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Issue 4

Can Sweatshops and Cheap Labour Benefit the Poor?

✔ **YES**
PAUL KRUGMAN, "In Praise of Cheap Labor," *Slate*, 1997. web.mit.edu/krugman/www/smokey.html

✘ **NO**
JOHN MILLER, "Why Economists Are Wrong about Sweatshops and the Antisweatshop Movement," *Challenge*, 46, no. 1 (January/February 2003): 93–122

In 1995, Craig Kielburger, a 12-year-old Canadian boy, read about the tragic story of Iqbal Masih, a child of the same age who had been murdered in Pakistan. Iqbal had been sold into child labour by his parents at the age of four. This practice was common among many poor Pakistani families who, having accumulated debts to landlords and local merchants, were desperate to find a means of paying them off. For the next six years, Iqbal worked in deplorable and dangerous conditions, putting in up to 16 hours a day, 6 days a week.

In 1992, Iqbal came into contact with activists working for the Bonded Labor Liberation Front (BLLF), a human rights organization campaigning against bonded child labour. Iqbal soon became a spokesperson for the organization, travelling overseas to tell his story to consumers in Western countries. He became a symbol for the movement and was awarded the Reebok Human Rights Youth in Action Award and a future scholarship to an American university. However, in 1995, at the age of 12, while visiting relatives in a Pakistani village, Iqbal was murdered, reportedly by those associated with interests in the Pakistani carpet industry who see the BLLF campaign as a threat. The news of Iqbal's story catalyzed Craig Keilburger into action, leading him to form his own award-winning *Free the Children* campaign, aimed at abolishing exploitative child labour practices throughout the world.

Stories like those of Iqbal have focused attention not only on the problem of child labour but also on the role of sweatshops and cheap labour practices in the development of economies throughout the world. Much of this debate has focused on the practice of retailing multinationals in industrialized countries that turn to low-wage workers in developing countries as a way of procuring cheap goods. This allows them to maximize profits while undercutting the prices of competitors. The term "sweatshop" is often associated with the garment industry, where companies seek to boost profits by prohibiting collective bargaining and paying

✔ YES

In Praise of Cheap Labor

PAUL KRUGMAN

For many years a huge Manila garbage dump known as Smokey Mountain was a favorite media symbol of Third World poverty. Several thousand men, women, and children lived on that dump—enduring the stench, the flies, and the toxic waste in order to make a living combing the garbage for scrap metal and other recyclables. And they lived there voluntarily, because the $10 or so a squatter family could clear in a day was better than the alternatives.

The squatters are gone now, forcibly removed by Philippine police last year as a cosmetic move in advance of a Pacific Rim summit. But I found myself thinking about Smokey Mountain recently, after reading my latest batch of hate mail.

The occasion was an op-ed piece I had written for the *New York Times*, in which I had pointed out that while wages and working conditions in the new export industries of the Third World are appalling, they are a big improvement over the "previous, less visible rural poverty." I guess I should have expected that this comment would generate letters along the lines of, "Well, if you lose your comfortable position as an American professor you can always find another job—as long as you are 12 years old and willing to work for 40 cents an hour."

Such moral outrage is common among the opponents of globalization—of the transfer of technology and capital from high-wage to low-wage countries and the resulting growth of labor-intensive Third World exports. These critics take it as a given that anyone with a good word for this process is naive or corrupt and, in either case, a de facto agent of global capital in its oppression of workers here and abroad.

But matters are not that simple, and the moral lines are not that clear. In fact, let me make a counter-accusation: The lofty moral tone of the opponents of globalization is possible only because they have chosen not to think their position through. While fat-cat capitalists might benefit from globalization, the biggest beneficiaries are, yes, Third World workers.

After all, global poverty is not something recently invented for the benefit of multinational corporations. Let's turn the clock back to the Third World as it was only two decades ago (and still is, in many countries). In those days, although the rapid economic growth of a handful of small Asian nations had started to attract attention, developing countries like Indonesia or Bangladesh were still mainly what they had always been: exporters of raw materials, importers of manufactures. Inefficient manufacturing sectors served their domestic markets, sheltered behind import quotas, but generated few jobs. Meanwhile, population pressure pushed desperate peasants into cultivating ever more marginal land or seeking a livelihood in any way possible—such as homesteading on a mountain of garbage.

Given this lack of other opportunities, you could hire workers in Jakarta or Manila for a pittance. But in the mid-'70s, cheap labor was not enough to allow a developing country to compete in world markets for manufactured goods. The entrenched advantages of advanced nations—their infrastructure and technical know-how, the vastly larger size of their markets and their proximity to suppliers of key components, their political stability and the subtle-but-crucial social adaptations that are necessary to operate an efficient economy—seemed to outweigh even a tenfold or twentyfold disparity in wage rates.

And then something changed. Some combination of factors that we still don't fully understand—lower tariff barriers, improved telecommunications, cheaper air transport—reduced the disadvantages of producing in developing countries. (Other things being the same, it is still better to produce in the First World—stories of companies that moved production to Mexico or East Asia, then moved back after experiencing the disadvantages of the Third World environment, are common.) In a substantial number of industries, low wages allowed developing countries to break into world markets. And so countries that had previously made a living selling jute or coffee started producing shirts and sneakers instead.

Workers in those shirt and sneaker factories are, inevitably, paid very little and expected to endure terrible working conditions. I say "inevitably" because their employers are not in business for their (or their workers') health; they pay as little as possible, and that minimum is determined by the other opportunities available to workers. And these are still extremely poor countries, where living on a garbage heap is attractive compared with the alternatives.

And yet, wherever the new export industries have grown, there has been measurable improvement in the lives of ordinary people. Partly this is because a growing industry must offer a somewhat higher wage than workers could get elsewhere in order to get them to move. More importantly, however, the growth of manufacturing—and of the penumbra of other jobs that the new export sector creates—has a ripple effect throughout the economy. The pressure on the land becomes less intense, so rural wages rise; the pool of unemployed urban dwellers always anxious for work shrinks, so factories start to compete with each other for workers, and urban wages also begin to rise. Where the process has gone on long enough—say, in South Korea or Taiwan—average wages start to approach what an American teenager can earn at McDonald's. And eventually people are no longer eager to live on garbage dumps. (Smokey Mountain persisted because the Philippines, until recently, did not share in the export-led growth of its neighbors. Jobs that pay better than scavenging are still few and far between.)

The benefits of export-led economic growth to the mass of people in the newly industrializing economies are not a matter of conjecture. A country like Indonesia is still so poor that progress can be measured in terms of how much the average person gets to eat; since 1970, per capita intake has risen from less than 2,100 to more than 2,800 calories a day. A shocking one-third of young children are still malnourished—but in 1975, the fraction was more than half. Similar improvements can be seen throughout the Pacific Rim, and even in places like Bangladesh. These improvements have not taken place because well-meaning people in the West have done anything to help—foreign aid, never large, has lately shrunk to virtually nothing. Nor is it the result of the benign policies of national governments, which are as callous and corrupt as ever. It is the indirect and unintended result of the actions of soulless multinationals and rapacious local entrepreneurs, whose only concern was to take advantage of the profit opportunities offered by cheap labor. It is not an edifying spectacle; but no matter how base the motives of those involved, the result has been to move hundreds of millions of people from abject poverty to something still awful but nonetheless significantly better.

Why, then, the outrage of my correspondents? Why does the image of an Indonesian sewing sneakers for 60 cents an hour evoke so much more feeling than the image of another Indonesian earning the equivalent of 30 cents an hour trying to feed his family on a tiny plot of land—or of a Filipino scavenging on a garbage heap?

The main answer, I think, is a sort of fastidiousness. Unlike the starving subsistence farmer, the women and children in the sneaker factory are working at slave wages *for our benefit*—and this makes us feel unclean. And so there are self-righteous demands for international labor standards: We should not, the opponents of globalization insist, be willing to buy those sneakers and shirts unless the people who make them receive decent wages and work under decent conditions.

This sounds only fair—but is it? Let's think through the consequences.

First of all, even if we could assure the workers in Third World export industries of higher wages and better working conditions, this would do nothing for the peasants, day laborers, scavengers, and so on who make up the bulk of these developing countries' populations. At best, forcing developing countries to adhere to our labor standards would create a privileged labor aristocracy, leaving the poor majority no better off.

And it might not even do that. The advantages of established First World industries are still formidable. The only reason developing countries have been able to compete with those industries is their ability to offer employers cheap labor. Deny them that ability, and you might well deny them the prospect of continuing industrial growth, even reverse the growth that has been achieved. And since export-oriented growth, for all its injustice, has been a huge boon for the workers in those nations, anything that curtails that growth is very much against their interests. A policy of good jobs in principle, but no jobs in practice, might assuage our consciences, but it is no favor to its alleged beneficiaries.

You may say that the wretched of the earth should not be forced to serve as hewers of wood, drawers of water, and sewers of sneakers for the affluent. But is the alternative? Should they be helped with foreign aid? Maybe—although the historical record of regions like southern Italy suggests that such aid has a tendency

to promote perpetual dependence. Anyway, there isn't the slightest prospect of significant aid materializing. Should their own governments provide more social justice? Of course—but they won't, or at least not because we tell them to. And as long as you have no realistic alternative to industrialization based on low wages, to oppose it means that you are willing to deny desperately poor people the best chance they have of progress for the sake of what amounts to an aesthetic standard—that is, the fact that you don't like the idea of workers being paid a pittance to supply rich Westerners with fashion items.

In short, my correspondents are not entitled to their self-righteousness. They have no thought the matter through. And when the hopes of hundreds of millions are at stake, thinking things through is not just good intellectual practice. It is a moral duty.

✗ NO
Why Economists Are Wrong about Sweatshops and the Antisweatshop Movement
JOHN MILLER

The student-led antisweatshop movement that took hold on many college campuses during the late 1990s should have pleased economists. Studying the working conditions faced by factory workers across the globe offered powerful lessons about the workings of the world economy, the dimensions of world poverty, and most students' privileged position in that economy.

On top of that, these students were dedicated not just to explaining sweatshop conditions, but also to changing them. They wanted desperately to do something to put a stop to the brutalization and assaults on human dignity suffered by the women and men who made their jeans, t-shirts, or sneakers. On many campuses, student activism succeeded in pressuring college administrators by demanding that clothing bearing their college logo not be made under sweatshop conditions, and, at best, that it be made by workers earning a living wage (Featherstone and United Students Against Sweatshops 2002).

But most mainstream economists were not at all pleased. No, they did not dispute these tales from the factory floor, many of which had been confirmed in the business press (Roberts and Bernstein 2000) and by international agencies (ILO 2000). Rather, mainstream economists rushed to defend the positive role of low-wage factory jobs, the very kind we usually call sweatshops, in economic development and in alleviating poverty.

What is more, these economists were generally dismissive of the student-led antisweatshop movement. [...]

The response of mainstream economists to the antisweatshop movement was hardly surprising. Economists have a penchant for playing the contrarian, and, for the most part, they oppose interventions into market outcomes, even interventions into the labor markets of the developing world.

No matter how predictable, their response was profoundly disappointing. Although it contains elements of truth, what economists have to say about sweatshops misses the mark. That was my conclusion after spending summer and fall of 2000 reading much of what economists and economic journalists had written about sweatshops as I prepared to teach my undergraduate seminar, "Sweatshops and the Global Economy." First, the propositions that mainstream economists rely on to defend sweatshops are misleading, rooted in an exchange perspective that obscures sweatshop oppression. Sweatshop oppression is not defined by labor market exchanges but by the characteristics of a job. Second, policy positions based on these propositions are equally flawed. Economists' claim that market-led economic development, independent of labor and social movements and government regulation, will put an end to sweatshop conditions distorts the historical record. Finally, their assertion that demands for better working conditions in the world-export factories will harm third-world workers and frustrate poverty alleviation is also suspect.

With that said, the challenge issued by mainstream economists to the antisweatshop movement remains a formidable one. What economists have to say about the sweatshops has considerable power in the way of persuasion and influence. [...] Often it is their writings that are being distilled in what journalists, government officials, and the general public have to say about sweatshops.

[...]

JUST ENFORCE THE LAW

What to do about sweatshops? That is not a difficult question for most mainstream economists to answer. Just enforce the law, they say (Weidenbaum 1999, 26–28). And avoid other "institutional interventions" that might impair a market-led development that will enhance productivity and thereby raise wages and improve working conditions (Irwin 2002, 214; Sengenberger 1994, 10). By law, they mean local labor law, not some labor standard that ill-informed protesters (or even the International Labor Organization, for that matter) would impose on multinational corporations and their subcontractors in developing economies.

No one in the antisweatshop movement would quarrel with the insistence that the law be obeyed. In fact, several U.S. antisweatshop groups define a sweatshop in legal terms. According to Feminists Against Sweatshops (2002), for instance, sweatshop operators are employers who violate two or more labor laws, from the prohibition of child labor, to health, safety, fire, and building codes, to forced overtime and the minimum wage.

Effective enforcement of local labor law in the developing world, where labor legislation in many countries—on paper, at least—is quite extensive, would surely help to combat sweatshop abuse as well (Portes 1994, 163). For instance, *Made in China*, a report of the National Labor Committee, the leading U.S.-based antisweatshop group, found that subcontractors producing goods for U.S. corporations, including Wal-Mart and Nike, "routinely violate" Chinese labor law. In some of these factories, young women work as long as seventy hours a week and are paid just pennies an hour after pay deductions for board and room, clear violations of China's labor law (Kernaghan 2000). A three-month Business Week investigation of the Chun Si Enterprise Handbag Factory in southern China, which makes Kathie Lee Gifford handbags sold by Wal-Mart stores, confirmed that workers there confronted labor practices that included illegally collected fines, confiscated identity papers, and beatings (Roberts and Bernstein 2000).

But the limitations of this legal prescription for curing sweatshop abuse become obvious when we go to apply it to countries where local labor law, even on paper, does not measure up to the most minimal, internationally agreed-upon labor standards. Take the case of the high-performance economies of Southeast Asia, Indonesia, Malaysia, and Thailand. In those countries, several core labor conventions of the International Labor Organization (ILO) have gone unratified—including the right to organize. Minimum wages are well below the level necessary to lift a family of three above the poverty line, the usual definition of a living wage. And in those countries (as well as China), independent trade union activity is systematically and sometimes brutally suppressed.

[...]

A DEFENSE OF SWEATSHOPS?

The defense of sweatshops offered up by mainstream economists turns on two elegantly simple and ideologically powerful propositions. The first is that workers freely choose to enter these jobs, and the second is that these sweatshop jobs are better than the alternative employments available to them in developing economies. Both propositions have a certain truth to them.

An Exchange Perspective

From the perspective of mainstream economics, every exchange, including the exchange between worker and boss, is freely entered into and only takes place because both parties are made better off. Hiring workers to fill the jobs in the world-export factories is no exception.

Of course, in some cases, workers do not freely enter into sweatshop employment even by the usual standards of wage labor. Sometimes workers are held captive. For example, a 1995 police raid of a fenced-in compound of seven apartments in El Monte, California, found a clandestine garment sweatshop where some seventy-two illegal Thai immigrants were held in virtual captivity as they sewed clothes for brand-name labels (Su 1997, 143). Other times, workers find themselves locked into walled factory compounds surrounded by barbed wire, sometimes required to work fifteen hours a day, seven days a week, subject to physical abuse, and, after fines and charges are deducted from their paycheck, left without the money necessary to repay exorbitant hiring fees. That was the case for the more than 50,000 young female immigrants from China, the Philippines, Bangladesh, and Thailand who were recently discovered in Saipan (part of the Commonwealth of the Northern Mariana Islands, a territory of the United States) working under these near-slavelike conditions as they produced clothing for major American distributors bearing the label "Made in the United States" (ILO 2000).

But in most cases, workers do choose these jobs, if hardly freely or without the coercion of economic necessity. Seen from the exchange perspective of mainstream economics, that choice alone demonstrates that these factory job are neither sweatshops nor exploitative.

Listen to how mainstream economists and their followers make this argument. In response to the National Labor Committee's exposé of conditions in the Honduran factories manufacturing Kathie Lee clothing for Wal-Mart, El Salvadoran economist Lucy Martinez-Mont assured us that "People choose to work in maquila shops of their own free will, because those are the best jobs available to them" (Martinez-Mont 1996, sec. A, p. 14). For economic journalist Nicholas Kristof (1998), the story of Mrs. Tratiwoon, an Indonesian woman, makes the same point. She sustains herself and her son by picking through a garbage dump outside of Jakarta in search of metal scraps to sell. She tells Kristof of her dreams for her three-year-old son as she works. "She wants him to grow up to work in a sweatshop."

Stories such as this one are powerful. The fact that many in the developing world are worse off than workers in the world-export factories is a point that economists supportive of the antisweatshop movement do not deny. For instance, a few years back, economist Arthur MacEwan, my colleague at *Dollars & Sense*, a popular economics magazine, made much the same point. He observed that in a poor country like Indonesia, where women working in agriculture are paid wages one-fifth those of women working in manufacturing, sweatshops do not seem to have a hard time finding workers (MacEwan 1998). And the Scholars Against Sweatshop Labor statement (2001) admits that "Even after allowing for the frequent low wages and poor working conditions in these jobs, they are still generally superior to 'informal' employment in, for example, much of agriculture or urban street vending."

This is not meant to suggest that these exchanges between employers and poor workers with few alternatives are in reality voluntary or that world-export factory jobs are not sweatshops or places of exploitation. Rather, as political philosopher Michael Waltzer argues, these exchanges should be seen as "trades of last resort" or "desperate" exchanges that need to be protected by labor legislation regulating such things as limits on hours, a wage floor, and guaranteed health and safety requirements (Rodrik 1997, 35).

Prevailing Wages and Working Conditions

What mainstream economists say in defense of sweatshops is limited in other ways as well. For instance, an ACIT letter (2000) misstates the argument. The ACIT writes that multinational corporations "commonly pay their workers more on average in comparison to the prevailing market wage for similar workers employed elsewhere in the economy." But, as the SASL authors correctly point out, "While this is true, it does not speak to the situation in which most garments are produced throughout the world—which is by firms subcontracted by multinational corporations, not the MNCs themselves." The ACIT authors implicitly acknowledge as much, for in the next sentence they write that, "in cases where subcontracting is involved, workers are generally paid no less than the prevailing market wage."

The SASL statement also warns that the ACIT claim that subcontractors pay the prevailing market wage does not by itself make a persuasive case that the world export factories we commonly call sweatshops are anything but that. The SASL authors (2001) emphasize that

> the prevailing market wage is frequently extremely low for garment workers in less developed countries. In addition, the recent university-sponsored studies as well as an October 2000 report by the International Labor Organization consistently find that serious workplace abuses and violations of workers' rights are occurring in the garment industry throughout the world.

The same can be said about other world-export factories. Consider for a minute the working conditions at the Indonesian factories that produce footwear for Reebok, the Stoughton, Massachusetts–based international corporation that "goes to great lengths to portray itself as a conscientious promoter of human rights in the Third World" (Zuckoff 1994). Despite its status as a model employer, working conditions at factories that make Reebok footwear became the focus of the *Boston Globe* 1994 series entitled "Foul Trade" (Zuckoff 1994). The *Globe* tells the story of Yati, a young Indonesian woman in Tangerang, Indonesia. She works sewing bits of leather and lace for tennis shoes sold as Reeboks.

Yati sits at a sewing machine, which is one of sixty in her row. There are forty-six rows on the factory floor. For working sixty-three hours a week, Yati earns not quite $80 a month—just about the price of a pair of Reeboks in the United States. Her hourly pay is less than 32 cents per hour, which exceeds the minimum wage for her region of Indonesia. Yati lives in a nearby ten-by-twelve-foot shack with no furniture. She and her two roommates sleep on the mud and tile floor.

A factory like the one Yati works in is typically owned by an East Asian company. For instance, PT Tong Yang Indonesia, a South Korean–owned factory, pumped out 400,000 pairs of Reeboks a month in 1993. In return, Reebok paid its owner, Tan Chuan Cheng, $10.20 for each pair of shoes and then sold them for $60 or more in the United States. Most of Tan's payment went to purchase materials. Tan told the *Globe* that wages accounted for as little as $1.40 of the cost of a pair of shoes (Zuckoff 1994).

A More Effective Response

As I taught my seminar on sweatshops, I settled on a more effective response to the mainstream economic argument. It is simply this: Their argument is irrelevant for determining if a factory is a sweatshop or if workers are exploited. Sweatshop conditions are defined by the characteristics of a job. If workers are denied the right to organize, suffer unsafe and abusive working conditions, are forced to work overtime, or are paid less than a living wage, then they work in a sweatshop, regardless of how they came to take their jobs or if the alternatives they face are worse yet.

A careful reading of what the mainstream exchange perspective suggests about sweatshop jobs is not they are "good news" for the world's poor but "less bad news" than the usual conditions of work in the agricultural and informal sectors. The oppressive conditions of the work in the world-export factories are not denied by their argument. For instance, ACIT leader Jagdish Bhagwati says sweatshop jobs are a "ticket to slightly less impoverishment" (Goldberg 2001, 30).

[...]

CONFRONTING CRITICS OF THE ANTISWEATSHOP MOVEMENT

Still, none of the above speaks directly to the contention of mainstream economists that imposing "enlightened standards" advocated by the antisweatshop activists onto conditions for employment in the export factories of the developing world will immiserate the very workers the movement intends to help (ACIT 2000).

Core Labor Standards

To begin with, as labor economist Richard Freeman (1994, 80) writes, "Everyone, almost everyone is for some standards" (emphasis in the original). Surely that includes economists who would combat sweatshops by insisting that local labor law be respected. Even their position recognizes that the "voluntary" exchange of labor for wages must be delimited by rules, collectively determined and obeyed by all.

The relevant question is: What are those rules, and are any so basic that they should be applied universally, transcending the normal bounds of sovereignty? For the most part, economists, trained after all as economists and not political philosophers, have little to say on this matter other than to caution that outside of the condemnation of slavery, there is no universal agreement about the appropriateness of labor standards even when it comes to bonded labor and child labor (Bhagwati 1995, 754; Brown 2001, 94; Irwin 2002, 216).

Nonetheless other economists, even some critical of the antisweatshop movement, are favorably disposed toward international labor standards about safety and health, forced labor, and the right to organize. For instance, Alice Amsden, an economist who opposes establishing wage standards on developing economies, favors the imposition of other labor standards. "The issue," she says, "is not health and safety conditions, the right of workers to be treated like human beings—not to be murdered for organizing unions, for example. These rights are inviolate" (Amsden 1995). At times, even Jagdish Bhagwati has taken a similar position (Bhagwati 2002, 60).

The International Labor Organization, in its 1998 Declaration on Fundamental Principles at Work, took a similar position. The ILO held that each of its 175 members (even if they have not ratified the conventions in question) was obligated "to respect, to promote and to realize" the fundamental rights of "freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation" (2002a).

The empirical evidence of the effect of these core labor standards on economic development is ambiguous. For instance, the Organization for Economic Cooperation and Development (OECD) found that countries that strengthen these core labor standards "can increase economic growth and efficiency" (OECD 2000, 14). International trade economist Jai Mah, on the other hand, found that ratification of the ILO Conventions on freedom of association and on the right to nondiscrimination negatively affected the export performance of developing countries (Mah 1997, 781). And a study conducted by Dani Rodrik, another international trade economist, suggested that low core labor standards enhanced a country's comparative advantage in the production of labor-intensive goods but deterred rather than attracted direct foreign investment (Rodrik 1996, 59).

The Living Wage

Nevertheless, almost all mainstream economists draw the line at labor codes designed to boost wages as opposed to leaving the determination of wages to labor market outcomes. That surely goes for labor codes that call for the payment of a living wage, usually defined as a wage adequate to lift a worker and two dependents out of poverty. The ACIT worries that if multinational corporations are persuaded to increase their wages (and those of their subcontractors) "in response to what the on-going studies by the anti-sweatshop movement may conclude are appropriate wage levels, the net result would be shifts in employments that will worsen the collective welfare of the very workers who are supposed to be helped." (2001). And ACIT leader Bhagwati dismisses the call for multinationals and their subcontractors to pay a living wage as so much first-world protectionism cloaked in the language of "social responsibility" (Bhagwati 2000, 11). As he sees it, students' demand that a "living wage" be paid in developing countries would dull the one competitive advantage enjoyed by these countries, cheap labor.

But, in practice, would a labor standard demanding that multinational corporations and their subcontractors boost their wages beyond the local minimum wage and toward a living wage be a jobs killer? On that point the ACIT letter is silent, as journalists Featherstone and Henwood point out (2001a).

These economists may be short on evidence about the effects of higher wages on the demand for labor by multinational corporations and their subcontractors, but they are long on authority. Their proposition is as simple as this: "Either you believe labor demand curves are downward sloping, or you don't," as a neoclassical colleague said to me. Of course, not to believe that demand curves are negatively sloped would be tantamount to declaring yourself an economic illiterate.

Still, we can ask just how responsive are the hiring decisions of multinational corporations and their subcontractors to higher wages. There is real reason to believe that the right answer is, not very responsive.

Economists Robert Pollin, James Heintz, and Justine Burns recently looked more closely at this question (Pollin et al. 2001). They examined the impact that a 100 percent increase in the pay for apparel workers in Mexico and in the United States would have on costs relative to the retail price those garments sell for in the United States. Their preliminary findings are that doubling the pay of nonsupervisory workers would add just 50 cents to the production costs of a men's casual shirt sold for $32 in the United States, or just 1.6 percent of the retail price. And even if the wage increase were passed on to consumers, which seems likely because retailers in the U.S. garment industry enjoy substantial market power, Pollin et al. argue that the increase in price is well within the amount that recent surveys suggest U.S. consumers are willing to pay to purchase goods produced under "good" working conditions as opposed to sweatshop conditions. (See Elliot and Freeman [2000] for a detailed discussion of survey results.) More generally, using a sample of forty-five countries over the period 1992–97, Pollin et al. found no statistically significant relationship between real wages and employment growth in the apparel industry. Their results suggest that the mainstream economists' claim that improving the quality of jobs in the world export factories (by boosting wages) will reduce the number of jobs is not evident in the data (Pollin et al. 2001).

Even if this counterexample is not convincing, it is important to recall that the demand curve that defines the responsiveness of multinational corporations and their subcontractors to wage increases for factory workers is a theoretical device drawn while holding other economic circumstances constant, including public policy. In reality, those circumstances are neither fixed nor unalterable. In fact, to counteract any negative effect that higher wages might have on employment, the SASL statement calls for the adoption of new polices, which include

> measures to expand the overall number of relatively high quality jobs; relief from excessive foreign debt payments; raising worker job satisfaction and productivity and the quality of goods they produce; and improving the capacity to bring final products to retail markets. (SASL 2001)

"Shifting the demand curve for labor outward," says economic sociologist Peter Evans (2002), "is almost the definition of economic development-making people more valuable relative to the commodities they need to live." This "high road" approach to development, adds Evans, has the additional benefit of augmenting the demand for the commodities that workers produce.

Historical Change and Social Improvement

A labor code that requires multinational corporations and their subcontractors to pay a living wage, provide safe and healthy working conditions, and allow workers to organize would be likely to have yet more profound effects on these developing economies. On this point, the antisweatshop activists and their critics agree. What they disagree about is whether these broader effects will be a help or hindrance to economic development and an improved standard of living in the developing world (Freeman 1992).

Mainstream critics argue that labor codes are likely to have widespread debilitating effects. The institutionalization of these labor standards proposed by activists, they argue, would derail a market-led development process (Irwin 2002, 214; Sengenberger 1994, 10–11).

As they see it, labor-intensive sweatshops are good starter jobs—the very jobs that successful developing economies and developed countries used as "stepping-stones" to an improved standard of living for their citizens. And in each case, these countries outgrew their "sweatshop phase" through market-led development that enhanced productivity, not through the interventions of an antisweatshop movement (Krugman 1994, 116).

These economists often use the Asian economies as examples of national economies that abandoned "sweatshop practices" as they grew. Their list includes Japan, which moved from poverty to wealth early in the twentieth century, and the tiger economies—South Korea, Hong Kong, Singapore, and Taiwan—which grew rapidly in the second half of the century to become middle income countries (Irwin 2002; Krugman 1994; Krugman 1997; Lim 1990; Weidenbaum 1999). Paul Krugman (1997) allows that some tigers relied on foreign plant owners (e.g., Singapore) while others shunned them (e.g., South Korea). Nonetheless, he maintains that their first stage of development had one constant: "It's always sweatshops" (Meyerson 1997).

For anyone who doubts that market-led development that begins with a sweatshop phase produces intergenerational progress, Murray Weidenbaum (1999) invokes the personal story of Milton Friedman, the Nobel Prize–winning economist. "If his parents were not willing to work so long and hard under sweatshop conditions, they could not have earned the money to invest in his education," writes Weidenbaum. "We should all be grateful for that investment by a previous generation of Friedmans and for the circumstances that enabled them to make that enlightened choice."

But these arguments distort the historical record and misrepresent how social improvement is brought about with economic development. First, the claim that developed economies passed through a sweatshop stage does not establish that sweatshops caused or contributed to the enhanced productivity that they say improved working conditions. Second, in the developed world, the sweatshop phase was not extinguished by market-led forces alone but when economic growth combined with the very kind of social action, or enlightened collective choice, that defenders of sweatshops find objectionable.

Even Nobel Prize–winning economist Simon Kuznets, whose work did much to inspire economists' faith in the moderating effects of capitalist development on inequality, would find the mainstream economists' story of market-led social progress questionable. Kuznets based his famous hypothesis—that after initially increasing, inequality will diminish with capitalist economic development—not on the operation of market forces alone, but on the combined effect of economic growth and social legislation. For instance, in his famous 1955 *American Economic Review* article, Kuznets writes,

> In democratic societies the growing political power of the urban lower-income groups led to a variety of protective and supporting legislation, much of it aimed to counteract the worst effects of rapid industrialization and urbanization and to support the claims of the broad masses for more adequate shares of the growing income of the country. (1955, 17)

The labor codes called for by the antisweatshop movement would seem to be an example of the "protective and supporting legislation" that Kuznets says is key to spreading the benefits of economic growth more widely.

To be sure, labor standards in the absence of economic growth will be hard put to make workers better off. Economist Ajit Singh and Ann Zammit of the South Centre, an intergovernmental organization dedicated to promoting cooperation among developing countries, make exactly this point in their article opposing compulsory labor standards (Singh and Zammit 2000, 37). As they note, over the last few decades, wages in rapidly growing South Korea increased much more quickly than those in slowly growing India, even though India had much better labor standards in the 1950s than South Korea did.

[...]

Finally, no matter how mistaken these mainstream economists might be about how societies have rid themselves of sweatshops, they are perhaps right that past economic developments have gone through a sweatshop stage. On that score, I would reply exactly as one well-known economist did to a 1997 *New York Times* article that made the same point. His letter read this way:

> Your June 22 Week in Review article on sweatshops quotes some prominent economists to the effect that sweatshops, which they confuse with "low-wage factories," are "an essential first step toward modern prosperity in developing countries." Sweatshops indeed existed in 19th-century Britain during early industrialization, leading to a burst of social legislation to rid the country of these ills. But nothing requires us to go that route again. Nations should join nongovernmental groups like the International Labor Organization to rid the world of sweatshops. In addition, we can require multinationals to apply our own labor, safety and environmental standards when they manufacture abroad. In Rome, they must do not as Romans do but as we do. Their example would spread.

Surprisingly, the author is none other than Jagdish Bhagwati (1997). I would only add to Bhagwati's powerful pre-ACIT letter that the student-led antisweatshop movement has increased the likelihood that future economic developments might avoid the sweatshop stage. Unlike earlier periods, when labor standards were imposed in response to the demands of labor organizations and an urban population of the developing world alone, first-world consumers today are also pushing multinational corporations to improve the working conditions in the factories of their subcontractors (Brunett and Mahon 2001, 70).

Fastidiousness or Commodity Fetishism?

Mainstream economists have one last probing question for antisweatshop activists: Why factory workers?

Krugman (1997) asks the question in a most pointed way: "Why does the image of an Indonesian sewing sneakers for 60 cents an hour evoke so much more feeling than the image of another Indonesian earning the equivalent of 30 cents an hour trying to feed his family on a tiny plot of land, or of a Filipino scavenging on a garbage heap?"

It is a good question. There are plenty of poor people in the world. Some 1.2 billion people, about one-fifth of the world population, had to make do on less than U.S. $1 a day in 1998 (World Bank 2001). The world's poor are disproportionately located in rural areas. Most scratch out their livelihood from subsistence agriculture or by plying petty trades, while others on the edge of urban centers work in the informal sector as street-hawkers or the like (Todaro 2000, 151). In addition, if sweat is the issue, journalist Kristof (1998) assures us that "this kind of work, hoeing the field or working in paddies, often involves more perspiration than factory work."

So why has the plight of these rural workers, who are often poorer and sweat more than workers in the world-export factories, not inspired a first-world movement dedicated to their betterment?

"Fastidiousness" is Krugman's answer. "Unlike the starving subsistence farmer," says Krugman, "the women and children in the sneaker factory are working at slave wages *for our benefit*–and this makes us feel unclean. And so there are self-righteous demands for international labor standards" (1997; emphasis in the original).

Ironically, Krugman's answer is not so different from the one Marx would have given to the question. Marx's answer would be commodity fetishism or that commodities become the bearers of social relations in a capitalist economy (Marx 1967). Purchasing commodities brings us in contact with the lives of the factory workers who manufacture them. Buying jeans, t-shirts, or sneakers made in Los Angeles, Bangkok, or Jakarta, or the export zones of southern China and Latin America, connected students in my seminar to the women and men who work long hours in unhealthy and dangerous conditions for little pay in the apparel and athletic footwear industries. And it was the lives of those workers that my most political students sought to improve through their antisweatshop activism. Beyond that, as consumers and citizens they are empowered to change the employment practices of U.S. corporations and their subcontractors.

Krugman's complaint is no reason to dismiss the concerns of the antisweatshop movement. Historically, the organization of factory workers has been one of the most powerful forces for changing politics in the democratic direction that Kuznets outlines. Krugman's complaint does, however, suggest that the plight of sweatshop workers needs to be seen in the context of pervasive world poverty and the gaping inequalities of the global economy.

The global economy, to the extent that we live in a truly unified marketplace, connects us not just with sweatshop workers, but with oppressed workers outside the factory gates as well. By pointing out these connections to my students, I hoped to demonstrate the need to build a movement that would demand more for working people across the multiple dimensions of the world economy. Campaigns to improve conditions in the world-export factories should, of course, be part of that movement. But that movement must also tackle the often worse conditions of low-wage agricultural workers, poor farmers, street vendors, domestic servants, small-shop textile workers, and prostitutes. Only when conditions for both groups of workers improve might economists be able to say honestly, as something other than a Faustian bargain, that more world factory jobs are good news for the world's poor.

POSTSCRIPT

As John Miller mentions in his article, a number of fairly active transnational advocacy networks have organized around the issues of child labour and sweatshops. These campaigns are essentially a subset of a larger network of advocacy groups focusing on issues of corporate accountability. The strategies of these groups vary, ranging from efforts to tighten international labour standards and pressuring multinational corporations to voluntarily adopt codes of conduct for their operations in developing countries, to more aggressive public awareness campaigns aimed at organizing boycotts of products believed to be produced under sweatshop conditions.

While such campaigns have certainly raised awareness of these issues, some analysts have asked whether the results have always been beneficial. As the previous debate illustrates, the issues surrounding sweatshops are complex and cause-and-effect relationships are not always clear cut. Stories that may work great for grabbing public attention and sympathy may not necessarily accurately reflect the economic and social dynamics of what is taking place. Some researchers have even suggested that boycott campaigns frequently lead to detrimental results such as situations where child labourers thrown out of work due to a boycott campaign are forced to turn to more dangerous forms of work or prostitution in order to earn income for their families. This has led some to suggest the need for NGOs to take the issue of research on such issues much more seriously and to invest in building up their research capacity. For a discussion of these issues as they relate specifically to child labour and sweatshops, see Caroline Harper, "Do the Facts Matter? NGOs, Research, and International Advocacy," in Michael Edwards and John Gaventa, eds., *Global Citizen Action* (Boulder: Lynne Rienner, 2001).

Suggested Additional Readings

Amsden, Alice. "International Labor Standards: Hype or Help?" *Boston Review,* 20, no. 6 (1995). bostonreview.mit.edu/BR20.6/amsden.html

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InfoTrac® College Edition

Search for the following articles in the InfoTrac® database:

Bigelow, Bill. "The Human Lives Behind the Labels: The Global Sweatshop, Nike, and the Race to the Bottom," *Phi Delta Kappan,* 78, no. 2 (October 1997): 112–119.

Cawthorne, Pamela, and Gavin Kitching. "Moral Dilemmas and Factual Claims: Some Comments on Paul Krugman's Defense of Cheap Labor," *Review of Social Economy,* 59, no. 4 (December 2001): 455–466.

De Winter, Rebecca. "The Anti-sweatshop Movement: Constructing Corporate Moral Agency in the Global Apparel Industry," *Ethics & International Affairs,* 15, no. 2 (October 2001): 99–115.

Spar, Debora L. "The Spotlight on the Bottom Line: How Multinationals Export Human Rights," *Foreign Affairs,* 77, no. 2 (March–April 1998): 7–12.

For more articles, enter:
"cheap labor" and "sweatshops" in the keyword search.

Web Resources

BEHIND THE LABEL

www.behindthelabel.org

This site contains news items regarding various international anti-sweatshop campaigns.

SCHOLARS AGAINST SWEATSHOPS

www.peri.umass.edu/Scholars-Against.252.0.html

This site, which is housed at the Political Economy Research Institute, has links to a number of articles relating to sweatshops, the idea of a living wage, and international labour standards.

INTERNATIONAL LABOUR ORGANIZATION

www.ilo.org

This official website of the United Nation's International Labour Association has an extensive amount of materials on issues such as child labour and international labour standards.

GLOBAL EXCHANGE

www.globalexchange.org/campaigns/sweatshops/backgroundandresources.html

This website contains resources on a number of global issues including sweatshops. Look under the resource section for an extensive list of links to various anti-sweatshop campaigns and organizations.

THE UNOFFICIAL PAUL KRUGMAN ARCHIVE

www.pkarchive.org

You will find here an archive of many of the academic writings, newspaper articles, and interviews by Paul Krugman on international trade and other economic issues.

CLEAN CLOTHES CAMPAIGN

www.cleanclothes.org

A leading Dutch anti-sweatshop campaign, the Clean Clothes site contains information regarding a variety of campaigns around the world. Reflecting European sports interests, it contains extensive information about cheap labour and the production of soccer balls.

Issue 5

Does Outright Debt Cancellation Ignore the Real Problems of Africa?

✔ **YES**
GEORGE AYITTEY, "Smart Aid for Africa," *African Dialogue Series*, no. 773 (2005). www.utexas.edu/conferences/africa/ads/773.html

✘ **NO**
MOSES OCHONU, "The Case for Debt Cancellation and Increased Aid to Africa," *The Nigerian Village Square* (2005). www.nigeriavillagesquare.com/content/view/1137/55/

In the run-up to the G8 Summit scheduled for Gleneagles, Scotland in 2005, a group of high-profile celebrities gathered to present the case for debt relief as a solution to the problem of poverty in African states. A campaign for broad-based debt relief for all developing nations had been gaining steam at the grassroots for several years. The Jubilee 2000 Campaign, based in the United Kingdom and spreading to dozens of other countries, had been working hard to publicize its case for massive debt elimination as a means of giving developing nations a leg up. In 1998, it had mobilized a massive group of demonstrators for the G8 Summit in Birmingham. In the years following, a series of networked groups began to press "drop the debt" campaigns in order to redress the massive dislocations that had come of debt accumulation and structural adjustment throughout the global South.

There had been policy responses to these debt campaigns. Back in 1996, the IMF had launched the Heavily Indebted Poor Country (HIPC) Initiative. The initiative offered debt restructuring and eventual reduction of debt to heavily indebted countries that displayed an ongoing commitment to reducing their dependence on sustained debt. Amid complaints that the criteria for the HIPC Initiative were overly stringent, the program was modified in 1999 and supplemented by the Multilateral Debt Relief Initiative (MDRI) in 2005. Outside debt relief programs, the United Nations' set of Millennium Development Goals (MDGs) laid out in 2000 committed the world to addressing some of the chronic problems of poverty and underdevelopment.

Likewise, previous G8 Summits had occasioned hope for consideration of African economic problems. In 2001 in Genoa, African leaders had presented the New Africa Initiative (NAI), a pledge to own up to African leadership on economic issues while seeking a financial partnership with developed nations. The following G8 Summit held in Kananaskis, Alberta in 2002 had been billed as the summit for African development, featuring an updated version of the NAI known as the New