



The Uncle Wisdom Papers

Moneywise

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SHIRT TALES OF THE ECONOMY



This shirt is over 30 years old. It is unbelievably comfortable. Its material and stitching is outstanding. And it was made in the good ol' USA.

(My wife wants to throw it out because it has noticeably faded. When I tell her that Ralph Lauren made hundreds of millions of dollars designing the "faded look," she wrinkles up her nose and looks the other way.)



Unfortunately, the production of that shirt has migrated to many locations. First from New England to South Carolina; then to El Paso; then to Mexico; then to China; then to the Philippines; and now back to Mexico.

Why did that shirt move so much?

The economists said that free trade would allow every country in the world to make the products it could make best. And this gave everyone a warm, fuzzy feeling because we admire the concept of “doing best.”

But the economists, while highly intelligent, are greatly lacking in wisdom. They are also very narrow-minded and never noticed the first law of marketing – *“Price is the most powerful marketing weapon.”* Because my shirt had to be marketed, it meant that price would have a lot to do with who makes it.

This means we would have to change the theory of products being made by countries that could make them best.

Combining economics and marketing resulted in a new theory – *“Products would be made by the country which could make them the cheapest.”*

That’s why my shirt floated all over the place. And that’s why China is closing so many clothing factories, which are instead migrating to the nations of Southeast Asia and returning to Mexico. A few are even moving to the United States.

Here’s why my shirt is leaving China:

1. China’s costs have gone way up, due to unionization and urbanization.
2. In order to reduce costs, China’s factory managers are reducing quality control.

Emphasis is on getting the goods out the door. Reworking bad quality increases the importers' costs. The quality of material and workmanship in my faded shirt is vastly superior to what is coming out of China these days.

3. China's "one child policy" has resulted in fewer females being born, so there are fewer women available to work the sewing machines and scissors. This causes China's factories to miss deadlines and operate with lower quality labor.

4. China is becoming an increasingly risky supplier due to local outbreaks, natural disasters and government interference.

5. Many American retailers are moving away from the four-season fashion tradition in order to build traffic by offering new fashions eight times a year. This trend demands shorter time periods between design, manufacturing and marketing. And that means more production in North America, where everything can be done faster.

These five factors mean that doing the best in the future will be far more demanding and complex than simply providing labor at the cheapest cost.

These five factors paint a future which bodes well for the opportunity for America to reclaim some of its "lost industries."

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