The Causes of Deindustrialization: The Migration of the Cotton Textile Industry from New England to the South

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Numerous historians of deindustrialization argue that industries went into decline because established manufacturers moved production to cheaper locales to escape unions and high wages. A different pattern of decline occurred in the New England cotton textile industry, where downsizing began in the 1920s. Rather than fleeing their home area to build facilities elsewhere, most New England manufacturers were driven out of business by lower-cost competitors in the American South. Southerners founded, managed, and financed a heavy majority of the textile companies in their region. Although some New England firms did set up Southern plants, this was a defensive reaction to changing market realities. New competitors have brought about deindustrialization in other core U.S. industries. Recognizing this trend is important for a full understanding of the political economy of modern capitalism.

The demise of traditional manufacturing, or “deindustrialization,” has been a central feature of American economic life in the late twentieth century. Modern episodes of industrial decline have inspired historians to investigate earlier examples of the phenomenon. The resulting literature illuminates a lengthy record of deindustrialization in the United States.1 As early as the 1920s important indust-

1. We can divide the resulting scholarship into two categories. A larger group of works, authored mostly by labor historians, focuses on the impact of plant shutdowns on workers, unions, and industrial communities. Representative pub-

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trial sectors were downsizing in areas where they had originally flourished. By the 1950s manufacturing cities across the Northeast and Midwest were experiencing the “hollowing-out” of their economic base.

A vital issue, and one that numerous historians have touched on, is why deindustrialization takes place. How is it that well-established industries, often with a long record of growth and profit, plunge into ruin, often with great rapidity? In this article I address the question by considering one of the best-known early cases of deindustrialization, the decline of cotton textiles in New England, which began in the 1920s and continued after World War II.

Factory production of cotton goods started in New England at the end of the eighteenth century, spearheading the American industrial revolution. By the 1830s Lowell, Massachusetts, the site of many of the largest and most modern mills, had become one of the leading manufacturing centers in the country. The cotton textile industry of New England expanded steadily for almost a century thereafter, with capacity and employment peaking just after World War I. Despite considerable diversification of the regional economy, cotton manufacturing remained the single largest industry in New England after the war, accounting for 15.5 percent of the region’s factory employment in 1919. When cotton textiles and a number of the area’s other traditional industries fell on hard times in the 1920s, the results were devastating. Widespread plant closures produced Depression-like conditions in New England mill cities years before the Crash on Wall Street. Visiting Lowell in 1930, one journalist observed ill-repaired residences in the working-class districts, numerous vacant storefronts, and jobless textile workers “leaning against walls and lamp-

1830s - Lowell centers manufacturing in country - continue for 600 yrs

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posts...slumped in postures of hopeless discontent.” Fall River, Massachusetts, another long-time bastion of cotton manufacturing, had a 29 percent unemployment rate in 1939, with joblessness a crushing 52 percent among former textile workers aged 55 years and older. Identifying the causes of such social and economic devastation is clearly a compelling pursuit.

No single explanation can account for all examples of deindustrialization, as the particulars vary considerably from case to case. It is thus necessary to make some distinctions. Decline occurs in certain established industries when demand for their products falls off because of changes in consumer taste or the rise of substitutes. More frequently, deindustrialization takes place when demand for a given good remains robust but production shifts from one location to another. Economists refer to this phenomenon as “industrial migration.” The demise of cotton textiles in New England was an example of such a dynamic; the region’s mill centers deindustrialized as production migrated to the hilly Piedmont of the South Atlantic states.

What drives such shifts in industrial location? The accounts of labor-oriented scholars that dominate the recent historical literature on deindustrialization and geographic shifts in manufacturing in the United States put resounding emphasis on a quest by employers for low-cost, malleable labor. Migration occurs, according to numerous authors, as established manufacturers leave behind the high wages, unions, and social legislation typical of industrialized areas and set up new plants in less developed regions where cheap, tractable, generally nonunion workers are available. Employing terminology commonly used to describe such situations, we can call this the “runaway shop” explanation for industrial migration. Thus Jefferson Cowie argues that, over a period of decades beginning in the late 1930s, Radio Corporation of America (RCA) moved radio and television production from New Jersey to Indiana, then to Tennessee, and finally to Mexico to escape working-class mobilization and to exploit vulnerable pools of labor. Similarly, Thomas Sugrue writes that in the post–World War II years auto manufacturers set up new factories outside Detroit to “control increasing labor costs and weaken powerful trade unions.”

4. One example is the whaling industry of New Bedford, Mass., and other northeastern ports, which declined in the late nineteenth century as cheaper substitutes replaced whale oil in lighting and lubrication. See Wolfbein, Decline, 7–9.
5. Jefferson Cowie, Capital Moves: RCA’s Seventy-Year Quest for Cheap Labor (Ithaca, N.Y., 1999); Sugrue, Origins, 128. See also Tami J. Friedman, “Communi-
manufacturers shifted production from the North to Memphis, Tennessee, and other Southern locations in the 1930s to escape unionization drives. Mike Davis asserts that by the 1960s the siting decisions in American manufacturing centered on the search for “malleable, non-union” labor, which drew most new domestic plants to the Sunbelt or the rural periphery of the Midwest. Many scholars believe that the geographic restructuring of the cotton textile industry conformed to this pattern. Cowie and Sugrue both cite the case of New England textiles as an early example of the phenomenon. The authors of Like a Family, the authoritative account of the lives of Southern cotton mill workers, affirm that the “flight of the textile industry southward eroded its New England base.”

The migration of cotton textiles from New England to the South inspired considerable study by economists and geographers of the time, and more recently by economic historians. In this article I draw heavily on this literature—essentially synthesizing it, adding evidence from primary sources where appropriate. The account demonstrates that the movement of cotton textiles did not follow the “runaway shop” schema. The cheaper and more pliant work force of the South (a heavily populated agricultural region with a substantial labor surplus) certainly provided the key competitive advantage of textile production in the Piedmont. But cotton manufacturing in the


area arose independently, with a heavy majority of the region’s textile companies founded, managed, and financed by Southerners.

Modest at its Reconstruction-era beginnings, the cotton manufacturing industry of the South expanded at a steady rate in the ensuing years. By World War I the output and product range of Southern firms had grown to the extent that they were ready to take control of the industry. This they did in the decades that followed. In the process, the lower-cost manufacturers of the South drove most of the older New England producers out of business.

During the South’s ascendancy, some New England–based cotton manufacturers established Piedmont plants. This occurred during the initial period of Southern growth, and on a larger scale after 1920, as the industry downsized in the Northern region. Such behavior resembles the runaway shop model of industrial change but should not be interpreted in this way. Rather than a preemptive move to escape local labor markets, Southern investment was for almost all Northern producers a defensive strategy through which they sought to preserve a place for themselves in a changing industry. If the challenge of lower-cost Southern competition had not arisen, the New England industrialists would probably never have set up factories outside their native region. In any event, only a minority of New England–based manufacturers opened plants in the South, and Northern-owned mills accounted for a small share of total Southern cotton textile capacity. Rather than the runaway shop, events in cotton textiles exemplify what can be called the “new competitor” model of industrial migration, in which change comes about through the rise of an independent group of producers who benefit from some key competitive advantage. Typically, these new firms are located in less developed regions.

In the following pages, I first recount the growth of cotton manufacturing in the Piedmont and its resultant decline in New England. I then consider other cases in which the entry of new competitors brought about downsizing in established U.S. industries. A third pattern of migration, in which the dominant producers in a sector rela-

9. But note that the extent of capital movement by New England producers is of secondary importance. The circumstances in which the shift takes place are crucial in determining whether runaway shop migration has occurred in a particular industry. Thus, even if all New England cotton manufacturers had set up plants in the South, and such factories accounted for most of Southern cotton textile output, the runaway shop would not have occurred so long as New England industrialists made the move for defensive reasons, in response to a competitive challenge from new Southern producers. The runaway shop exists only when existing producers preemptively relocate production to escape high labor costs or working-class mobilization in their home region.
cate their facilities for reasons unrelated to labor, is discussed next. I close by arguing that distinguishing among the different patterns of industrial migration is crucial for a full understanding of the political economy of modern capitalism.

The Genesis of Cotton Textile Manufacturing in the South

Cotton manufacturing in the South was a long time getting off the ground. Although the great expansion in the industry took place after Reconstruction, a number of small mills were established in the region before the Civil War. The antebellum industry saw impressive growth and profits during the 1840s, when the raw cotton market was depressed, but faltered in subsequent years as cotton prices recovered. Many Southern plants survived the war intact, and expansion was widely discussed. The political uncertainties of the Reconstruction years blocked these projects for a time, however, and the Panic of 1873 postponed action on the numerous investment proposals circulating in the early 1870s. As the economy recovered toward the end of the decade, Southern mill building finally began in earnest. A wave of plant construction at the end of the 1870s brought the number of spindles (the standard measure of capacity in the industry) in the South from 290,000 in 1869 to 500,000 in 1879. The 1881 International Cotton Exposition in Atlanta attracted a great deal of publicity and further capital. Rapid growth soon became self-sustaining, as reinvested profits financed further expansion and dividends at times exceeding 10 percent drew new investors. By the 1890s a full-fledged boom was under way, with the South “barreling ahead with construction and production,” even during the deep economic slump at middecade. The rising number of spindles in the cotton-growing states demonstrated the pace of progress, reaching 1.4 million in 1889, 4.0 million in 1899, and 9.8 million in 1909. Table 1 shows the evolution of cotton spindles in New England and the South throughout the period.

10. Although notes are given for specific points, the following account of the growth of cotton textiles in the South is based in general on Jack Blicksilver, Cotton Manufacturing in the Southeast: An Historical Analysis (Atlanta, Ga., 1959), 1–40; Galenson, Migration, 62–94; Hall et al., Like a Family, 24–31; Wright, Old South, chap. 5; and Broadus Mitchell, The Rise of Cotton Mills in the South (Baltimore, Md., 1921), 232–76.
11. On the antebellum industry in the South, see Wright, Old South, 126–29; Blicksilver, Cotton, 2. Northerners were brought in to erect and manage these early Southern mills.
12. Quote from Wright, Old South, 135; figures from Galenson, Migration, 2.
Table 1 Number of Active Cotton Spindles in New England and the Southern States, 1859–1929 (in Millions of Spindles)

<table>
<thead>
<tr>
<th>Year</th>
<th>New England</th>
<th>Southern States*</th>
</tr>
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<tbody>
<tr>
<td>1859</td>
<td>3.86</td>
<td>0.27</td>
</tr>
<tr>
<td>1869</td>
<td>5.50</td>
<td>0.29</td>
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<tr>
<td>1879</td>
<td>8.63</td>
<td>0.50</td>
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<tr>
<td>1889</td>
<td>10.84</td>
<td>1.39</td>
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<tr>
<td>1899</td>
<td>12.89</td>
<td>4.04</td>
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<tr>
<td>1909</td>
<td>15.39</td>
<td>9.84</td>
</tr>
<tr>
<td>1919</td>
<td>17.54</td>
<td>14.03</td>
</tr>
<tr>
<td>1929</td>
<td>11.20</td>
<td>17.65</td>
</tr>
</tbody>
</table>


*Alabama, Georgia, North Carolina, South Carolina, Tennessee, and Virginia.

Through repeated waves of mill building, cotton manufacturing led the New South industrialization campaign of the postwar era. Encouraged by the South’s social and political elite and prodded along by the tireless efforts of regional boosters, the spreading cotton factories gave concrete form to “a new Southern ethos that equated industrialization with progress.” The expanding manufacturing sector provided a new source of growth for a Southern economy in which the long-time staple, raw cotton, had entered a phase of relative stagnation. The growth of industry, and especially of cotton mills, also created new job opportunities for (white) farm families pushed out of a traditional, semisubsistence life by the spread of railroads and markets, higher taxes, fence laws, and falling raw cotton prices.”

The new Southern firms initially concentrated on products at the lower end of the market. Some mills just spun yarn, usually in the lower counts, selling it to Northern firms for weaving. Fabrics woven in the South tended to be in the coarsest lines, such as denim and duck cloth. Piedmont managers often shipped goods that required finishing—dyeing, bleaching, and printing—to specialized plants in the North. As the Southern industry expanded, however, the product line filled out and improved in quality. Mills in the South increasingly wove their own yarn into fabric, turned out a full line of coarse

goods, and broke into the higher quality, medium-grade products that commanded steeper prices.  

Southern entrepreneurs headed almost all the region’s textile companies. One mill scholar commented that “the initial impetus and driving leadership [of the industry] were derived almost exclusively from native sources.” Textile promoters generally came from the Southern business class, with personal or family backgrounds in banking, railroads, and commerce. Robert McCaughrin, leading promoter of the Newberry Cotton Mills in South Carolina, ran a dry goods store, directed a bank, and served as president of the Greenville and Columbia Railroad. The key players in Virginia’s Dan River Mills had experience in merchandising, tobacco manufacturing, and managing a short-line railroad.  

Some Southerners active in the growth of textiles had Northern educations, like mill engineer and New South advocate Daniel Tomkins. Nevertheless, a lack of technical expertise was a substantial problem in the early days of the Piedmont industry. A few investors brought in managers and engineers from the North to help run new plants, but this was rare. Southern managers may also have gained experience by working for a time in Northern mills. In most cases, however, the neophyte manufacturers of the South seem to have bridged the knowledge gap by themselves, through trial and error. “Looking back on them,” one source told industry historian Broadus Mitchell in 1916, “I can see that the first mill men were a set of blundering children.”  

The investment capital for the Southern cotton mills also came mostly from within the region. Funds for many companies were raised by public subscription during the mill-building crusade of the 1880s, when citizens were called upon to rebuild the region’s independence and pride and to diversify an economy overly dependent on the cultivation of cotton. Tomkins, a leading apostle of industrialism, started a dozen mills with stock sold on the installment plan.

16. Quoted in Wright, *Old South*, 132. Technical assistance was also available from Northerners in industries associated with textiles. Machinery makers and textile engineers provided plant designs and information on running the equipment, and commission houses gave advice on what products to manufacture. Southern managers could also turn to trade publications and trade associations for information on best practices and recent innovations. As a “late developer,” the Piedmont in these ways could harness the “advantages of followership.” Learning by Southern workers—both of the finer points of tending the various textile-making machines and of general industrial discipline—was also essential to the success of the Southern industry. On this point, see Wright, *Old South*, 131–32, 189–91.
Purchasers paid for their shares in increments of twenty-five cents to one dollar a week. More conventional pools of investment capital provided another, and probably the whole more important, source of money. The jobbers and cotton merchants of Charleston, South Carolina, invested sizable amounts in textiles. Atlanta's Exposition Cotton Mills, begun in the buildings used for the city's 1881 cotton fair, had the backing of leading local bankers and industrialists and a major cotton factor. It was not unusual for mills to be launched as civic projects, with fervent but financially inadequate community backing, and then taken over on a commercial basis by a few well-heeled investors. In Birmingham, for example, a local businessman started a mill at the request of the Chamber of Commerce, at least in part for public-spirited motives. He ended up raising the necessary funds through connections in cotton factoring, wholesale merchandising, milling, and banking after citizens failed to pay for subscribed stock.¹⁷

No systematic survey has been made of the sources of investment capital for the early Southern mills. The haphazard record keeping of the era and the large number of firms involved would make this a daunting task. Estimates of the degree of Southern ownership in the early days of textiles by journalists, researchers, and veteran mill managers, however, all indicate that the industry was largely financed within the region. According to these estimates, "more than three-fourths" of the textile equity in the region in 1881 was owned by Southerners, 75 percent of the mill capital in Augusta, Georgia, in 1882 was held by residents of that city, 90 percent of the equity in North Carolina in 1890 was owned by natives of the state, and in South Carolina, over 65 percent of the capital was held by state residents at an "early" point in the textile era, and at least 75 percent was owned by natives in 1905.¹⁸

Heavy dependence on internal finance did not necessarily develop by choice. Southern promoters were well aware of the con-

¹⁷. Investment details from Mitchell, Rice, 236, and Blicksilver, Cotton, 5–6, 13.
¹⁸. Ownership estimates from Mitchell, Rice, 233, and Galenson, Migration, 82; quotations in Mitchell. The first systematic study of Southern mill ownership took place at a much later date, although the results were similar. In 1922 the New England–based National Association of Cotton Manufacturers surveyed "representatives of financial and other organizations" and assembled information on the ownership of 90% of the spindles in the South. According to the study, Southern capital owned 83.8% of Southern spindles, 10.8% were owned by capital in the Northeast (including 3.4% owned by New England mills and another 3.4% owned by New England capital independent of the region's mills), and 2% were owned by capital based west of Pittsburgh. A wide range of organizations and authors, including those in government and the labor movement, cited these figures and thus apparently found them credible. See Massachusetts Department
strained capital markets in their region and approached potential investors in the North in what one writer described as an “ardently cordial” manner. As early as the 1870s, promoters organized tours of Southern investment possibilities for Northern capitalists, and a Boston newspaperman at the Atlanta exposition of 1881 found that “every exhibit is an appeal for capital.” Efforts to attract outside investment did yield results. During and after the Atlanta fair, Northerners placed notices in newspapers advertising their desire to invest in Southern mills. Before the exposition began, capitalists in the North pledged $100,000 for a mill in Newton, Alabama, on the condition that $50,000 be raised locally. Northerners who invested in Southern mills in this manner were not necessarily connected with the textile industry. For instance, capitalists who visited cotton mills during a three-week tour of investment opportunities in 1877 came from cities in the Ohio Valley, far from the country’s textile centers. Moreover, even Northern investors who were active in textiles in their home region generally put money into projects arranged and managed by Southern entrepreneurs. Overall, the flow of investment from above the Mason-Dixon Line was probably smaller than Southern promoters had hoped. Capitalists in the North seemed more comfortable investing in the familiar industrial undertakings of their own region. Northern money that ranged farther afield usually went into larger projects, such as railroads or mining ventures in the West or railroads in the South.\(^\text{19}\)

Despite the limitations, some Northern capital did flow into Southern cotton manufacturing. A significant amount of this money came from industries associated with textiles rather than from textile manufacturers themselves. New England–based textile machinery makers were a key source of finance, often granting generous credit to buyers in the South. At the important Whitin Machine Works, figures from 1909, when the Southern capital crunch was less severe than in earlier years, show that 80 percent of New England mills but only 21 percent of those in the South paid for new equipment within four months of purchase. Nearly 20 percent of Whitin sales to Southern mills were not fully paid for even two years after delivery. Machinery makers sometimes accepted stock in Southern mills in lieu of cash payment. This practice strained the resources of the equipment manufacturers but became commonplace in the 1890s as competition for Southern sales stiffened. The machinery firms would

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19. Mitchell, Rise, 237, 242n; Blicksilver, Cotton, 3–4, 6, quotations at pp. 4, 6; Galenson, Migration, 78, 84–85, 87–90.
take as much as 20 percent of a new mill’s stock as payment for their products, selling the securities at an opportune moment. As a result of this practice, the Whitin Machine Works in 1904 found itself holding Southern textile securities worth more than $800,000.

Northern commission houses, which for a fee marketed mill products from both regions, also provided important financial support to the emerging manufacturers. At times these institutions took an ownership interest in Southern mills. A Boston establishment supplied much of the capital to rebuild the West Point Mills of Alabama after a fire in 1886, gaining a prominent position on the board of directors. In 1887 a group of commission houses and merchants in New York, Philadelphia, and Boston provided four-fifths of the funds for future textile magnate James Cannon’s first mill. Near the turn of the century, aggressive commission houses began building their own Southern mills to assure themselves a supply of saleable goods. Nevertheless, it was in offering credit, rather than investment capital, that the commission houses played the greatest role. Piedmont cotton manufacturers received little financial support from local banks (probably because of the generally underdeveloped state of Southern banking), and Northern bankers were generally unwilling to make loans to unknown, faraway manufacturers. Commission houses in the North often filled this credit gap, providing crucial working capital to illiquid Southern mills.

Although capital and credit from Northern machinery makers and commission houses facilitated the expansion of textiles in the South, this flow of finance came about only in response to the initial success of the Southern cotton firms. New England equipment manufacturers extended generous credit because they were eager to sell in an increasingly important segment of the textile machinery market. Commission houses provided capital and credit because in return they gained exclusive rights to sell the products of Southern mills. While the Northern companies thus engaged in aggressive sales tactics to secure business in an emerging market, their behavior was also defensive. Had these firms refused to accommodate the growing Southern manufacturers, they would have left the door open in their own industries to new competitors eager to meet those needs.

In the face of increasing Southern competition, a number of New England manufacturers established plants in the Piedmont, though the expanding textile industry of the cotton-growing states remained

largely Southern in management and ownership. The pattern by which the Northern-owned mills were set up confirms that the growth of the cotton industry in the South proceeded according to the new competitor model of industrial migration. New England firms built factories in the Piedmont only when the pressure of Southern competition made production in the North nonviable. Moreover, New England—owned mills accounted for just a fraction of the total capacity in Southern textiles.

The shift of Northern-owned production facilities to the South began in the mid-1880s among coarse-goods makers located north of Boston. In addition to paying higher wages than Southern mills, these firms were forced to expend more for coal, which was replacing water as the prime source of industrial power, because of their northerly and inland locations. During the depression of the 1880s this cost squeeze became overwhelming. In 1886 a Vermont mill moved to Alabama. Two years later a firm in Newburyport, Massachusetts, invested in a factory in South Carolina. The southward migration of production broadened during the mid-1890s, as a number of major corporations, including the Massachusetts Cotton Mills and the Merrimack Manufacturing Company of Lowell, built Southern facilities to manufacture coarse goods. Interest in Southern plants became even more widespread following a dramatic drop in the price of cotton manufactures in 1898 that sent tremors through the New England industry. But markets revived shortly thereafter, and talk of an exodus by Northern cotton manufacturers evaporated. In the prosperous years that followed, numerous New England firms built new facilities in their home region, and investment in Southern plants came to a halt. The handful of New England—owned factories in the South before World War I were larger on average than the establishments controlled by natives of the region, but their presence was overshadowed by the 488 mills operating in the South’s four most important manufacturing states in 1904.


24. One Northern textile manufacturer did shift operations to the South in the runaway shop manner. The owner of the Proximity Mills of Greensboro, N.C., said he moved South “to avoid labor troubles” and to escape the “tyranny” of the textile unions. This was an exceptional case. See Holland Thompson, *From the Cotton Field to the Cotton Mill: A Study of the Industrial Transition in North Carolina* (New York, 1906), 191. For more on Proximity’s owners, see Hall et al., *Like a Family*, 30–31, 134, 202–3.

25. Number of Southern plants calculated from figures in *Fifth Report to the General Court of the Commission on Interstate Compacts Affecting Labor and Industries* . . . (Dec. 1936), H. Doc. 1601 (Mass., 1937), pp.65–67. As before, the New England companies investing in the South in the 1890s usually had inland locations, which increased power costs.
Although the growth of Southern textiles conformed to the new competitor model of industrial migration, conditions that could theoretically have led New England manufacturers to relocate to the South, as in the runaway shop pattern, did exist in the late nineteenth century. Southern wages were substantially below those in New England—30 to 50 percent lower on an hourly basis in the 1880s. Unions were a significant presence in the North, with mule spinners, weavers, and card room operatives active by the 1870s and serious strikes breaking out on a periodic basis. Industrial relations were particularly turbulent in Fall River, the fastest-growing textile center in the area after the Civil War. New England also had rudimentary social legislation, which proved disadvantageous to manufacturers. Massachusetts, home to most of the region’s spindles, was a national leader in labor reform. By the 1870s, despite the staunch opposition of manufacturers, the state had restricted child labor and the workweek of minors and women and mandated regular factory inspections. Inducements to relocate in this early period included some Southern states’ policy of exempting new mills from local taxes. Why then did New England textile magnates keep production close to home? Various explanatory factors can be adduced: reluctance to break with traditional local investment patterns, attachment to the native region and their high social position in it, belief that the South’s competitive advantages would wane, lack of imagination, even laziness. Whatever the reason, with few exceptions Southerners built the textile industry of the Piedmont while New England industrialists simply reacted to the growing competition as it developed.26

New England Cotton Textiles in the Era of Interregional Competition

After the establishment of cotton textile production in the South, an era of close competition between firms in the two regions ensued. The outlook for the New England companies shifted several times during this period, but two major trends took shape: Southern com-

26. Wright, Old South, 130; Herbert J. Lahne, The Cotton Mill Worker (New York, 1944), 176; Hartford, Where, 6–13; Richard Abrams, Conservatism in a Progressive Era: Massachusetts Politics, 1900–1912 (Cambridge, Mass., 1964), 11; Marvin Fishbaum, “An Economic Analysis of the Southern Capture of the Cotton Textile Industry Progressing to 1910” (Ph.D. diss., Columbia University, 1965), 137–42. As Wright explains, the unreliability of Southern workers, whose primary aim was maintaining the family farm, offset the advantage of lower wages in the South before World War I.
panies gained a steadily growing market share, and New England firms progressively retreated into higher quality goods.

Although Southern producers claimed an increasing percentage of total U.S. production from the late nineteenth century on, New England firms remained the most powerful force in the industry through World War I. Moreover, despite the rapid growth of Southern plants, steady expansion also took place in New England. Indeed, capacity and employment peaked there just after the war. Only in the 1920s, as New England firms went out of business, did the number of spindles in the South surpass that in the Northern region.

Within the overall pattern of growing Southern market share, the fortunes of New England firms ebbed and flowed with the national cotton goods market and conditions in Southern agriculture. A collapse in prices for cotton manufactures during the depression of the 1890s appeared to menace the New England industry, but the region’s prospects improved dramatically in subsequent years. A key factor was the improvement in the raw cotton market at the turn of the century, which slowed the flow of migrants from Southern agriculture and pushed up industrial wages in the region. As early as 1902 an English observer in Lowell received assurances that the Southern labor advantage over New England mills had reached its limit. An authoritative survey of the industry published in 1912 commented that among Yankee mill owners “fear of Southern conquest has now almost entirely disappeared.” The New England cotton industry saw significant expansion in this optimistic era. In New Bedford, a center of fine-goods production, twelve textile firms were organized between 1900 and 1909. Gloom soon returned, however. Profit margins thinned dramatically for most Fall River mills in the period from 1909 to 1914, and several firms in the city failed to pay their usual dividend. Booming wartime conditions brought a quick turnaround. Cotton manufacturers in both sections of the country produced at capacity to meet the enormous demand, typically putting on second and even third shifts. High profits characterized this era, even in New England. Average annual cash dividends paid by Fall River mills during the war years ranged from 8 to 18 percent, with a high of 29 percent in 1920.27

Throughout the period of interregional competition, the Southern cotton factories produced a widening range of goods and moved into higher quality lines. Continually challenged in the standard products they had once dominated, New England firms diversified their output and moved up-market, emphasizing high-quality products and

27. Wright, Old South, 135–36, quotation at p. 136; New Bedford figure calculated from chart in Wolbein, Decline, 141; Smith, Cotton Textile, 119–22.
style goods sensitive to shifts in fashion. The more highly skilled labor force and greater managerial expertise in the region made this change possible. Shifting production patterns in Fall River illustrate the pattern. The city rose to prominence in textiles after the Civil War as the most important center for medium-grade print cloth, but Southern mills broke into this market toward the end of the century. In response, Fall River mills moved away from the standard constructions of this product in the 1890s. The city’s print-cloth output increasingly took the form of “odd goods,” which varied in width and yarn count and required continual adjustments in the production process and close attention to consumer markets. Many mills moved into a new line altogether, and after 1895 “fine and fancy goods,” which emphasized style and had high yarn counts, became the fastest growing segment of the city’s industry.28

Southern mills steadily encroached on New England markets because of a number of competitive advantages. The most important by far was lower labor costs. The differential between textile wages in New England and the South fluctuated frequently in the early decades of the twentieth century but always remained significant. A Massachusetts study for the period 1903 to 1905 found weavers working print cloth making 31 cents (3.1 mills) per square yard in Lowell and 18 cents (1.8 mills) in South Carolina. In 1926 another survey found the average hourly wage for mill operatives to be $0.46 in New England and $0.30 in the cotton-growing states.29 In addition, Southern workers typically put in longer hours than their New England counterparts. The 12-hour, 6-day weeks of the late 1800s did not last into the twentieth century in the Piedmont mills, but workweeks of 55 to 66 hours were standard through the 1920s. Shorter working hours prevailed in New England mills, primarily as a result of government action. Massachusetts banned night work for women in textiles in 1907 and limited the workweek of female operatives to 56, then 54, and finally in 1919, 48 hours a week. The restricted working hours for women in textiles generally applied in a de facto manner to men as well, because females accounted for such a large share of the industry’s labor force. Other New England states also imposed limits on working hours, and the 48-hour week prevailed for a time after World War I at plants in New Hampshire and Rhode Island.30 The longer workweek in the South was an important advan-

29. Smith, Cotton Textile, 92; Burgy, New England, 147.
tage for manufacturers there. It allowed them to spread fixed costs over a higher volume of production and get time-sensitive orders out more quickly.

Textile unions, the most important lobbyists for state labor legislation, were an increasingly important presence on the shopfloors of New England mills. Craft organizations in the key centers of Fall River and New Bedford achieved stable collective bargaining arrangements by the early twentieth century. Unionists elsewhere in the region were unable similarly to institutionalize their presence, but they nonetheless successfully pressured manufacturers for improvements, most notably during the 1912 explosion at Lawrence, Massachusetts, led by the Industrial Workers of the World (IWW), and in strikes around the region during and immediately after World War I. Organized labor had much lower standing among the textile workers of the Piedmont. A turn-of-the-century organizing drive by the New England–based United Textile Workers (UTW) quickly fizzled, and union beachheads established during World War I largely disappeared during a months-long strike in 1921. Significant union activity did not resurface in the Piedmont until the end of the decade.31

Southern producers enjoyed a number of other competitive advantages indirectly linked to the production process. New England mills paid higher state and local taxes than mills in the South. State and municipal governments, utilities, and chambers of commerce, eager for ongoing industrial development in the Piedmont, continued to offer inducements to manufacturers setting up new mills. Finally, power bills were often lower in the South, and mills there had slightly lower transportation costs because of their proximity to the cotton fields.32

31. Hartford, Where, chaps. 1 and 2; Thompson, From the Cotton Field, 190–96; Hall et al., Like a Family, 186–96. Of course, the textile unions established a definitive presence in the Northern industry in the late 1930s. See chap. 3 of Hartford, Where, for a full account. Despite repeated efforts, organizers never made similar headway in the Southern mills, and 1930s proposals to impose Northern wage scales on Piedmont plants through federal action did not win approval. These failures assured the perpetuation of the regional wage gap. On union efforts in the Piedmont in the 1930s and after World War II, see Hall et al., Like a Family, chap. 6; James Hodges, New Deal Labor Policy and the Southern Cotton Textile Industry, 1933–41 (Knoxville, Tenn., 1988); and Timothy Minchin, What Do We Need a Union For? The TWUA in the South, 1945–1955 (Chapel Hill, N.C., 1997). On federal efforts to impose Northern textile pay scales (not just wage minimums) on Southern producers, see David Koistinen, “Dealing with Deindustrialization: Economics, Politics, and Policy During the Decline of the New England Textile Industry, 1920–1960” (Ph.D. diss., Yale University, 1999), 172–92.

Two additional factors aiding Southern producers, of which there was widespread discussion at the time, deserve special attention: the slow rate of investment in new machinery in New England mills and the purported incompetence of many of the region’s managers.

As in other industries, makers of textile machinery constantly incorporated improvements into their latest models so that purchasers of new equipment realized greater efficiency in production. Dramatic advances took place in the late nineteenth century in the two most important steps in textile fabrication: the 1870s saw the perfection of ring spindles capable of replacing the cumbersome and widely used mule spindles, and automatic looms introduced in the mid-1890s permitted a significant jump in the productivity of weavers. New England mills installed new machinery, particularly the innovative ring spindles and automatic looms, at a slower rate than their Southern competitors did. In plain-goods weaving, for example, only 26 percent of New England looms but 42 percent of those in the South were automatic in 1914. This gap widened during World War I, when automatic looms accounted for 39 percent of the plain goods total in New England and 72 percent in the South.33

The greater modernity of textile machinery in the South resulted in part from the growth dynamics of the industry. From the late nineteenth century on, most new mill construction took place in the Piedmont, and investors generally outfitted these factories with the latest equipment. In contrast, established New England firms had out-of-date but still workable equipment that managers wanted to get full use of before laying out the funds for replacement. Southern companies had an additional incentive to invest in the newer spinning machinery because unskilled operatives could tend it; skilled mule spinners were hard to come by in the region. It nonetheless appears that many New England executives did not see the necessity of purchasing up-to-date equipment. The failure of industrialists in Fall River to install automatic looms was particularly dramatic. One investigator ascribed the lack of investment by Spindle City firms in this key piece of machinery to “complacency” and conflict of interest. The latter consideration arose from the practice of equipping Fall River mills from area machinery builders who had not kept up with changing technology. The city’s cotton manufacturers had close relations, and in some cases interlocking direc-

torates, with these firms. Turning to other suppliers of textile machinery would have hurt the business of the affiliated machine-building companies."

The failure to invest in new machinery points to another explanation, widely cited at the time, for the problems in New England textiles: incompetent management. Poor entrepreneurial leadership was a favorite target of union critics of the industry. "Mismanagement of many New England mills has been notorious, if not criminal," charged UTW president Thomas McMahon in 1924.35 Some on the management side of the industry shared this assessment. The owner of a New Bedford mill who stood outside the tightly knit group that controlled almost all of the city's textile corporations alleged in 1928 that the industry was in trouble because "official salaried positions have been given to sons and friends of those who had pull... without regard to qualifications." Similarly, the American Wool and Cotton Reporter, a Boston-based trade paper, launched repeated diatribes in the 1920s and 1930s against nepotism, deficient oversight, unnecessary overhead, and even malfeasance at poorly performing mills. The ingrown management arrangements typical of New England textiles provided ample fodder for critics. Most mills in the region had been established in the nineteenth century under family ownership. The descendants of the founders often continued to exercise close control, even when companies had publicly traded stock. In Fall River, two family groups that had owned all of the city's mills in the early days still held considerable power generations later. A limited number of families controlled the cotton firms of New Bedford. Almost every company in that city had links to at least one other local textile manufacturer, as well as to the city's banks, through shared members of their boards of directors. An additional feature of the ownership pattern was that some original entrepreneurs put their


stock in trust for future generations. Critics frequently alleged that trustees managed these holdings too conservatively, insisting on high dividends and frowning on the reinvestment of profits. 36

Allegations of poor management are difficult to assess, and we should avoid generalizations. Numerous New England textile firms suffered from myopic, hidebound leadership after the late nineteenth century, but one can say the same of other industries at virtually any point in time. Moreover, some New England companies benefited from exceptionally good management during this period. A 1925 feature in the American Wool and Cotton Reporter discussed several mills in the region that had been in poor condition at the turn of the century and subsequently revived through strong leadership. One case upended the usual storyline of generational decline: after the original owner of the Sagamore Mills of Fall River ran the company into the ground, his son turned it around. 37 Even the failure of New England mills to invest in new equipment probably arose to a certain extent from shrewdness, rather than shortsightedness, on the part of executives. Having experienced a major scare from Southern competitors in the 1890s and another after 1910, some mill owners may have made a calculated decision to maximize short-term profits and run down their investment in an industry with an uncertain future in the region. 38

One tentative conclusion is that if New England mill managers generally had grown complacent in the years after 1900, a quick improvement took place among those firms that survived the crisis of the 1920s. UTW president McMahon claimed in 1924 that mismanagement led to the firing of thirty-six New England mill executives. Some firms in the region invested heavily in new equipment during the 1920s, and many took steps to rectify long-standing problems with inadequate accounting systems and overdependence on the selling houses that marketed their goods. 39

We can best appreciate the cumulative effect of the various competitive factors affecting New England and the South by comparing

38. See Smith, Cotton Textile, 132–34, on this point.
39. Textile Worker (May 1924), 77; Smith, Cotton Textile, 131; Wolbein, Decline, 98. Despite these caveats, ossified management may indeed have been a factor of importance in the decline of New England cotton manufacturing. If this was the case, entrepreneurial conservatism should probably be viewed as simply another of the competitive weaknesses (along with higher paid workers, heavy
the cost of producing the same fabric at mills in each region. Data for this purpose are available from a 1923 study of an unidentified firm with branches in Massachusetts and a Southern state that reported figures for manufacturing standard print cloth. Economist Marvin Fischbaum added statistics from another source on the cost of raw cotton and arrived at the following results. Overall costs for this product were 62.5 cents per pound in Massachusetts and 53.2 cents at the Southern location—a difference of 9.3 cents, or 15 percent lower in the Piedmont. The Southern plant realized small advantages from the proximity of raw cotton (.5 cents), cheaper local power (.2 cents), and lower charges for depreciation (.5 cents). The great advantage of Southern production lay in the cost of labor, however, where the expenses of the Southern mill were 7.9 cents less.40

Following the establishment of textile manufacturing in the cotton-growing states, the two regional wings of the industry experienced a forty-year period of generally peaceful coexistence. The Southern mills had lower costs, frequently higher profits, and a faster rate of expansion, and New England firms suffered during slumps in the market for cotton goods. Nevertheless, even producers in the Northern region often prospered, and the industry there continued to expand. The steady move of New England firms into higher quality products as Southern manufacturers took over the lower end of the market made possible what we might call interregional industrial détente. Two other factors facilitated this coexistence: overall demand for cotton goods grew significantly in the rapidly industrializing United States, with national consumption of cotton rising from 1.1 billion pounds in 1890 to 2.5 billion pounds in 1914, and high tariffs reserved almost all of this market for domestic firms.41 Still, détente could not last indefinitely. If production costs in the South remained significantly lower, mill construction in the region proceeded at a steady rate, and Southern firms continued to upgrade their product lines, a time would inevitably come when there would not be enough room at the upper end of the market to accommodate all New England producers. At that point companies in the Northern region would be forced out of business.

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investment in outdated equipment, more comprehensive regulation, and so forth) typical of mature industries.

40. Calculations reported in Fischbaum, “An Economic Analysis,” 26–29, using figures from Massachusetts Department of Labor and Industries, Report of a Special Investigation, 18. The labor cost differential was 6.4 cents for those operating textile machinery and 1.5 cents for others, such as maintenance personnel, watchmen, and salaried employees.

This juncture arrived in the 1920s. Several elements of the economic situation combined to produce the crunch then, including a fairly rapid pace of mill construction during World War I, a slowdown in domestic demand for cotton goods, and another downturn in the raw cotton market that depressed Southern labor markets and led to increasing use of a night shift at Piedmont firms. Observers of the period often cited these factors as the heart of the trouble in textiles, but all were secondary to the underlying realities of interregional competition. Because not all the higher cost New England producers retired from the market at the first sign of trouble, the unavoidable result was the excess capacity that bedeviled the industry during the interwar years, thin profit margins, and generally depressed conditions. The postwar boom in the demand for cotton goods and rising raw cotton prices that created the illusion of prosperity postponed the slump for a time. It finally set in at the end of 1923 and lasted for the better part of two decades. Plants frequently ran only part time during this period, and millions of Northern spindles stood completely idle. An index for sixty cotton firms in both sections of the country shows average dividend payments peaking at 18.4 percent in 1920 and then falling steadily from 11.4 percent in 1923 to 2.0 percent in 1933.

Depressed markets hurt producers in both regions but had a greater impact on the higher cost New England mills. Firms in the area tried a number of strategies to restore competitiveness, including wage cuts, scientific management schemes, and improvements in marketing and accounting procedures. These measures could not overcome the competitive advantage of Southern producers. Indeed, in the face of slack markets, manufacturers in the Piedmont implemented many of the same steps.

New England firms sharply cut wages over the course of the 1920s. The average hourly pay of the region’s frame spinners fell from 42.5 cents in 1924 to 34.9 cents in 1930, and similar reductions took place in other occupations. By 1932 the average wage differential between New England and Southern mills had narrowed to 20 percent, one of the lowest in history. Southern manufacturers reduced wages less severely but got a greater total effort out of their work force through increasing use of a second shift at night. In North Carolina, for example, more than half the cotton firms had a night

43. Kennedy, Profits, 126–28, 252. These figures are adjusted to include the stock dividends of the early 1920s.
shift by 1926, while only 14 to 23 percent had run at night in the years before the war. Little night work took place in the North because law, accepted practice, and the limited ability of the region's mills to win orders in depressed markets discouraged it. New England workers generally did not resist the deep pay cuts of the 1920s. With employers in obvious trouble and a high rate of joblessness in the textile cities, they had little choice. In 1927 operatives at the Massachusetts Cotton Mills of Lowell, recently acquired by an outside company, accepted a 10 percent pay reduction as the price of trying to keep the establishment in business. In highly organized Fall River, unions acceded to a wage cut of 10 percent in 1925 and a further 10 percent reduction in 1928.

Many New England firms also adopted scientific management-style efficiency schemes to reduce costs. The bleak conditions in the industry led most unionists to welcome the arrangements so long as worker representatives were allowed input. A "labor specialization plan" agreed to in New Bedford in 1928 won the warm support of labor and apparently worked peacefully in subsequent years. At the Naumkeag Steam Cotton Company of Salem, one of the few New England firms with a recognized union in the 1920s, executives and labor brought in a member of the Taylor Society, a leading scientific management group, to assure equitable implementation of a sweeping reassignment of jobs. New England firms also set up modern


45. *Industry* (26 Nov. 1927), 7; Massachusetts Department of Labor and Industries, *Annual Report* (1928), Pub. Doc. 104, pp. 50–59; *Factory and Industrial Management* (Jan. 1929), 51–53. The circumstances of the strikes that did occur in New England cotton manufacturing in the 1920s tend to confirm the general pattern. Six hundred thousand Rhode Island, New Hampshire, and Massachusetts workers walked out for the better part of 1922 in response to pay cuts of up to 20% and increases in weekly hours from 48 to 54 in the two smaller states. This confrontation took place before the competitive difficulties of New England cotton manufacturers had become evident. (Employers in the end revoked the pay cuts but maintained the longer working hours.) Operatives in New Bedford went on strike for six months in 1928 to protest a 10% wage cut. Specializing in fine goods, in which Southern firms had at this point made limited inroads, the New Bedford mills had yet to fully experience the dire conditions prevailing elsewhere in New England. (The unions eventually accepted a 5% pay reduction.) See Tilden, "New England Textile Strike," on the first walkout and, on the second, the Department of Labor and Industries and *Factory and Industrial Management* reports cited at the beginning of this note.

accounting systems to assure the retention of sufficient funds for future investment and established marketing departments to sell their own products, severing ties with the selling houses that had at times acted in bad faith.

For many New England companies, especially those manufacturing the coarser grades of products, none of these steps brought salvation. Confronting depressed markets, Southerners adopted many of the same measures, cutting wages (though to a lesser extent) and putting in place new accounting and sales systems. Piedmont managers introduced efficiency schemes with even greater ruthlessness, as few unions existed to limit the changes made. Moreover, fiercely competitive markets spurred Southern firms to new waves of investment. Established mills installed labor-saving equipment at a frenzied pace to reduce costs, and the construction of new factories continued steadily throughout the 1920s. 47

The dire circumstances forced many New England firms to take more drastic action. Investing in Southern plants was a viable solution for some companies, and the 1920s saw a renewed flow of Northern dollars and spindles to the Piedmont. Although in some cases small New England firms with established products set up operations in the South, it was disproportionately the larger, more financially capable companies that invested there. The Pacific Mills of Lawrence, a giant in wool and cotton, had a new, 32,000-spindle mill under construction in Lyman, South Carolina, in 1923. The following year, the Borden interests, the most important ownership group in Fall River, announced the movement of 100,000 spindles from several of their Iron Works mills to Kingsport, Tennessee. The Beacon mills of New Bedford, a smaller company selling blankets under a recognized brand name, also set up a Southern plant by 1924. 48

The extent of New England investment in Piedmont mills should not be exaggerated. A trade press article in late 1923 mentioned nine New England cotton firms that had built or acquired facilities in the South or were planning to do so. In 1928, according to another source, New England cotton companies owned branch plants in twenty-five Southern locations. 49 As in the late nineteenth century, the spurt of New England investment in Piedmont mills dramatized the problems of Northern producers without fundamentally altering the predominantly local ownership of the Southern industry. A “fairly com-

47. Hinrichs, “Historical Review”; Kennedy, Profits, 130; Hall et al., Like a Family, 200–212.
48. Textile World (10 Nov. 1923), 67; Smith, Cotton Textile, 124; Wolfbein, Decline, 89.
plete” tabulation prepared in 1930 for a Massachusetts state agency found that New England mills owned approximately 5.3 percent of the cotton spindles in the South. Another survey the following year concluded that all forms of Northern ownership together accounted for about 15 percent of capacity in the four Piedmont states with the largest spindles.

Most New England firms confronting the depressed markets of the 1920s and 1930s lacked the capital to move to the South or to survive in their native region. Closure of the mill was the only remaining option. Today large manufacturers that shutter their U.S. factories usually continue to operate in some reduced form, whereas many New England textile firms owned only one or two plants. Closing these mills thus entailed “liquidation”—selling off machinery and property and dissolving the corporation.

Liquidations spread across the New England landscape beginning in the mid-1920s and continued through the end of the following decade. In the dolorous accountings that appeared in reports on the industry, the lists of liquidated firms went on for pages. The number of cotton manufacturing establishments in Massachusetts plummeted from 191 in 1923, to 135 in 1929, and to 103 in 1933. Although some of these mills moved to other states, most ceased operations and liquidated. Cotton employment in Massachusetts fell by

50. Massachusetts Industrial Commission, Report of an Investigation by the Massachusetts Industrial Commission of the Conditions Affecting the Textile Industry and the Problem of Unemployment in That and Other Industries (Dec. 1930), 170–71, Massachusetts State Archives, LA 1.01, Rec Group Labor, Series 810X, quotation at p. 170. The American Wool and Cotton Reporter made the survey. The 5.3% figure for ownership by New England mills represented an increase from 1922, when a similar survey (discussed in a previous note) found that New England mills owned 3.4% of Southern spindles.

51. Ben Lemert, The Cotton Industry of the Southern Appalachian Piedmont (Chapel Hill, N.C., 1933), 153–57. The 15% figure includes owners throughout the North (not just in New England) and apparently commission houses as well as manufacturing companies. Here again there seems to have been some increase, as the 1922 NACM study found that Northern capital owned 10.8% of the spindles in the South.

52. The number of cotton manufacturing establishments in Massachusetts fell by 86 between 1923 and 1935, according to a state inquiry. During this period 19 mill “removals” took place (including some small operations). Additionally, certain Massachusetts firms that had set up out-of-state branch plants shifted most or all of their operations to those locations, and some new companies were organized elsewhere with capital recovered in liquidations. Investigators concluded that in cotton textiles, “[l]osses by bankruptcies, liquidations and curtailment of operations have been much heavier than by direct removals.” See Final Report of the Commission on Interstate Co-Operation . . . Concerning the Migration of Industrial Establishments from Massachusetts (June 1939), H. Doc. 2495 (Mass., 1939), p. 14; and, for the small size of some of these moves, Textile World (5 Feb. 1927), 156, 269; (4 Feb. 1928), 128; and (2 Feb. 1929), 155, 231. The decline of
an even greater extent, dropping from 114,000 in 1923, to 71,000 in 1929, and to 45,000 in 1933.\textsuperscript{53} For cities and towns with a heavy dependence on cotton manufacturing, the effects were particularly dramatic. Of the seven major cotton plants active in Lowell during World War I, four closed in the late 1920s, and a fifth changed ownership and drastically downsized. By 1932 Fall River had lost 61 percent of the spindles in place in 1921. So many New England cotton firms shut down that liquidation became a thriving industry. An active market developed in used textile machinery, and one consulting firm took out advertisements in the trade press offering “advice and counsel from experts” to help companies achieve “scientific liquidation.”\textsuperscript{54}

Widespread plant closures obviously had the greatest impact on the modestly paid operatives who made their livelihood in cotton and on the cities where production was concentrated. But many on the management side of the industry were also distressed to see companies go under—firms that in some cases had a century-long record of successful operation. In more than a few instances, executives waged a protracted battle to keep mills open. A close look at the demise of one company demonstrates the harsh situation New England manufacturers faced in the 1920s, the lengths some managers went to in trying to stay in business, and the remorse felt by many in the white-collar ranks when plants finally shut down.

The Everett Mills of Lawrence was one of New England’s oldest and most reputable textile firms. “The Everett,” as it was known, employed 1,800 operatives and specialized in gingham, a medium-grade cotton fabric. After World War I, a difficult market situation confronted the company. While Southern competition was rising, overall demand for gingham was falling in the 1920s because of shifts in consumer taste. Even after a wage cut in 1925, depressed markets forced company managers to halt production for weeks at a time. In the fiscal year ending in March 1926, the plant operated at only 33 percent of full-time capacity, and the firm showed a net

\textsuperscript{53} Fifth Report to the General Court, 61.

loss of $560,000. The Everett last paid a stock dividend in 1924. Executives for some time considered establishing a factory in the South but finally decided to take no action because of the “excessive cost.” In early 1927 pressures came to a head. The Everett had nearly exhausted working capital (used to finance purchases of raw materials while goods were in process), and the firm’s selling agents threatened to cut off credit. Most observers believed the company needed an infusion of new money from stockholders to stave off liquidation.55

At a special shareholders’ meeting in February 1927, treasurer and chief executive F. C. McDuffie emphatically recommended selling additional shares to stockholders to raise working capital. A majority of the board of directors supported this position, but substantial sums were required. McDuffie believed that as much as $700,000 in new capital would be necessary, compared to a total par value for outstanding stock of $2.1 million. In a poll of shareholders, 60 percent of those expressing an opinion declared themselves unwilling to put in new money. Persons managing stock held in trust seemed particularly reluctant to invest additional funds in the firm. In the end, the decision was to recess for one month while the board of directors considered the matter further.56

Seeking outside advice, probably at the direction of the board, McDuffie asked the respected consulting firm of Barnes Textile Associates to survey the Lawrence plant and recommend a course of action. Investigators from Barnes carefully examined the Everett’s facilities and market position and submitted a report of their findings. The consultants found the mill buildings to be in sound condition and “equipped with good machinery which has been maintained in excellent condition for the class of goods manufactured.” In a careful analysis of operations, they came up with only limited possibilities for savings, including minor steps such as reducing the number of overseers and factory yard watchmen. In many of the mill’s production departments, investigators had no improvements to recommend. They concluded instead that the company’s problems were fundamental. The market for gingham was oversaturated, and the type and width of the company’s looms precluded an easy change to an-

other product. The investigators considered and dismissed drastic options such as selling off some land and equipment, switching to the production of fine goods ("the cost would be prohibitive under current market conditions"), and moving to the South. After considering the situation "from every angle" and reaching a conclusion "with our heads in military command of our hearts," the consultants recommended that the company be liquidated. That action should be taken immediately, they asserted, to maximize the sales value of assets. The Everett's management seems to have struggled to stay in business for a while longer. Shareholders finally approved the liquidation of the corporation in June, and in October 1927 a notice appeared in the trade press announcing the sale of all mill equipment.

With a host of New England manufacturers facing circumstances such as these, one can understand why textile union president Thomas McMahon told a journalist in 1924 that many Northern mill owners had been "badly hit" in the current textile depression. Although a few industrialists deserved their fate, McMahon continued, most merited "sympathetic consideration."

The massive liquidation and less frequent migration of New England mills during the 1920s and 1930s dramatically changed the geography of cotton textile production in the United States. At the end of the period, the South held a commanding position in the industry. Southern firms had 18.8 million spindles in place in 1938, compared to New England's 6.8 million. The Northern companies that remained in business clung to the upper reaches of the market, producing goods characterized by "refinement, specialization and style." Output shifts in Fall River exemplified the transformation. The leading center for American print-cloth production at the turn of the century, Fall River did not have a single mill turning out this material in 1940. Many firms in the city concentrated on fine goods, including fabrics with multiple colors of yarn requiring sophisticated weaving techniques. There was also substantial production of mixed fabrics combining silk or rayon with cotton, and some firms had technically switched industries, making goods composed entirely of silk or rayon fibers.

57. This difficulty notwithstanding, in a healthy cotton textile market the company undoubtedly would have shifted to the production of other medium- or fine-grade products.


60. Wohlein, Decline, 161; Burgy, New England, 180; Smith, Cotton Textile, 135–40.
Migration and Plant Closures
in Other U.S. Industries

The shift of the cotton textile industry from New England to the South clearly took place along the lines of the new competitor model of industrial migration. Nor is the example of cotton textiles an isolated case. In a number of other instances in the post–World War II period, the rise of new competitors led to downsizing and plant closures among traditionally dominant American manufacturers. One can even find an example of this dynamic in Jefferson Cowie’s Capital Moves, the most thorough historical account of industrial migration presently available, though the author claims that his work demonstrates the pervasiveness of the runaway shop.

In a carefully researched, often insightful account of labor relations in a mobile industry, Cowie characterizes a decades-long pattern of plant openings and closings as a steady search by RCA for cheap, tractable labor. The action begins in the late 1930s, when the company’s manufacturing operations centered in Camden, New Jersey. After a bitter fight to maintain the open shop, RCA signed a contract with the Congress of Industrial Organizations (CIO)–affiliated United Electrical Workers (UE) but then deployed a new strategy to keep unionism at bay. For labor-intensive tasks requiring limited skills, such as the manufacture of radios, the company relocated production to low-wage, nonunion settings. The corporation set up new plants in Bloomington and other Indiana cities, where it soon moved all radio output.81 Without question, the shift of RCA radio manufacturing from Camden to Indiana is an example of the runaway shop model of industrial migration.

RCA’s Bloomington plant was soon unionized as well, albeit by the less confrontational American Federation of Labor (AFL)-affiliated International Brotherhood of Electrical Workers (IBEW). Wages nonetheless remained lower and union work rules less restrictive at the Indiana factories. As television replaced radio as the company’s prime consumer electronics offering, RCA concentrated the manufacture of television receivers at its Indiana operations.82

In 1965, anticipating a doubling in television sales, RCA announced plans for factories in more locations, including a new $20 million television facility in Memphis, Tennessee. The once malleable work force in Bloomington was by this point quite assertive, repeatedly confronting managers on the shopfloor and launching a major wildcat strike. Nevertheless, the company’s 1965 plans included

62. Ibid., 55–60.
a $5.9 million expansion of the Bloomington plant. The prospect of “docile” workers in the Memphis labor market undoubtedly appealed to RCA managers, but the circumstances under which the plant opened there hardly accord with the stereotypical picture of the runaway shop. Apparently concluding that they could not avoid a union presence at the Tennessee location, company executives sought only to hinder coordinated action with employees in Bloomington by installing a different union in Memphis, the International United Electrical Workers (IUE, a Cold War offshoot of the CIO’s UE). To ensure that the latter organization, rather than the IBEW, represented workers at the new factory, RCA managers put Memphis IUE officials in charge of final hiring.

What upset several decades of relatively stable labor relations in consumer electronics assembly at RCA was the advent of cheap foreign imports. By the mid-1960s the state-supported development drive in Japan had given rise to manufacturers able to turn out relatively sophisticated products such as televisions on an internationally competitive basis. Between 1966 and 1970, sales in the United States of “lower-priced, high-quality” Japanese sets more than tripled. This development “stunned” American television producers. Japanese manufacturers had only an 18 percent share of the U.S. market by 1970, with sales concentrated in the less advanced black-and-white sets. Nonetheless, in the longer term, they presented an undeniable threat even to RCA’s lucrative color television business. The company reacted decisively to the Japanese challenge. RCA shuttered the Memphis plant, moved production of monochrome sets to Taiwan, reoriented color output in Bloomington, and began experimenting with the manufacture of color components at a maquiladora south of the U.S. border. The company eventually shifted almost all phases of color television production to Mexico; after steady downsizing, RCA closed the Bloomington factory in 1998.

Rather than a continuation of the earlier runaway pattern, the latter stage in the migration of RCA’s consumer electronics manufacturing appears to be a striking example of the second model of industrial migration, in which change comes about because of the rise of

63. Ibid., 62–68, investment figures on p. 62.
64. Ibid., 74, 82–84.
65. All quotations and figures in this paragraph are from ibid., 93. Exacerbating RCA’s problems in this period was the fact that the expected doubling of U.S. demand for televisions never materialized. Had the company forecast demand more accurately in the mid-1960s, it likely would not have opened new plants in Memphis and other cities.
new producers. The emergence of low-cost Japanese competition, not a driving antipathy toward American workers and their unions, pushed RCA to shut down its U.S. factories and move output to the developing world. The company’s investment decisions in 1965, just before the import surge, indicate that it anticipated many years of television production at unionized plants in Middle America.\footnote{In explaining RCA’s decision to close the recently opened Memphis plant, Cowie, Capital, puts great emphasis on shopfloor disorders that produced a wildcat strike in the first year of operation and the mobilization of black employees, particularly intense after the assassination in Memphis of Martin Luther King, Jr., in April 1968 (pp. 85–91). The Memphis employees were never docile. But RCA executives recognized that mismanagement provoked worker protests, and they had largely rectified the situation by early 1968, at which point productivity in Memphis exceeded that in Bloomington (pp. 87–88). King’s death led to a further round of upheaval, but by 1969 it appeared that “the majority of production problems had been resolved” and that the “plant became increasingly profitable . . . [with] production rates higher than . . . Bloomington” (p. 91). Foreign competition, not worker unruliness, brought about the Memphis plant closing.} Had the challenge from Japanese manufacturers never arisen, those factories might still be in operation today.\footnote{68. Assertions in chaps. 5 and 6 of Thomas Sugrue’s Origins of the Urban Crisis regarding the deindustrialization of Detroit also seem open to question. Establishment by the Big Three automakers of new plants in the suburbs of Detroit and outside Michigan undoubtedly had a devastating impact on the city and the economic prospects of its increasingly black residents. It is likely that one of the motives for this pattern of investment was to escape ingrained patterns of shopfloor defiance at facilities such as Ford’s River Rouge, although this was probably not the only purpose. Sugrue’s figures make clear that through these investments, Ford and General Motors, the leaders in the construction of new, automated plants, greatly strengthened their market position vis-à-vis their less financially capable competitors, Chrysler and the independents. See pp. 135–36. However, if decentralization truly represented an effort by automakers to “control increasing labor costs and weaken powerful trade unions,” there would seem to be definite limits to this policy (p. 126). According to Sugrue, the UAW was determined to organize and apply “Detroit Area Rates” (pp. 161–62) at every new plant. Moreover, agreement by employers that displaced workers from the old facilities with sufficient seniority could transfer to jobs in the new factories would seem to guarantee the survival of the militant shopfloor spirit (pp. 135, 144, 162). By locating certain new plants in rural areas, the carmakers undoubtedly hoped to employ workers without factory experience who would prove tractable in the new industrial setting. Executives could hardly have had such expectations for the twenty-five new factories the Big Three built in the suburbs of Detroit between 1947 and 1958, nor for the plants set up in established manufacturing centers such as Buffalo, Cleveland, and Chicago in the 1950s (pp. 128, 132–33). If the automakers indeed followed a runaway shop approach in the early postwar period, it appears to have been a rather mild variant of that strategy. Clearly, the entire subject would benefit from further research.} In a number of other core American industries, the ascendance in recent decades of new competitors at home and abroad has contributed to downsizing and plant closures. In automobiles, manufactur-
ers in Europe and Japan pushed into a domestic marketplace once dominated by American companies. The resulting pressure led the Detroit-based Big Three to downsize and transfer component production to the developing world. Major American steel manufacturers confronted a competitive double whammy as producers in Japan, Europe, and the developing world increased exports to the United States while upstart, nonunion “mini-mills,” initially based in the South and Southwest, took market share in several product lines. Drastic downsizing in traditional steel centers like Pittsburgh and Youngstown resulted. In meatpacking, the drift of production westward from cities of the Midwest to the cattle-raising states accelerated as dynamic new open-shop competitors led by Iowa Beef Processors took control of the market. This development hastened the pace of meatpacking plant closures and undercut the established union presence in the industry.

Furthermore, the emergence of new competitors is not the only alternative to the runaway shop in bringing about industrial migration. In a third pattern of geographic change, the existing producers remain in control of an industry but shift their operations to new locales for reasons unrelated to labor cost. Companies may make such moves to be closer to key inputs or to the customers for their products or to save on transportation costs. For example, decentralization took place in the auto industry starting in about 1910, as Michigan-based manufacturers set up plants around the country to which cars in “knocked-down” form were sent for final assembly.

69. David Friedman, “Beyond the Age of Ford: The Strategic Basis of the Japanese Success in Automobiles,” and Michael Borus, “The Politics of Competitive Erosion in the U.S. Steel Industry,” in American Industry in International Competition, ed. John Zysman and Laura Tyson (Ithaca, N.Y., 1983), 539–90 and 60–105, respectively; Judith Stein, Running Steel, Running America: Race, Economic Policy, and the Decline of American Liberalism (Chapel Hill, N.C., 1998), chaps. 8–11. Note that lower wages were not the key advantage of foreign competitors in these cases. Cheaper labor helped Japanese carmakers initially find U.S. buyers, but innovations in design, engineering, and marketing enabled them to increase, and hold on to, a large share of the American market as labor costs increased. Foreign steelmakers were able to export to the United States largely because of subsidies they received from their home governments (and, according to Stein, because of federal policies that handicapped American producers).

Shipping kits of parts, rather than assembled vehicles, economized on space and lowered freight charges.\textsuperscript{71}

Quantitative studies in the field of regional science suggest that factors such as these largely explain the spread of manufacturing to the South and West of the United States. Particularly important has been the impulse to locate production close to the markets for goods, in order to reduce shipping charges. One researcher concluded that market considerations accounted for 60 percent of the observed variation in state levels of manufacturing growth in the period from 1947 to 1963 and 55 percent from 1963 to 1977. Wages and union membership together accounted for only 5 percent of the variation in both periods.\textsuperscript{72} Another author found a stronger correlation between work force concerns and manufacturing location in the years 1954 to 1987 but still reported a dominant role for markets: “The reason industry is decentralizing is to reduce factory-to-market transportation costs.”\textsuperscript{73}

Implications

The difference between the varying patterns of industrial migration outlined here may seem technical and unimportant. But the distinction is crucial for a full understanding of capital-labor relations and political economy in the modern capitalist system. Numerous labor historians writing on deindustrialization insist on the prevalence of


\textsuperscript{73} Neal E. Duffy, “The Determinants of State Manufacturing Growth Rates: A Two-Digit-Level Analysis,” Journal of Regional Science 34 (1994): 137–62, quotation at p. 141. Note that these authors do not distinguish, as I do, between migration by existing producers and the emergence of new competitors. I have discussed the different causes of industrial migration separately, but they may commonly overlap. In electrical manufacturing, the post–World War II expansion outside the traditional northeastern base of production by industry leaders General Electric and Westinghouse seems to have been driven by increasing sales in the South and West, but “high wages and militancy” at the old plants was another possible factor. A growing competitive threat from foreign and smaller domestic producers with lower labor costs may also have contributed. See Ronald Schatz, The Electrical Workers: A History of Labor at General Electric and Westinghouse, 1923–1960 (Urbana, Ill., 1983), 232–33, 235, 237, quotation at p. 233.
the runaway shop. By doing so, they portray a world in which employers are implacably hostile to workers. Indeed, in several of the accounts cited, the runaway shop constitutes the final, definitive round in the long-running battle between the two groups. Workers and their reformist allies, after protracted effort, succeed in putting meaningful controls on manufacturers through collective bargaining relationships and social legislation. No sooner has this victory been won, however, than capital trumps labor's gains by moving production to a new region where it can again freely exploit the work force. Factory workers in the original locale are devastated in the process.

The picture looks much different when industrial migration of the other two types takes place. Class conflict has little bearing when considerations unrelated to labor, such as market access, drive decisions on where to locate new plants. When migration comes about because of the rise of new competitors, an intense conflict is present, but it is not between classes. The crucial battle in these cases is geographic, pitting capital and labor in one region against their counterparts elsewhere. Heightening the drama of these geographic con-

74. Great tensions may exist between employers and workers at the traditional and new locales of manufacturing, but these conflicts do not bring about the relocation of production when migration takes place according to the new competitor model. The same is true when factors such as access to inputs and markets drive siting decisions. In the runaway shop model, by contrast, class conflict determines geographical outcomes. An article by economic geographers mirrors many of the arguments here. The title of the piece speaks volumes. See Ron Martin, Peter Sunley, and Jane Mills, “Unions and the Politics of Deindustrialization: Some Comments on How Geography Complicates Class Analysis,” Antipode 26 (1994): 59–76, and especially pp. 59–65.

75. To see clearly the geographic conflict at the heart of the new competitor model of industrial migration, consider what happens if the upstart producers successfully gain control of the target industry. The new group of capitalists and their workers benefit in such cases, as sales and profits increase for the former while employment and (most likely) wages rise for the latter. Meanwhile, in the area that previously dominated the industry, displaced workers are badly hurt, but manufacturers pay a high price as well. They see profits fall, investments erode in value, and firms eventually go out of business. For a striking account of the early recognition of interregional competitive dynamics by an American union official, see Stein, Running Steel, 225–27. Economic competition between regions generally receives less attention from scholars, and certainly from historians, than economic struggles based on class, but in some works the subject receives its due. George R. Taylor highlights a sustained competition for trade and access to the North American interior between the major Atlantic ports in The Transportation Revolution, 1815–1860 (New York. 1951). On the regional element in nineteenth-century fights over tariffs and the currency, see Richard Bensel, The Political Economy of American Industrialization, 1877–1900 (New York, 2000), and Jeffrey Frieden, “Monetary Populism in Nineteenth-Century America: An Open Economy Interpretation,” Journal of Economic History 57 (June 1997): 367–95. We can see the European mercantilism of the early modern period as a contest
tests is the fact that the protagonists often have unequal wealth and power. The upstart manufacturers are typically based in economically weak developing regions, whereas the established producers are located in the richer industrialized world. Indeed, when new producers in an underdeveloped area enter an industry, usually they do so in the context of a broad-based development drive. Through such efforts, economically unmodernized areas seek to throw off a hobbling “dependency” and win some of the gains of industrialism for themselves.77

In the American context, the distinction between the different models of industrial migration is particularly important for the period between the late 1930s and the 1970s, as it contributes to a proper understanding of the political economy of the post–New Deal era. The traditional view, propounded by scholars of a liberal consensus, portrays a period of accommodation in the decades after World War II in which business for the most part accepted the gains of labor and an interventionist role for government.78 A more recent revisionist interpretation, informed by the conservatism of recent decades and supported in the main by Left-leaning scholars, holds this postwar accommodation to be largely fictive, with business from the first unrelentingly hostile to unions and the welfare state and eager to contain and reverse their gains at any opportunity.79 If migration of industrial capital along the lines of the runaway shop took place on a broad scale during the early postwar decades, this would add considerable support to the revisionist version of events. Conversely, if the migration that occurred in this period came about mostly because of new competition, or if existing employers were simply responding to shifts in markets and other factors unrelated to the work force, a postwar détente between labor and the dominant sectors of capital looks plausible.80

among states for a limited supply of trading opportunities and specie. The competitiveness literature of recent years posits a similar economic rivalry among developed countries. See, for example, Lester Thurow, Head to Head: The Coming Economic Battle among Japan, Europe, and America (New York, 1992).

76. In cotton textiles, the developing region was the post-Reconstruction South, the industrialized area was New England, and the development drive was the New South industrialization campaign.


78. A seminal statement is Daniel Bell, The End of Ideology (Glencoe, Ill., 1960).

79. Works here include Howell J. Harris, The Right to Manage (Madison, Wisc., 1982), and Davis, Prisoners, especially pp. 117–27.

80. Cowie had the same insight and cites numerous other works. See Capital, 5–6.
Runaway shop migration has undoubtedly occurred in American manufacturing. The key question is, how commonplace are such dynamics? Did they take place mostly in select industries and at particular times, or were they operative in large sections of manufacturing in a persistent manner? Future historical research on the changing economic geography of the United States will undoubtedly help illuminate these questions. Whatever the answers, it is clear that the rise of new competitors in historically less developed areas has been a factor of importance in bringing about industrial migration and factory closures in the United States. In fact, the internally generated growth of previously undeveloped regions—beginning perhaps a century and a quarter ago and steadily accelerating since—is one of the great stories of world economic history in the modern era. The decline of competing industries in economically mature areas has been just one of the consequences.

81. Runaway migration seems particularly likely to occur in highly competitive industries with small units of production, limited fixed capital, and a high proportion of wages in the total processing cost. Indeed, as early as the 1880s, Massachusetts shoe manufacturers moved production to small towns in Northern New England to escape high wages and unionization, while silk manufacturers based in Patterson, N.J., set up facilities in the coal-mining centers of eastern Pennsylvania, where nonunion labor was available at much cheaper rates. See Victor S. Clark, *History of Manufacturers in the United States, 1860–1914* (Washington, D.C., 1928), 453–54, 473. A broad-based spurt of runaway migration in the mass production industries seems to have occurred toward the end of the 1930s, as employers who had long maintained the open shop fled recent union advances. Important questions are whether this capital flight continued steadily for many years or quickly ceased, and, if a halt did take place, to what extent the runaway pattern revived recently as corporate attitudes toward unions hardened. Of course, the increased international competition of recent decades may account in large part for any renewed search by mainstream American manufacturers for cheap, malleable labor.

82. Examples from the early twentieth century and before would include the Piedmont South and Pacific West of the United States, Meiji Japan, and the Russian Empire under Tsarist and Soviet rule. Celebrated cases since World War II include Taiwan, South Korea, Hong Kong, Singapore, and, more recently, a host of other countries in East and South Asia. A conscious push toward social and economic modernization by societies around the world, whether independent or colonized, is identified as a major trend in world history since the late nineteenth century in Michael Geyer and Charles Bright, “World History in a Global Age,” *American Historical Review* 100 (Oct. 1995): 1034–60. See especially pp. 1045–46, 1048–49, 1053–54.
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