were far from predictable, outcomes of a new game in which only a very few understood the rules. But the one event most targeted by public outcry – China's entry into the world market – was another story entirely.

THE GLOBAL SCHOOL OF HARD KNOCKS

Economic progress, in capitalist society, means turmoil.

Joseph A. Schumpeter

The much decried end to quotas in 2004 brought to an end three *decades* of restrictions, sufficient time, one would think, for an industry to prepare. In fact, many in the industry *had* prepared, but they had gravely underestimated China's potential. And China wasn't the only challenge; other events far less predictable came together in the 1990s to help bring the crisis to a head.

Many point to the North Atlantic Free Trade Agreement (NAFTA) as the beginning of the end for the textile industry. However, when the agreement was launched in 1994 many companies had hurried to profit from its advantages because they "perceived that with NAFTA, Mexico's long-term prospects for stable economic development were likely to improve" (*Mexico's Financial Crisis*, 1996, p4). As Connolly points out, "They could ship cut fabric offshore for sewing and bring it back as finished garments at a very advantageous tariff rate" (Caudle, 2004, cited). Many sought even further advantage by opening factories in Mexico, a questionable heavy investment of capital for uncertain times, but they had been given no cause for concern. Then, in December 1994 Mexico devalued the peso, ushering in "a crisis in

Mexico's financial institutions and markets that continued into 1995" (*Mexico's Financial Crisis*, 1996, p2).

Over night the mills' investment in Mexico was severely devalued and the advantage had clearly switched over to Mexican producers. Although there were clues throughout the year that the Mexican peso was in trouble, American investors had no clear warning because Government officials "were undecided about the extent to which the peso was overvalued and if and when financial markets might force Mexico to take action. Moreover, Federal Reserve and Treasury officials did not foresee the magnitude of the crisis that eventually unfolded" (*Mexico's Financial Crisis*, 1996, p6). But as costly as the Mexican crisis was for many companies, its impact paled in comparison to that of the events of 1997.

In early May, 1997, Japan signaled the possibility of an increase in interest rates to protect the yen. That never occurred, but it created concern among global investors and precipitated a selloff of Asian currencies. By the middle of August the value of the Thai, Malaysian, Indonesian, and Philippine currencies had fallen dramatically; a month later the Asian stock markets plunged. Late in October speculation hit the Hong Kong dollar and despite aggressive defense of the currency, the Hong Kong stock market buckled. Within a week the crisis spread to South Korea as the won began falling in reaction to a selloff of Korean stocks. (*The Asian*..., 2006, p16). Ripples from the crisis were soon to be felt across the globe.

As Asian currencies plummeted so did the cost of their goods, which soon flooded American markets. The effect on the textile industry was sudden and as Conway described, severe: "The executives I've interviewed invariably point to nineteen ninety-seven as the end of life as we know it. This was an earth-shaking event" (Caudle, 2004, cited). Again, American industry and government had been blindsided.

The crisis "served as a wake-up call for the United States and its international partners," revealing "the unprecedented level of global financial interdependence that had been growing steadily over decades, a trend whose implications were not well understood within the U.S. Government at the time" (*The Asian*..., 2006, p3). This "crash course in globalization" proved the fallacy of assuming "that the U.S. can control events and outcomes in the international system" and raised doubt "that the United States government—in policy or intelligence—is equipped to respond swiftly or effectively if faced with another financial challenge of this—let alone greater-complexity and magnitude" (*The Asian*..., 2006, p4).

There is great irony in the machinations leading to the crisis in the textile industry. The stimulus was basic - the demand for ever lower prices. Even Sam Walton, champion of "Made in America", eventually had to accept the cold economic truth: Because offshore goods were available for about half the price of domestic goods, and because most Americans are more concerned with a garment's price tag than the tag revealing the garment's origin, it was necessary to import in order to profitably satisfy the market. The same forces that caused the demise of the textile industry in New England in favor of southern mills were now driving the industry offshore.

Much of that which has been written lately leaves the impression that malicious deeds of foreign powers had inflicted a sudden and disastrous collapse on a vital and unsuspecting segment of our economy. To a society conditioned to respond to fear, the cry resonates on a familiar note – *they* are out to get *us*. If we didn't act swiftly, countless American jobs will be lost along with all that we hold dear. Those who had faithfully manned our once proud mills, it would seem, were now unwilling martyrs in a lopsided global war.

There is, of course, some truth in the rhetoric, but the crisis was neither sudden nor completely unpredictable, and its long-term impact on the economy has fallen far short of the doomsday predictions. One cannot fail to see the hypocrisy in the rhetoric; government favoritism and human rights violations, including forced labor and child labor – cornerstones of the condemnation of China – have a very familiar ring. Furthermore, the textile corporations were not without a role in bringing the situation to a head, nor were they left without options once the inevitable became clear.

It is possible that many in the textile industry could have survived the flood of cheap imports by playing on the prevailing American nationalistic sentiment. However, as the century closed recession was setting in. Scarce dollars were being spent cautiously and the temptation of cheap imports became too hard to resist. The floodgates were open, and China stood poised to break down the dam.

THE DRAGON TAKES FLIGHT

When there's an elephant in the room introduce him.

Randy Pausch

With industry reeling from events of the 1990s, America was in desperate need of a scapegoat. China, the sole surviving Communist super power and emerging economic giant, fit the need perfectly. Although China has been accused of every form of trickery and malfeasance imaginable in its bid to dominate world markets, there has been little concrete evidence to support the claims – at least insofar as their practices being more egregious than those of other nations. The real threat came from "China's enormously efficient and low-cost clothing makers" (Blustein, 2005), in other words, from a competitor's distinctive competency.

China's emergence into the world market has in fact been gradual and structured under the terms of its accession to the World Trade Organization (WTO). Included in those terms a system of safeguards was made available to China's trading partners to prevent Chinese imports from disrupting their markets. These caps could limit the annual growth of imports to as little as 7.5% and could be implemented until 2008 (Blustein, 2005).

With the expiration of the quota system looming, the U.S. textile industry rushed to petition for safeguards in several categories in 2004. Because the petitions were based only on fear that imports *might* be disruptive in the absence of quotas – and not evidence of disruption as called for in the terms – the petitions languished in the courts. Because the Government is not prone to sit back patiently while due process take its course, an Executive order came down to "self-initiate" the process, a decision based solely on preliminary data that indicated a steep increase in imports of several categories of apparel (Blustein, 2005). Karl Spilhaus, president of the National Textile Association praised the decision stating that it "sends a signal that the U.S. government is willing to proactively do something about the crisis in the textile industry" (Blustein, 2005, cited). However, Laura E. Jones, executive director of the U.S. Association of Importers of Textiles and Apparel, countered: "There is no reason to believe that imports of these products from China are causing market disruption. The data [the panel] is supposedly relying upon shows only that February was a peak month for imports. The imports are down in March by comparison" (Blustein, 2005, cited).

Never-the-less, the U.S. consistently took advantage of the safeguards, which had been available since 1995. In addition, China allowed the U.S. to continue using their "current anti-dumping methodology, which treats China as a non-market economy" (WTO Textiles, 2010). The series of safeguards culminated with The Memorandum of Understanding Between the Governments of the United States of America and the People's Republic of China Concerning Trade in Textile and Apparel Products (Bilateral Trade Agreement, 2010). Under the agreement the U.S. stipulated 21 absolute quotas covering 34 categories of apparel (China Textile Safeguard, 2010). With the Bilateral Trade Agreement set to expire in 2008, the U.S. had succeeded in protecting the industry for the absolute maximum amount of time allowed by the WTO. Whether such protection was benign or malignant, however, is highly debatable. A more meaningful query might be whether such protection was even necessary.

Certainly China's spectacular growth, which began in 1978, had been no secret. Measured in terms of purchasing power parity (PPP), China's average yearly growth over the next 30 years was 8.2 in real GDP, 7.1 in real per capita GDP, and 6.5 in real labor productivity – numbers that eclipse even those of Japan during its explosive growth between 1953 and 1970 (Valli, 2007). China's application for admission to GATT/WTO in 1987 likewise left no doubt as to their intentions. The world had nearly 15 years to adjust before accession was granted on December 11, 2001.

In the final analysis China cannot reasonably be held responsible for the enormous number of displaced American workers. Instead, as Siekman concludes, "These people are the victims of shortsighted textile companies that chose protection over adjustment to the global economy – and of the federal and local officials who abetted them (2006). "The reality," Cowan says, "is that goods will trade for what they're worth, and they will move around the world. This is evolution, and there's no way to stop it. No way at all" (Caudle, 2004, cited).

THE DUST SETTLES

What separates the winners from the losers is how a person reacts to each new twist of fate.

Donald Trump

Undeniably the number of jobs lost in the textile crisis is staggering: between 1992 and 2002 nearly one million workers in the garment industry and in factories supplying it lost their jobs, due mostly to the impact of cheap imports. However, of the Southern textile states - Alabama, North Carolina, South Carolina, Georgia, Mississippi, Tennessee, and Virginia – all had lower unemployment rates in 2004 than in 1992, with the exception of South Carolina where the rate was essentially the same. Furthermore, despite the number of highly visible closings, mills have not disappeared. In North Carolina, for example, the number of textile plants in 2004 was nearly the same as in 1994; as old mills closed, new ones designed to meet the needs of the 21st century opened to replace them (Caudle, 2004).

This has been a case of pure evolution, both in the workplace and the workforce. The new mills depend on highly skilled and educated workers; the old mills were part of a whole class of southern industries, Conway says, "that relied on low-skilled labor so you could drop out of high school and still get a job" (Caudle, 2004, cited). Such a workforce is clearly unsustainable in a mature economy.

Early in 1999 Cowan had known the end was in sight for Stonecutter Mills. "We could go to the bank and borrow money and start the death spiral," he said, "or we could walk away with our heads up. So that was our decision" (Caudle, 2004, cited). It was a very difficult decision to make, but a timely one as well. By selling off what assets it could, Stonecutter was able to pay off its debts and distribute $30 million to employees (Caudle, 2004). With around $40,000 each in severance pay, Stonecutter's workers fared far better than those of mills that chose to hang in and fight the losing battle.

Some owners of companies that couldn't afford to retool for new products saw another option: continue producing what they had always produced, but make it with new high-tech materials. Carolina Glove, a family owned company in business since 1946, took the idea one step further. Their domestic production is now dedicated to specialty and safety gloves made of materials ranging from leather to latex and from canvas to Kevlar®. But they also continue to market the products on which they had built their reputation, offering "a full line of imports for the price conscious buyer" (Carolina Glove, 2010)

Alexander Fabrics, another family owned business, also realized that there was no future for the business under the old model. This company opted to remove their knitting machines and fill a niche created by the economics of global marketing. The key for them was understanding that global traffic of goods is dependent on the existence of large markets. Richard Witmeyer, Alexander's vice president for business development, had a vision: Import grey goods –

unfinished fabric – then "add the color, the chemical finish, or whatever's necessary to make that product specific to a smaller, end-use market" (Caudle, 2005, cited).

It wasn't only family companies that reinvented themselves to survive the textile crisis. Founded in 1920, the Dixie Group had grown into a highly successful textile business. In the early 1990s, however, the company knew it had to change strategy to survive. In 1993 they acquired their first carpet manufacturing company, adding two more in 1994 and 1996. In 1999 the company shed its remaining textile operations and became a floor covering only company. Then, in 2003, the company completed its metamorphosis by selling off its Georgia operations to become a leading marketer of high-end industrial and residential carpeting (The Dixie Group).

Stories such as these are endless, but the products these companies make represent but a fraction of the industry. The broad view of the textile industry encompasses everything made from fibers; with that perspective we see an industry bursting with innovation and limitless prospects for the future. Carbon fibers, for example, are found in products ranging from fishing poles to jetliners. 3TEX, founded in 1996 by Mansour Mohamed, a North Carolina State University researcher, has developed a new process to improve on another ubiquitous textile – fiberglass. Only one layer of the thick fiberglass cloth that 3TEX weaves is required to form the hull of a boat, replacing the traditional process of repeatedly layering cloth and resin. The end product is one that is lighter and cannot delaminate – and is labor saving as well. (Siekman, 2006).

Most of the mills in America, however, no longer weave their products. Instead they produce nonwoven textiles, the most recognizable and abundant use of which might be diapers. Other products include carpet backing and medical attire – scrubs and the dreaded hospital gown, to name two. In total, the U.S. currently accounts for one third of global production of nonwoven fabrics, production worth nearly $5 billion (Siekman, 2006).

That does not mean to imply that the more traditional woven fabric segment is dead, however; quite to the contrary, it is a hotbed of innovation where research is leading to wildly exotic and futuristic products. Often a single development will quickly lead to many applications, creating a brand new segment of the industry.

One such development is electrically conductive polymers, which makes it possible to create electronic textiles. The concept might seem strange – even bizarre – at first, but the practical applications are limitless. For instance, one startup, Sensatex, has successfully tested a shirt worn under a firefighter's clothing that monitors and transmits the ambient temperature along with the firefighter's movement and vital signs (Siekman, 2006).

Among the more fanciful – yet entirely achievable – concepts being researched are textiles that open and close the weave in response to changes in body temperature and a shirt that monitors blood sugar and injects insulin when necessary. More mundane but highly practical examples abound as well, including odor killing fabrics and a process that makes ordinary fabric non absorbent (and therefore very spill-resistant) while maintaining the fabric's original feel (Siekman, 2006).

The bulk of current capital investments, however, is in nonwovens. This segment of the industry is virtually in its infancy; existing applications for this extremely versatile product barely scratch the surface of what is possible. Due to the very nature of the fabrics, however, products made with them quickly become commodities. Furthermore, the constant pressure to produce more product in less time for less money has reduced the useful life of the mills' capital equipment to just a few years.

The similarities between the garment industry of the 20th century and the nonwoven products industry of this century are inescapable. As we observe how the latter evolves we will discover if anything was learned from the textile crisis.

CONCLUSION

> *To keep our faces toward change and behave like free spirits in the presence of fate is strength undefeatable.*
>
> Helen Keller

In terms of its evolution, the textile industry is in no way unique. Labor intensive segments of any industry will always gravitate to wherever labor is cheapest; To meet the demands of those businesses, their suppliers soon follow. The inescapable reality, especially in this era of globalization, is that mature economies will eventually lose labor-based industries to emerging economies. However, the advantage in technology and innovation held by mature economies will more than offset the disadvantage in labor costs – but only if industry proactively exploits that advantage. Conversely, when companies persist with business as usual, relying on artificial support to stay alive, they squander the very resources that are essential to their survival.

Survivors of the textile crisis followed many paths. Some chose to exit early, minimizing their losses as they set out in search of new industries to conquer. Many sought out new applications for their existing physical assets. Others applied the specialized skills of their workforce to entirely different products. And a few combined all of their resources to invent and manufacture high-tech products, products which are likely to be immune from offshore competition for many years to come.

Regardless of the path that survivors take, all share some essential traits. First, they are keenly aware of the universe in which they operate. Through persistent and diligent observation of their environment they perceive the complex interplay of seemingly minor and unrelated events. They continually apply their knowledge and intuition to understanding the implications of their observations, thereby becoming aware of impending change at the earliest possible moment.

Next, survivors accept and embrace change, and they are staunchly resolved to prevail over it. With strong entrepreneurial spirit they envision their new destination and plot a course that will take them to it. Finally, and most importantly, survivors have an unwavering belief in their vision, an unshakeable faith that they will realize their vision, and the unbending resolve to carry their businesses forward through the hardships of changing times.

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APPENDIX A

MILL MOTHER'S LAMENT

by Ella Mae Wiggins

We leave our homes in the morning,
We kiss our children good-bye,
While we slave for the bosses
Our children scream and cry.

And when we draw our money,
Our grocery bills to pay,
Not a cent to spend for clothing,
Not a cent to lay away.

And on that very evening
Our little son will say:
"I need some shoes, mother,
And so does sister May."

How it grieves the heart of a mother
Now everyone must know.
But we can't buy for our children,
Our wages are too low.

It is for our little children,
That seems to us so dear,
But for us nor them, dear workers,
The bosses do not care.

But understand all workers,
Our union they do fear.
Let's stand together, workers,
And have a union here.

Retrieved from http://www.mltranslations.org/Us/Rpo/women/iwwd1.htm, January 3, 2010