

ment techniques, and the introduction of new, sophisticated, high-speed machinery resulted in greater efficiency. New products, such as laminated fabrics, were introduced with increasing frequency and gained wide consumer acceptance. As these changes occurred, often at an accelerating rate, many small concerns, lacking adequate capital resources, found it increasingly difficult to adjust to new conditions of production and marketing. Partly as a result of this difficulty, notably in the past decade, there was a pronounced tendency toward merger and consolidation within the industry, and larger companies have thus accounted for a greater share of the market.

In addition to the foregoing changes, total imports also expanded sharply from 1961 to 1966, whether measured by quantity, by value, or in relation to consumption. Such imports, moreover, have encompassed a wider range or variety of goods than heretofore, and they have been supplied by ever increasing numbers of countries.

Accompanying these significant changes in the production and marketing of the textile and apparel industries, the domestic producers, have, by most broad measures, enjoyed a period of unparalleled growth since the early 1960's.<sup>3</sup> By and large this growth is attributable to the sustained rise in the level of economic activity in the U.S. economy. As the national product, industrial output, and population and disposable incomes expanded, the demand for textiles for both personal and industrial use grew accordingly.

Along with increased output, there was also a marked expansion in sales, employment, and new investment in plant and equipment during this period. Similarly, overall corporate profits (whether measured as a ratio of profits to sales, or on the basis of the rate of return on stockholders' equity) increased. From 1961 to 1966, for example, the value of shipments rose from \$29.1 billion to \$39.6 billion, or 36 percent. For the producers of textile mill products, profits as a percentage of net sales rose by 48 percent. The corresponding increase for the producers of apparel and related products was 52 percent. The corresponding gain for all manufacturing corporations over the same period was 21 percent. In the third quarter of 1967, profit ratios (based on net sales) of textile producers were higher than in earlier periods of that year, whereas those of all manufacturing corporations were not. Notwithstanding that the profit ratios for the producers of textiles have expanded at a faster pace since 1961 than have those for all manufacturing, these ratios continue to be substantially below those of all manufacturing corporations. Thus, in July-September, 1967, the net profit of the textile mill products industries (5.3 percent) was about a third lower than that of all manufacturing corporations (7.8 percent). The profit ratio for apparel products (4.7 percent) was about 40 percent lower. It should be observed, however, that the rate of return on equity for apparel producers tended to be as high as that for all manufacturing corporations during 1961-66. The comparable rate of return for the producers of textile mill products was below that of all manufacturing.

The foregoing indexes of economic activity are, of course, overall measures, or averages, which conceal significantly divergent trends within industry groups covered by the broad classification for "Textile Mill Products," and "Apparel and Related Products." The causes for these divergencies reflect the interaction of a variety of complex economic forces. These include such factors, for example, as changes in technology and the failure or inability to adjust thereto; the swift, and often accelerating, change in consumer tastes and fashion; the influence of the very marked shift in the composition of raw fibers consumed; competition from nontextile products such as paper or plastics; and, finally, the increased imports.

By most broad measures, whether in terms of quantity or in relation to consumption, the trend in the imports has been upward since 1961, as is to be expected during a period of expanded economic activity. The impact of such imports, however, is clearly unevenly distributed and varies according to the market conditions for the product concerned.

An increase in the ratio of the imports to consumption is not necessarily indicative of the impact that such imports had, or are having, upon particular domestic producers. Some imports, such as yarn or woven fabrics, for example, constitute the raw materials of domestic producers of finished products but may be directly

<sup>3</sup> The Federal Reserve Board Index of production (1957-59=100) shows that the production of textile mill products expanded 33 percent from 1961 to 1966, while that for apparel and related products rose 34 percent. Although production declined in the first half of 1967, a reflection of the recent leveling of the economy as a whole, the September 1967 index of output of mill products (141.2) was almost as high as the 1966 average (142.5). The production index for apparel products in August 1967 (146.1) was higher than in immediately preceding months, but still lower than the 1966 average of 150.1.