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MENACES TO THE AMERICAN TEXTILE INDUSTRY

One can but feel persuaded that the leaders of the union of textile workers have not taken that world-wide sweep of conditions affecting the textile industry that they should have made before calling a general strike. Such a sweep should have given them pause. To this observer, the industry was already seriously menaced, and will be much more menaced by a prolonged strike.

At the best, the industry in America seems doomed to a partial eclipse. The conditions which threaten are not of a nature to be obviated by the American mill owners. Conditions imposed by extra-national circumstances, and international exchange rates, are matters beyond the control of our domestic manufacturers of textile goods. A prolonged strike will intensify existing menaces and produce additional handicaps.

A Condition and Not a Theory.

It makes little, or no, difference how existing handicaps arose. Their existence is the one thing of importance. It is a condition and not a theory that confronts the American textile industry, and a condition that the textile operators themselves cannot remedy.

The Remnant of Foreign Trade Menaced.

It is only too well known that America has lost a large part of its foreign business in textiles. The strike, if prolonged, together with already existing conditions at home and abroad, in the writer's view, threatens the loss of all foreign demand for American cotton goods. Again, it is the fact, and not the causes, that is of importance. Yet the causes are not undiscoverable.

The Effects of Exchange Rates.

For fifteen years, America had the highest-price money in the world. After the inflation periods abroad, the foreign nations, generally, stabilized their currencies upon a very low gold rating. Yet the limited currency, per capita, they could issue upon even the slender gold supports available, made the currencies high-priced at home. Japan furnishes, probably, the most striking example of the effect of our former par dollars at home and the cheap moneys, as measured in gold, abroad. If the purchasing power of money in every country varied with the amount of gold backing each unit, the cost of manufacture and distribution in all countries would vary only with the degrees of skill and efficiency employed.

But the backing of a currency is not the chief determinant of its purchasing power in the country of issue. Americans should be convinced of that fact. The value of the American dollar in terms of gold has been reduced 41 percent. Yet, despite the hundred schemes inaugurated, including the pouring out of government billions, to raise commodity and labor prices, no such comparative cheapening of the dollar as measured in commodities of even a curtailed production has appeared. If further evidence of the truth of the quantitative theory of money was needed, America's experience has furnished it. Without the government expenditures and the artificial schemes to advance the prices of commodities, and wages, it is probable that both would be at the lowest levels this country has seen in decades.

Japan has a cheap currency, as measured by exchange rates. Yet the low per capita amount in circulation makes it a dear money at home, and necessitates low wage levels and commodity prices. Fifty cents a day here is a poverty wage. In Japan, the same wage as determined by exchange values, is a comparatively fair wage. For, after all, the value of wages is determined by the amount of necessities and comforts they will provide. Accordingly, Japan, and all industrial countries upon a similar monetary basis, could, and did, undersell American textile manufacturers whenever they chose to compete. America's foreign trade in textile products necessarily dwindled.

The One American Advantage.

While our dollar was based upon 100 cents in gold, the American near-monopoly of raw cotton supplies acted partially as a disadvantage to foreign textile manufacturers. The raw cotton had to be paid for on the basis of the American dollar. Currency which at home was dear, in terms of commodities and labor, became of trifling value when used to purchase American dollars. Raw cotton, then, in terms of home produced commodities and of prevailing wages, was very expensive to the foreign manufacturers as compared with its cost to American mills.

That fact enabled the Americans to compete on more equal terms, but even the difference in exchange values could not counterbalance the advantages of a money dearer at home than the American dollar was at home, plus the simpler life of foreign peoples.

That Advantage Disappears With the Cheapening of the Dollar.

A year ago that one counterbalance of a simpler life abroad and of the low, yet fairly adequate, wages and commodity prices, which figured in every item of production of textiles, from the making of the bricks of the foundation of the factory buildings to the loading the goods upon ships for export, was largely lost when the American dollar was reduced in exchange value by 41 percent. A cheaper supply of raw cotton, as compared with the cost to American mills, became available. The foreigners were all the better prepared to capture all foreign markets from America. And thus America's exportation of cotton goods was headed for extinction.

The Home Market Threatened.

Not only is America's foreign textile trade being wiped out by the advantages of foreign manufacturers cited, but the very trade at home is being menaced. Until recently the American tariff wall was a sufficient protection. Costs of production in American mills might rise to any level, but the manufacturers could protect themselves by raising the prices of their commodities. The tariff practically eliminated competition. But Japan, as the most notable instance, can already leap the American tariff wall and invade the American markets. To raise the tariff and raise prices at home would be to curtail American demand. Of course, the degree of both home and foreign competition is limited by the foreigner's capacity to produce and his ability to secure cotton in adequate quantities.

How a Prolonged Strike Affects the Foreigner's Chance to Secure Cotton.

The foreigner's opportunity to buy adequate stocks of American cotton at even greater advantages in actual price differentials will be enhanced by a prolonged strike of textile workers. Remember that when the Japanese buy cotton at twelve cents now it is really a price of less than eight cents compared with exchange values two years ago. As the cheapening of the dollar abroad has not resulted in its cheapening at home, the American mills pay the same old 12 cents. Not only so, but the American manufacturer and the American consumer must pay for several millions of bales of cotton that have not been produced. That results from the 4-cent processing tax and the government cotton acreage rduction rentals.

It is seen that with twelve-cent cotton, the foreigner's price is less than eight cents, while the domestic manufacturer's price is sixteen cents, or more than double that of the foreigner's, as compared with exchange rates two years ago. That differential and higher wages in everything that pertains to the manufacture and distribution of the goods, from the $12 a day labor that laid the bricks of the mill on up to the latest distribution cost, is, in all reason, a sufficient handciap.

The Strike's Further Menace.

A prolonged strike discourages, if not incapacitates, the American manufactures with respect to competing for American cotton with the foreigners. That would mean that the 12-cent government loan price assured would be the maximum limit, or near it, for cotton. Without the competition of the American mills, the foreigner could load up to any extent he wishes with just enough above the 12-cent limit to secure the cotton. The crop is short. The liberal purchase by foreign buyers would mean a scarcity of cotton for American spinning when the strike is over—say three months hence. The price would rise. But the cotton would be out of the growers' hands. They would have received about 12 cents instead of the 15 cents which they might otherwise expect.

The Two-Fold Blow.

Such a consequence would mean a further differential in the price of raw cotton to the foreigner and to the domestic manufacturer. The latter's cotton when the processing tax is added might approach 25 cents, or three times the cost to the foreigner as measured by exchange rates of two years ago.

But that is not all. Fifteen-cent cotton would furnish a great degree of prosperity in every group in the South and would create an immense demand for cotton goods. Even the average producer of cotton needs the products of two or three hundred pounds of lint. Twelve-cent cotton, if the cost of production is six cents, is only two-thirds as profitable as 15-cent cotton. Therefore, a cheaper cotton would mean not only the impoverishment of the South or its failure to attain a high degree of prosperity, but a set back to recovery in the whole country. For a prosperous South would mean much business for other sections of the country. The purchasing power of the whole country would be seriously affected by a strike prolonged during the marketing period of the farmers' cotton. Already the purchasing power of the drought section is minimized.

The Effect Upon Textile Workers.

Up to now only the effects upon the producers of the raw cotton and the manufacturers have been considered. But it is evident that the textile workers themselves would be sufferers. The considerations above make it evident that the resulting lack of a full purchasing power in the South, with its effects upon all other parts of the country, could be met by the manufacturers of cotton textiles by one of only two means, each of which would prove calamitous to the textile workers.

If present prices or higher should be asked, the demand would be so small that there would be necessity to curtail production, and thus thousands of textile workers would lose their jobs—and probably forever, for the foreigner would find little let in the tariff walls. That is one horn of the dilema. The other is a lowering of prices to meet the capacity to buy and thus to enlarge the demand. That would necessarily mean lower wages instead of the higher the strikers are demanding. If production were kept up to the standard extent, the textile workers would be happy if they could secure the wages and hours prevailing the past year.

But if the foreigners largely monopolize the cotton on the market this fall and the price consequently rises in the spring or early winter, the domestic mills are handicapped by a short supply as well as greater costs.

The Conclusion of the Whole Matter.

The domestic manufacturers' plight, at the best, is very serious. A prolonged strike, or a short one with more costly operation following, would almost wipe the American cotton manufacturing industry off the map. No more untimely strike has ever occurred, nor one demanding in the face of almost insuperable difficulties already existing grants that will almost inevitably mean ruin to at least the smaller manufacturers, who have already found it difficult to compete with the larger, and the loss, to thousands of the textile workers, of their jobs for once and all. A prolonged strike apparently means a bedwarfed textile industry for America, and the present body of textile workers necessarily would furnish a large proportion of the victims. The world would continue to use Southern cotton, but others would spin and weave it. What would our horde of workers do in that case?

Hoover Can Beat Us.

Ex-President Hoover can write a longer article than the editor of the Voice. If you have read his articles in the Saturday Evening Post, you needn't be afraid to tackle the article on Duplin county history. I guarantee that it is as easy to read and not so long as Mr. Hoover's current article.

Fairplay Cheap at Any Price.

The strike is costing North Carolina taxpayers dearly. Thirty companies of troops cannot be kept afield for nothing. Yet fairplay is cheap at any price. Governor Ehringhaus should be commended by every thoughtful citizen for his determination to protect non-strikers against those who would compel them to give up their jobs and their living against their own consent.