III. PROCEDURE OF THE INDUSTRY COMMITTEE

It has been claimed that the Industry Committee did not give adequate consideration to all the factors relevant to the effect of the $32\frac{1}{2}$ cent minimum wage and that as a consequence the recommendation should be disapproved as not made in accordance with law. Evidence on the question of the topics considered by the Committee was accepted at the hearing subject to general motions of counsel for the Textile Workers Union of America and Counsel for Industry Committee No. 1 to strike all evidence dealing with the procedure before the Industry Committee.

I am inclined to agree with counsel that this issue is not properly before me and that the evidence should be stricken. Nevertheless, because of the importance of the proceeding, I have carefully considered that evidence.

There is abundant evidence in the record of this hearing, particularly the Committee's journal, transcript and report, to show that the Committee gave extensive consideration to the conditions in the industry.[36/] Hearings were held before the Committee and its sub-committees for periods of time during the months of October, November and December 1938 and January, March, April and May 1939. Numerous Witnesses were heard and written briefs and statements were received from various groups in the industry. Extensive statistical investigations of wage rates and costs of living were made by the United States Bureau of Labor Statistics, and

---

36/ Administrator's Exhibits 6 and 7.

the Economic Section of the Wage and Hour Division made studies of the effect of proposed minimum wage rates, reviewed data on living costs in different regions of the country and presented information on transportation cost differences. Evidence was also before the Committee on collective labor agreement wage rates, production costs and other factors bearing on the question of the minimum wage rate which should be recommended. The evidence indicates that the Industry Committee considered all this data.

Upon the basis of the record, I find that the Industry Committee has investigated and considered conditions in the industry, including the factors specifically set forth in Sections 8(b) and (c) of the Act, and has reached its recommendation in accordance with law.

IV. EFFECT OF THE MINIMUM WAGE RECOMMENDATION ON EMPLOYMENT IN THE COTTON TEXTILE INDUSTRY.

Under the terms of Section 8 of the Act, the Administrator and the committee are required to consider whether the minimum wage recommendation will not "substantially curtail employment" in the industry, having due regard to economic and competitive conditions. The evidence in the record on this question is directed to the effect of the proposed minimum on (1) aggregate employment in the industry as a whole, (2) aggregate employment in the Southern branch of the industry as a whole, and (3) employment in certain groups of Southern mills.

A. Effect of the Minimum Wage Recommendation on Aggregate Employment in the Cotton Textile Industry and in the Southern Branch of the Industry.

1. Labor Costs and Manufacturing Costs in the Industry:

An increase in wages may affect employment in an industry through a decline in consumption of the industry's products resulting from an increase in manufacturing costs and a consequent increase in the price of the product. In evaluating the effect of any wage rise on employment, it must be noted that wage rates or labor cost are only one factor in manufacturing cost and that the ratio of labor cost to total manufacturing cost is a significant consideration in determining whether there will be any effect on prices.

In order to ascertain the existing wage structure of the cotton textile industry, the Bureau of Labor Statistics studied a carefully selected sample of 90,000 workers representing 25 percent of the employees in the industry. The accuracy of this sample was supported by an extensive survey covering 95 percent of the plants in the cotton textile industry with respect to employment and payrolls and 80 percent of the plants with respect to weekly hours and hourly earnings.37/

The Economics Section of the Wage and Hour Division on the basis of the hourly earnings statistics obtained from the study of the Bureau of Labor Statistics, estimated that the increase in labor costs would be 4 percent for the entire cotton textile industry over the costs prevailing on October 24, 1938. This calculation is in general accord with the 4.2 percent estimate made by the Cotton Textile Institute and the 3.8 percent estimate of the Textile Workers Organizing Committee. Application of the 4 percent increase to the average wage rate of 38.4 cents prevailing in August 1938 will result in an average wage for the industry of 39.9 cents after the imposition of the 32½-cent minimum or a 1.5 cent increase in average hourly wage rates.38/

37/ R. 14-19. This study is Bulletin 663 of the Bureau of Labor Statistics and has been introduced as Exhibit No. 1 by the Industry Committee. See Ibid, table 5, for report of total employment of 359,200 in the industry as of August, 1938, the date of the study. Also see Ibid pp. XI, XII.

38/ R. 39,42. The use of August, 1938, data understates the wage rate structure at the time of the effective date of the Act

There was general agreement in the evidence presented at the hearing that the estimate of 36 percent was an outside calculation of the average ratio of labor costs to total costs of manufacture in the cotton textile industry. 39/ Application of this percentage to the estimated wage bill increases gives an average estimated increase of 1.44 percent in manufacturing costs for the entire industry.

If calculated on the basis of the increase which the minimum wage rate represents over the 30 cent minimum which automatically goes into effect on October 24, 1939, there will be an estimated increase of 2.1 percent in the wage bill of the industry and .76 percent increase in manufacturing cost. 40/

It may reasonably be anticipated that a minimum wage which causes an increase of less than 1½ percent in the average cost of manufacture will not have a serious effect on employment in the industry. If account is taken of the fact that the industry will be required to assume about half of this increase by virtue of the 30 cent minimum wage which goes into effect pursuant to Section 6 of the Act on

---

38/ Con't.
since 2.3 percent of the employees in the industry were receiving less than 25 cents an hour in August, 1938. (Industry Committee No. 1, Exhibit No. 1, Table 45). An average wage rate of 39.9 cents per hour is less than the average hourly earnings in this industry during the period April 1937 to June 1938 when the rate ranged from 40.1 cents to 42.4 cents. (Ibid p. 69).

39/ R. 46

40/ R. 42, 119

October 24, 1939, it would seem clear that the increase in the cost of manufacture which is attributable to the minimum wage recommendation will have a negligible effect on the industry as a whole.

2. Labor Costs and Manufacturing Costs in the South:

Comparable studies have been made by the Economics Section of the Wage and Hour Division of the effect of the minimum wage recommendation on the cotton textile industry located in the Southern states. These studies have shown that there will be a 6.25 percent increase in the average wage rate which will increase the average hourly wage rate from 36.6 cents to 38.9 cents or an increase of 2.3 cents. In terms of manufacturing costs the rise will be 2.25 percent. When calculated on the basis of the increases resulting from the advance over the 30-cent statutory minimum, the rise will be 2.15 percent in wage rate and .77 percent in cost of manufacture.[41/]

These figures show that the recommendation will not have a serious effect on the labor and manufacturing costs in the Southern branch of the industry although the increases will be in excess of those recorded for the entire industry.

41/ R. 39, 42, 119.

3. Differential Increases in Wage Rates above the Minimum

Although an employer in the cotton textile industry is not required by law to raise wages above the minimum prescribed in the wage order in order to maintain existing differentials, there is some tendency for him to do so and the Economic Section of the Division therefore included in its estimates of the effect of the minimum on wage rates an allowance for such increases. This allowance is not an arbitrary figure; it has been calculated on the basis of the experience resulting from the imposition of minimum wage rates under the National Industrial Recovery Act. In the United States as a whole, the impact of the increase in wage rates above the minima under the NRA, was 13.1% as great as that resulting directly from the minima; in northern mills, it was 8.1% as great; in southern mills, it was 14.4% as great.[42/]

It was claimed at the hearing that the NRA experience is not comparable since the Code established a minimum wage rate of 30 cents per hour for the cotton textile industry in the south and permitted the employment of such workers as cleaners and outside laborers at rates not less than 75 percent of the prescribed minimum or $22\frac{1}{2}$ cents.[43/] The contention was made that the differentials above the minimum during the NRA were less than the differentials which will result from

---

42/ R. 42. Industry Committee No. 1. Exhibit No. 4, pp. 4-5.

43/ R. 2015, 2017, 2020

a uniform $32\frac{1}{2}$-cent minimum wage since account was taken of the bimodal characteristic of the wage structure in southern mills.[44]

Assuming the existence of bimodality in the South, it must be noted that it is not universal in its operation. The study of the Bureau of Labor Statistics shows that as of August, 1938, 27.4 percent of unskilled male workers who were in the special or "outside" class under the Code received less than $22\frac{1}{2}$ cents per hour, while only 7.9 percent of unskilled male workers subject to the 30-cent rate under the Code received less than $22\frac{1}{2}$ cents.[45] The Bureau's sample of workers in the southern mills, however, contained 7,347 unskilled males subject to the Code and 2,669 in the special category.[46] Calculation shows that there were approximately 580 unskilled males subject to the Code in the less than $22\frac{1}{2}$-cent wage category in contrast to 731 in the special category. Since the Bureau's sample is typical of conditions in the industry, it may be stated that of the total number of male unskilled workers employed in southern mills in August, 1938, who received less than $22\frac{1}{2}$ cents an hour approximately 44 percent would have been subject to the Code and 56 percent would have been in the special

---

44/ Elmer Estes, general organizer for the United Textile Workers of America, denied there was a double minimum in the South. (R.1152) It may be noted that the Economic Section's calculations probably overstate the increase in wage rates insofar as account has not been taken of the wage rates which will be paid learners. The Administrator is empowered by Section 14 of the Act to grant learners' certificates at wages lower than the applicable statutory minima to the extent necessary to prevent curtailment of opportunities for employment.

45/ Industry Committee No. 1. Exhibit No. 1, pp. 87, 89.

46/ Ibid.

category. In the case of unskilled female workers receiving less than $22\frac{1}{2}$ cents per hour, more than 50 percent would have been subject to the Code. The number of employees in this category was approximately 149 subject to the Code and 141 in the special class.[47/] It must also be noted that the Bureau of Labor Statistics has stated that there is no evidence of practices existing immediately before the Code to support the differential provided for in the Code between outside workers and cleaners and such groups as filling hands and trimmers and inspectors.[48/] A suggestion is made in the Bureau's study that the depression in average earnings was a factor in the lack of differentials prior to the Code but information is supplied which shows that in July, 1933, male laborers who were in the special category were earning about $7.50 per week, while female frame spinners and filling hands who were subject to the 30-cent minimum under the Code averaged about $6.25.[49/]

47/ Ibid. p. 88. Cleaners of machinery, who were held to be subject to the 30-cent minimum by the Code, have not been included in these calculations with respect to male and female unskilled workers since it is the view of the Bureau that a confused situation existed with respect to these employees. Inspection of the available data shows that if these workers had been included in the distribution of employees subject to the Code, pursuant to the Code Authority's interpretation, there would have been a further decrease in the differential between the two categories as of August, 1933. The entire number of workers in the special class in the Bureau of Labor Statistics sample is 3,081, or approximately 1.2% of the total number of employees in Southern cotton textile mills.

48/ Ibid. p. 86

49/ Ibid. p. 87

In view of the fact that there will be no legal compulsion to maintain differentials in the mills where the problem may arise, it can be assumed that if an adjustment above the minimum cannot be borne by the individual establishment an effort will be made to meet the situation in a manner which will not require the curtailment of plant operations and employment. It would be unreasonable to assume that closing the plant would ever be adopted as the solution of this problem.

Robert R. West, President of the Riverside and Dan River Cotton Mills, who stated that the cotton textile industry is in no position to raise its entire wage structure in the same proportion as would be brought about by bringing the lower paid group to $32\frac{1}{2}$ cents 50/ also testified that his company would not be appreciably affected either in employment or operations by the minimum 51/ although his calculations showed that if prevailing differentials over the lowest paid groups were to be maintained in his plant, there would be an increase of 22 percent in labor costs. 52/

50/ R. 2018

51/ R. 2046

52/ R. 2046. Industry Committee No. 1, Exhibit No. 1 states at p. 134 that "If social pressures were to lead to the maintenance of the full difference between the earnings of these groups, the wage increase required by a 30-cent order would be in the order of 5 cents in Southern mills averaging 37.5 to 42.5 cents. This would be an average increase of 12.5 percent for this group of southern integrated mills." The analysis goes on to state, however, that this calculation is based upon the extreme assumption that there will not be a tendency for a congestion of the distribution of the wage rates at the minimum, and that this assumption "has no support whatsoever in the experience of the period following the adoption of the code, but which rests entirely upon the supposition that filling hands cannot be hired at the same rate as yard laborers." (Ibid. p. 135.) The permissibility of this supposition would appear subject to question on the basis of the information in this exhibit that in

No evidence was introduced in the record by the opponents of the $32\frac{1}{2}$-cent minimum to show that after the 25-cent rate went into effect on October 24, 1938, the only employees receiving the statutory minimum of 25 cents were of the same class as the workers placed in the special category under the NRA.

It would therefore appear that the estimate of differentials above the minimum calculated by the Economic Section was substantially accurate and that the estimates of cost increase are not subject to objection on this ground.

52/ cont. July, 1933, male laborers who were in the special category averaged $7.50 per week, while female frame spinners and fillers who were subject to the 30-cent minimum under the Code averaged about $6.25 (Ibid. p. 87). Furthermore, it should be noted that West testified that the Riverside and Dan River Cotton Mills, which has an average wage rate falling within the 37.5 to 42.5 cent category, would not be appreciably affected by the $32\frac{1}{2}$-cent minimum. There should be contrasted with the estimated increase of 12.5% the calculations in Industry Committee's Exhibit No. 4 (p. 7a) that integrated mills in the South paying average wages between 37.5 and 42.5 cents would have an average labor cost increase not exceeding 2.02%.

4. <u>Incidence of Technological Improvement on Labor Costs and Employment.</u>

The calculated increase in average wage rates may be offset to a large extent by increased productivity. The factor which determines whether a business can continue operations at a given price is not the wage rate, but the unit cost of production. A high wage rate structure in a plant may mean lower costs of production if the workers produce proportionately more than low wage employees.

The record shows that there has been a uniform trend of increased productivity per man hour in the cotton textile industry. The following table computed by the Bureau of Labor Statistics shows this trend:

Index of Output per Man Hour in the Cotton Goods Industry. 53/

(Average, 1932 = 100)

Year	Index
1928	85
1930	92
1932	100
1933	105
1934	109
1935	117
1936	127
1937	129

53/ Industry Committee No. 1 Exhibit No. 1, p. 47.

Productivity per man hour increased 49 per cent from 1928 to 1936. It increased 27 per cent from 1932 to 1936.

The increase in productivity from 1933 would warrant a minimum wage in the South of approximately 36 cents per hour assuming that price conditions were as favorable as in the NRA period.54/

Robert R. West conceded that the impact of the $32\frac{1}{2}$ cent minimum might be absorbed in the same manner as was the experience during the NRA.55/ This testimony was given with reference to statements he had made that although a $37\frac{1}{2}$ per cent increase in labor costs was anticipated as a result of the NRA requirement that the same wages be paid for 40 hours as had been paid formerly for 55 hours, experience showed that within 18 months after the introduction of the 40-hour workweek, the actual increase was only 12 per cent.56/ The difference in the percentage was explained by "the utilization of improved machinery, better arrangement of processes, and application of skilled labor, and the more adequate scheduling of the flow of production and better selection of raw materials."57/

54/ R. 684, 1197.

55/ R. 2042.

56/ R. 2041. L. E. Bowen testified that the Tifton Cotton Mills of Tifton, Georgia, absorbed the NRA labor cost increases by the installation of machinery which increased productivity 40 per cent.

57/ R. 2041-A. Although West's testimony was given with reference to a reduction in working hours, the experience is comparable, since an increase in the average wage rate resulted.

H. M. Jones, President and Treasurer of Waverly Mills, Incorporated, Laurinburg, North Carolina, testified that his mill which now pays an average wage slightly over 28 cents per hour in contrast with the general Southern average of 36.6 cents and which has less than 15 per cent of its employees earning more than $32\frac{1}{2}$ cents will be able to meet the $32\frac{1}{2}$ cent minimum by installing automatic spoolers and long draft roving frames. The average wage of the mill will be 33.5 cents when the $32\frac{1}{2}$ cent minimum is paid. He stated there would be a $12\frac{1}{2}$ per cent reduction in employment as a result of the new machinery. The modernization program, however, had been prepared and would have taken from two to three years. The inauguration of the minimum necessitated the more rapid execution of the program.[58/]

It has been contended that the minimum wage will induce the installation of labor saving devices which will result in unemployment. The evidence shows that there is a constant evolutionary process of modernization going on in the cotton textile industry entirely apart from legislative increases in labor costs. This industry is highly competitive with a consequent incentive toward the continued reduction of costs.[59/]

58/ R. 1654-1657.

The representatives of the United Textile Workers of America testified that they recognized that the displacement of labor by the introduction of new machinery or the increase of the work load was a continuous process and would operate regardless of the existence of minimum wage laws. It was their view that the problem raised by modernization programs was to obtain a share of the increased productivity for the workers and secure a voice in the assignnment of increased work loads.60/

Russell Fisher, President of the National Association of Cotton Manufacturers, testified that it was the experience of many manufacturers that total employment was not permanently decreased by the installation of modern machinery, but that jobs were provided for the displaced employees elsewhere.61/

The evidence clearly shows that the small percentages of labor cost increase which will result from the $32\frac{1}{2}$ cent minimum will be largely offset by the normal increase in productivity and that the increase in productivity will not cause substantial curtailment of employment.

59/ See R. 2183, 2184, 130

60/ R. 1113, 1120-1123, 1131, 1141, 1149.

61/ R. 353. See R. 274.

5. Conditions in the Cotton Textile Industry

It has been seen that the $32\frac{1}{2}$ cent minimum wage rate involves a relatively small increase in manufacturing costs which will be reduced by normal increase in output per man hour. The employment effects of a change in unit costs of production will depend on the economic and competitive conditions in the industry.

a. Profits and Prices in the Cotton Textile Industry

The evidence introduced at the hearing shows that the cotton textile industry has a production capacity which is in excess of the peak demands and that it is carrying much obsolete equipment. It is indicative of this situation, that in April 1937, one of the months of peak production in the history of the industry, there were used not more than 24,727,000 spindles although the industry had 27,067,000 spindles in place at the end of the month.62/ The total number of cotton spinning spindles in place decreased from 37,586,000 in 1926 to 26,372,000 in 1938.63/ George P. Clark, Vice-President of the Rhode Island Textile Association stated that it has been estimated that the industry has an excess capacity of 2,000,000 spindles and the rate of decline is 1,000,000 spindles per year.64/

62/ Industry Committee's Exhibit No. 1, p. 22.

63/ Ibid., p. 20.

64/ R. 663. J. E. Sorrine, an industrial engineer and director in many southern cotton textile mills, testified that a committee was established to administer a program to curtail the production of print cloth by 25 per cent for a period of three months. R. 2180-2181. See R. 1328.

It also appears that even with the decline in spindlage there is much obsolete equipment in the industry.[65] Charles A. Cannon estimated that 12,000,000 to 13,000,000 spindles in the industry are in various stages of obsolescence.[66]

The decline in spindlage has not resulted from a decreased use of cotton. In 1937 when spindles in place had declined to 26,982,000, there was a cotton consumption of 7,950,000 bales[67] in contrast to a consumption of 6,455,000 bales in 1926 when there were 37,586,000 spindles in place.[68] It has been estimated that 41,000,000 active spindles would have been required to process the 1937 cotton consumption had the operating standards of 1922-1923 prevailed.[69] The increased efficiency of spindle operation and the increased number of machine hours resulting from the introduction of the double and triple shift have been primarily responsible for the decrease of spindles in place.[70]

Although the industry has been carrying excess capacity, there was a 2.7 per cent profit on the average total textile investment of cotton manufacturing companies for the two and one-half years

---

65/ R. 903.

66/ R. 11579.

67/ Industry Committee No. 1, Exhibit No. 1, pp. 21, 23.

68/ Ibid.

69/ Ibid. p. 22

70/ Ibid. p. 24

period, January 1933 to June 1936, which was studied by the Federal Trade Commission.[71] In the peak period July to December 1933 the following rates of return on average total textile investment were recorded:[72]

Type of Companies	Rate of Return
Spinning and Weaving	9.16%
Spinning	8.14%
Weaving	10.17%

The industry has suffered deficit years, but it appears from the evidence that the companies which continue in existence are able to increase their surplus sufficiently during the profitable years to carry over the period of decline.

The profit and loss figures which were introduced at the hearing with respect to the relative position of the North and the South show that the profit status of the industry has been depressed

71/ Ibid. p. 31. Industry Committee No. 1 Exhibit No. 1 (Bulletin No. 663, Bureau of Labor Statistics), states at p. 31 that "During the past several decades the industry has, even in prosperous years, been faced with large amounts of idle equipment. Under these conditions the significance of a single figure of percentage profit or loss on aggregate textile investment is doubtful. Idle equipment is obviously held at a loss. To carry such equipment as a charge against the industry's income for long periods of time is to burden the active equipment with charges which make it extremely difficult to realize a profit on the textile investment. Such a procedure is justified only so long as it is assumed that such idle equipment will be called into use at some future time. There is, however, and has been, for years, equipment in the industry on its way to the junkpile. To charge losses on this equipment against the industry in arriving at an estimate of net return on textile investment may be to say the industry operated at a loss, whereas the same volume of business with the same prices, and costs limited to the operating equipment alone, or to the equipment which was likely to be needed in the future, might show a profit or a substantially smaller loss."

72/ Ibid.

by the earning record of the mills located in the North. The data, which has been taken from the Federal Trade Commission's study of earnings in the cotton textile industry, is as follows:

Rate of Return or Loss 73/
(*= Loss)

Period	North	South
January - June 1933	0.62	6.48
July - December 1933	6.84	13.82
January - June 1934	0.02*	8.07
July - August 1934	6.10*	0.10*

Except for the last half of 1934 when there was a general strike in the industry and the early part of 1935, 60 to 82% of the reporting companies showed a net profit on sales from January 1933 to June 1936. The most efficient companies showed profits ranging from 10 per cent to more than 30 per cent, and more than half of the companies reporting profitable operations realized net profits on sales in excess of 5 per cent. 74/

73/ National Association of Cotton Manufacturers Exhibit No. 8.

74/ Ibid. p. 32.

The witnesses generally agreed that 1937 was a profitable year for the industry, but testified that there has been a steady decline in mill margins since that time. 75/ The Bureau of Labor Statistics' study of the Industry stated that as of November 1938 mill margins appeared to be close to the costs of the most efficient mills and indicated that prices would soon have to rise. 76/ After that date mill margins declined further, but there was testimony that shortly before this proceeding an advance began in the prices of various cotton textiles. 77/ W. Ray Bell stated that since the end of May, when the margins had reached the botton in many divisions, there has been an improvement in business and that if general conditions improve the cotton textile industry has a good chance to improve its position. 78/ Mrs. Margaret Mager testified that she recognized that there had been an 8.8 percent increase in the price of print cloth in the 30 days preceding the hearing. 79/ There was no evidence that these increases were in anticipation of any wage order under the Act and I conclude that these increases were entirely independent of the 32½-cent minimum.

If the price structure of the cotton textile industry continues to improve, it is clear that there will be no difficulty

---

75/ R. 104, 1434. The mill margin is the difference between the selling price of a given cloth construction and the cost of raw cotton required for its manufacture. It is not a profit margin but, when costs are constant, it reflects the profit situation of the industry. (Industry Committee's Exhibit No. 1, p. 37.) Mill margins may not be reliable indications for a single date, since the quotations may not represent any volume of sales. (Testimony of W. Ray Bell, President, Association Cotton Textile Merchants of New York. R. 1898.)

76/ Industry Committee No. 1 Exhibit No. 1, p. 41.

77/ R. 76, 1214, 1922.

78/ R. 1904.

79/ R. 2937

(2108)

experienced in the absorption of the increased cost of manufacture occasioned by the imposition of the $32\frac{1}{2}$-cent minimum wage rate. Even at the prices which were prevailing at the time of the hearing, however, the increase in unit cost of production which mightresult from the $32\frac{1}{2}$-cent rate is too small to warrant an appreciable effect on employment in the industry or in the Southern Branch thereof.

b. <u>Nature of the Demand for Cotton Textile Products</u>

Whether the wage increase will result in decreased employment depends largely on the effect of the minimum wage on retail prices. It was testified at the hearing that the 6.25 percent average increase in southern labor costs would result in a 2.75 percent increase in the price of cotton shirts, on the assumption of a constant profit margin for each agency in the successive processes of finishing the gray goods, manufacturing the shirt, and selling it at retail. On the assumption of a 10 percent increase in labor cost it was calculated that the increase in retail price would be 4.4%. According to Tolles, the 10% increase would be the maximum for any one of that group of higher wage mills which employ more than 95% of all the workers in the industry.[80/]

Testimony was given that it is likely that a portion of the increase may be absorbed at the various stages through which the textile fabric moves since there are conventional price levels which will not be affected by minor variations in cost.[81/] Absorption will be facilitated,

---

80/ R. 50-53.

81/ R. 54.

moreover, in cases of fixed price apparel and other products through quality-of-product manipulations by the manufacturer. S. L. Hoffman, a manufacturer of dresses retailing at the price of one dollar, testified that increases in cost are met by making minor variations in the construction of the dress which permits continued sales at the standard price.[82/]

Where the textile is only a part of the finished product which is sold to the consumer as in the case of cotton linings in shoes, the ultimate increase in price will be further reduced.[83/]

The evidence introduced in the record shows that the type of demand which exists for cotton textile products is not of a nature which will decline appreciably if there is a small increase in price. The sales volume of textiles which are used for industrial purposes is not affected by an increase in the price of the textiles since the demand is determined by the demand for the finished product.[84/] In the case of utility fabrics, demand is determined by the need for replacement and variations in price will only vary the times at which the sales are made.[85/] Many items of apparel which are manufactured out of cotton are also purchased in accordance with considerations of serviceability.[86/] It has been estimated that 40 percent of the cotton consumed

---

82/ R. 247-258

83/ R. 1413.

84/ Ibid.

85/ R. 1414.

86/ R. 1415.