

# **One World Case Study: The Ten Dollar Tee Shirt**

**The reading is based upon excerpts from  
*The Travels of a T-Shirt in the global Economy* by Pieira Rivoli**

## **Introduction**

This case study started out as a simple test of consumer buying power that asked you to consider whether you would buy products preferentially based upon their country of origin. It turns out that for some products it may not be so simple after all. Consider the case of a ten dollar tee shirt that is “made” in China:

The world’s first factories were textile factories-launched the industrial revolution in 18<sup>th</sup> century Britain. For the first time, the poor could dress attractively. A consumer class was born. From 1815 to 1860 cotton constituted approximately half of the value of all U.S. exports and more than 70% was exported to England. Early American cotton production took place mostly on slave plantations. These slave plantations produced most of the world’s cotton by 1860. America’s early dominance of the cotton industry illustrate that commercial success can be achieved through moral failure, an observation especially relevant for T-shirts, which critics allege are produced under sweatshop conditions not far removed from slavery.

The tactic of suppressing and avoiding markets rather than competing in them continues today to be a viable business strategy. This ability to suppress and avoid competition is often the result of a power imbalance between rich and poor, an imbalance that persists in world cotton agriculture today. While slavery played a large role early on in our country, the systems of governace (public policy, property rights, etc.) were in place to support large scale cotton production, even after slavery was abolished. Sharecroppers and tenant farmers had little hope of climbing out of a subsistence living when cotton growers in the south borrowed an idea from the north, the company town.

Today, the area around Lubbock Texas is the hub of cotton production in the U.S. competing with cotton farms from over 70 countries. One thousand acres can produce about 500,000 pounds of cotton lint, enough for 1.3 million tee shirts. All dominance in world markets in temporary. In a baby boomers lifetime, preeminence in consumer electronics has shifted from the US to Japan to Hong Kong to Taiwan to China. Apparel production has moved form the American south to Southeast Asia to the Caribbean and back to Asia. Advantages in steel have moved from the U.S. Rust belt to Japan to South Korea. But for 200 years, the U.S. has been the undisputed leader in the global cotton industry in almost every way that can be measured, and other countries, particularly poor ones, have little chance of catching up.

Our labor costs have toppled industries in this country as diverse as apparel, steel, and shipbuilding, but not cotton. Subsidies play a big part but subsidies alone do not explain our dominance. In the U.S., the farms work, the market works, the government works, the universities work, and all create a virtuous circle. The Lubbock area benefits from a highly symbiotic relationship between

farmers, private companies, universities, and the U.S. government. (This is what cotton growers in poorer countries are really competing with. Cotton farmers in almost all countries outside the U.S. still hand pick their crop.) Back in Lubbock, while in the past only a few gins served hundreds of cotton farmers who were at the mercy of the gin owners, today farmers own the gins cooperatively and augment their income with dividend checks from the gin. From 1900 to 1990 the number of U.S. gins fell from 20,214 to 1,513 but the capacity of each gin has risen by a factor of 30.

A large farm can produce 22,000 pounds of cotton from which about 5,300 pounds is the white lint that will be turned into about 13,500 T-shirts. About 9,000 pounds of bolls, stems, and leaves will have molasses added to become cattle feed and is trucked a few miles away. Some seed is kept for next year's planting and some is plowed into the ground as fertilizer. About 16% of the seed's weight is oil. The biggest buyer of cottonseed oil in the world is Frito-Lay.

U.S. cotton farmers have wielded significant political power. On a per acre basis, subsidies paid to U.S. cotton farmers are 5-10 times as high as those for corn, soybeans, and wheat. Under the 2002 Farm Bill, cotton farmers receive a direct payment of 6.66 cents per pound of cotton. U.S. cotton farmers are also guaranteed a minimum payment of 72.24 cents per pound, almost double the world market price.

West African cotton farmers outnumber U.S. farmers 18 million to 25,000 and can produce cotton at a far lower cost than Texas growers, but U.S. government subsidies insure dominance of the market.

While U.S. cotton farmers are embedded in a system that protects and enriches them, cotton farmers in West Africa are embedded in a system that eposes and impoverishes them. The state controls seed and fertilizer distribution to farmers who are, virtually all of them, illiterate. They often send their children barefoot down the rows with toxic chemicals and prepare food with the same implements that are used to spread poison. West African farmers receive 25 cents per pound while U.S. growers receive 72 cents per pound.

In 2001 500 cotton farmers in the Andhra Pradesh region of India committed suicide as worms ate the last of their cotton. The farmers could hear the worms chomping, with a sickening sound that kept the villagers awake all night. Dealers had "furnished" the farmers with pesticides at 36 percent interest, but it was the wrong pesticide with the wrong directions, and the farmers couldn't read anyway. Useless on the worms, it worked quickly as a poison as hundreds of farmers dropped twitching in the middle of the cotton fields.

China is the largest buyer of U.S. cotton and consumes nearly one-third of the world's cotton production. Demand by Americans for cheap clothing from China leads to demand from China for U.S. cotton. It takes a third of a pound of cotton lint to produce a tee shirt, maybe fifteen cents worth, so an acre of West Texas farmland can produce about 1,200 tee shirts a year. U.S. cotton shipped to China is spun into yarn, knitted into cloth, cut into pieces, and finally sewn into a tee shirt. A made in china label is sewn in and it is shipped back to the America. In 2000 one factory alone, Shanghai Knitwear, shipped about 2.5 million T-shirts to the U.S. at a price of approximately \$13 per dozen. Today, China dominates the

global textile and apparel industries. Americans purchase nearly 1 billion garments made in China each year, four for every U.S. citizen.

In *The Race to the Bottom*, Alan Tonelson argues that the enormous surplus of labor in China imperils workers worldwide as international competition puts incessant downward pressure on wages and working conditions, leading the apparel and textile industries to favor the cheapest and most Draconian producers.

The National Labor Committee found that the apparel workers in China were: “young women forced to work seven days a week, 12 hours a day, earning as little as 12 to 18 cents an hour with no benefits, housed in cramped, dirty rooms, fed on thin rice gruel, stripped of their legal rights, under constant surveillance and intimidation—really just one step from indentured servitude...” Critics argue that cheap t-shirts from China are a victory for U.S. consumers and corporate profits, but a failure for humanity. Others argue that while generations of mill girls and seamstresses from Europe, America, and Asia are bound together by this common sweatshop experience – controlled, exploited, overworked and under paid – they are also bound together in the knowledge that it still beats life on the farm. Factory work has provided not only a step up the economic ladder and an escape from the physical and mental drudgery of the farm, but also a first taste of autonomy and self determination, and a set of choices made possible by a paycheck, however small. The irony of course, is that the suffocating labor practices in textile and apparel production, the curfews, the locked dormitories, the timed bathroom visits and the production quotas, the forced church attendance and the high fences – all of the factories throughout industrial history designed to control young women – were at the same time part of the women’s economic liberation and autonomy.

Today’s globalization activists identify the multinationals pursuit of profit and free trade as the enemy of the poor and powerless, a greedy force to be stopped and never trusted. The business community, in turn, scornfully dismisses the activists as a lunatic fringe, a ragtag bunch of ill-informed obstructionists, blocking the only path available out of poverty.

At first lone lunatics, and then mainstream citizens, and finally law making bodies, were gradually successful in implementing protections for children from factory work and fostering the nearly universal view that children belong in school. Likewise, a job in textiles and apparel, however unpleasant, no longer presents appreciable risk of death or maiming (Triangle Shirtwaist Company fire of N.Y.C. in 1911 killed 146 people on a building with no alarms, no sprinklers, and no fire escapes).

OSHA style-cotton dust standards, minimum wages, and working hour restrictions have been adopted in virtually all textile and apparel producing countries.

Free market advocates would say may the best T-shirt win. But 5000 textile workers in Kannapolis, N.C. lost their jobs in a single day in 2003. Many feel they should not have to compete with Chinese factories paying their workers 50 cents an hour. The politics of protectionism are hard to resist. Quotas are not sure-fire solutions. Billions of dollars of clothing made in China is labeled as if from another country. If a T-shirt is sewn in China from fabric pieces that were cut in

Hong Kong but knit in Malaysia from yarn that was spun in the United States, where is the T-shirt from? The general rule is that stitching determines where it is from.

Trade barriers, many argue are not the solution. The compensation principle argues that taxing the millions who benefit from cheap clothing can be used to compensate those who have lost their jobs in the race to the bottom. Professor Rivoli argues that the poor suffer more from exclusion from politics than from the perils of the market, and that we should focus on including people in politics rather than shielding them from markets.

**Case Study:**

We have decided to purchase 250,000 T-Shirts with our One World United & Virtuous Logo on them to sell in our on-line store. The T-Shirts will sell for ten dollars.

Question: Assuming all shirts are of the same quality, where should we purchase our T-Shirts from?

\_\_\_\_\_ 1) A local New York manufacturer and supplier. Cost to us: \$7.50 each.

\_\_\_\_\_ 2) A North Carolina manufacturer and supplier. Cost to us: \$7.00 each.

\_\_\_\_\_ 3) A local supplier of T-Shirts made in Hong Kong. Cost to us: \$6.00 each.

\_\_\_\_\_ 4) A non-local supplier of T-Shirts made in China. Cost to us: \$4.00 each.