

# Moving the Needle

Recent investment in clothing maker American Apparel just another sign of U.S. manufacturing's resurgence.

By BRUCE DOBB

**A**MERICAN Apparel has emerged from the recessionary ashes with a recent 13 percent uptick in sales over last year and a new \$80 million debt restructuring from a George Soros-backed investment company out of Boston. Soros, known as the "man who broke the Bank of England," is the world's most famous hedge fund manager and is not known for stupid investments.

An investment of this nature in L.A.'s iconic "Made in the USA" brand name signals a number of good things about American Apparel and about the future of L.A.'s Garment District in general.

The first is that manufacturing is returning to American shores with a passion. It might surprise you to read that "the United States is still the largest manufacturing economy in the world, making up 21 percent of all globally manufactured products," or that California is the top manufacturing state in the country with more than 10 percent of all manufacturing jobs nationwide, according to Sam Lubell of the Architect's Newspaper.

According to CNN, the reasons are clear for the return of manufacturing to the United States:

- Overseas workers are getting more expensive. Average hourly Chinese wages increased from 52 cents to \$4.41 over the last 15 years.
- Shipping costs keep increasing. In just the last four years, they've increased 71 percent.
- Global supply chains aren't as strong as once thought to be. Just think of the tsunami in Japan last year and its effect on auto parts.

Washington has clearly signaled that it intends to encourage this growth through favorable tax policies and tougher sanctions against unfair trade practices. Financial incentives such as hiring tax credits and accelerated depreciation write-offs also encourage companies like American Apparel to create manufacturing jobs in America.

Another reason American Apparel attracted new money is that socially responsible corporate governance is attractive to investors. The company has always paid its workers above minimum wage and incorporated health care benefits into its compensation. The founder and chief executive, Dov Charney, signed on to the "sweatshop free" slogan on day one and has long placed it as a cornerstone of his business.

Incorporated into his original 2003 business plan is a quote from philosopher Paul Hawken, "The ultimate purpose of business is not, or should not be, simply to make money. The promise of business is to increase the general well-being of humankind through service, creative invention and ethical phi-



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Sewn Up: Workers at American Apparel's facility in downtown Los Angeles.

losophy." This echoes the words of Soros' Open Society Foundation, which works with governments and businesses to advance transparency, rule of law and good governance around the world.

Socially responsible investment has skyrocketed as aging baby boomers seek to actualize their '60s consciousness with their pension dollars invested in California companies like American Apparel, Timbuk2 and Shade Clothing. Social responsibility pays off when looking for bucks in a tight credit market.

Los Angeles is the place to be for garmentos seeking to take advantage of all the above considerations. It has the largest concentration of apparel manufacturing for ready-made clothing anywhere in America. The supply chain – from cutters to sewing contractors to button and trim suppliers – is concentrat-

ed in the downtown's Garment District, running south along the Central Avenue corridor, and lots of local manufacturers are rediscovering their old vendors. The American Apparel factory is one hub in this concentration, but others exist and have recently sprung up – witness the recent grand opening of Lucky Brand Jeans in the Arts District.

The smart money senses it and is investing here now. Look for boom times to follow as the recovery accelerates and consumer spending picks up.

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