



WORST-CASE LOOK HELPS ANALYZE A STATE INDUSTRY

By Bonnie Coblentz

Two Mississippi State University researchers created a worst-case scenario to see what impact Mississippi's declining apparel industry could have on the state.

Darren Hudson and Stan Spurlock used an input-output economic model called IMPLAN to play the "what-if" game. They looked at what the complete loss of the apparel industry would do to the country.

"The study can be used to illustrate what's happening in these industries," said Hudson, an associate professor of agricultural economics with the Mississippi Agricultural and Forestry Experiment Station. "There's been considerable debate in the policy arena about what to do, and this study can give lawmakers in the United States and Mississippi an idea of how many people are being displaced as this industry weakens, economic output data, and more."

The study found that growth in textile exports has focused on semiprocessed yarns and fabrics, while apparel cutting, sewing and finishing have been in decline. U.S. imports of finished goods have grown dramatically.

This shift has important economic implications for Mississippi and several other Southern states. Hudson said the apparel sector of the industry employed 14,240 people in 1999 and had an industrial output of \$1.4 billion. However, employment in apparel in Mississippi dropped 31 percent from 1997 to 1999 alone.

The study assumed the state would continue to produce semiprocessed yarns and fabrics but lose the apparel-finishing industry to other countries. It estimates the state would experience a total industry output loss of \$2.3 billion and a total value-added loss of \$874.3 million.

"From the state's perspective, loss of the apparel industry would result in a total loss of tax revenue of \$57.4 million, which is about 3 percent of the state tax revenue," Hudson said.

Nationally, the industry would experience a total output loss of \$81.4 billion and a total value-added loss of \$144.7 billion.

Hudson said the apparel industry has been in decline for several years, but that decline has accelerated since the early 1980s. He attributed much of the decline to differentials in labor costs and environmental policies, and the phase-in of different trade agreements that opened worldwide access to U.S. markets.

"The apparel markets have been shifting out of the United States into other countries," Hudson said. "The North American Free Trade Agreement redirected the shift to Mexico, but it had been moving to Asia."

He said most people think the apparel industry is leaving the country because cheaper labor is available in less developed countries. Hudson said this is a factor, but not the most important one.

"While there are some labor cost advantages, the real differences are more lenient environmental and labor restrictions in these other countries and an exchange rate that favors foreign production and imports," Hudson said.

In the study, researchers did not consider other sectors of the textile industry or account for the potential job creation as the textile industry shifted to a greater use of technology. However, Hudson said the report still illustrates the importance of the apparel manufacturing sectors in the Mississippi and U.S. economies.

"These data clearly point out that the structural adjustments that are occurring within the textile industry are having an impact on the states that rely on these industries for employment and tax revenue," Hudson said.

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