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# Introduction

Abigail Martinez earned only 55 cents per hour stitching clothing in an El Salvadoran garment factory. She worked as long as 18 hours a day in an unventilated room, while the company provided undrinkable water. If she upset her bosses, they would deny her bathroom breaks or demand that she do cleaning work outside under the hot sun. Abigail's job sounds horrible. Yet many economists defend the existence of sweatshop jobs like hers.[1]

"In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better Than No Jobs At All." Only a right-wing free-market apologist for global capitalism could ever write an article with such an appalling title. Right? Wrong. Those are the words of a darling of the left, *New York Times* columnist and Nobel Prize–winning economist Paul Krugman.[2] Krugman argues that critics have not found a viable alternative to these Third World sweatshops and that the sweatshops are superior to the rural poverty that the citizens of these countries would otherwise endure.

Krugman is not alone. After Haiti's devastating earthquake, Paul Collier, author of *The Bottom Billion*, prepared a report for the United Nations outlining a reconstruction plan for the country.[3] The development of a Haitian garment industry was central in his plan. He argued

[1] Facts in this paragraph were reported by Leslie Kaufman and David Gonzalez in a *New York Times* article on April 24, 2001, entitled "Labor Standards Clash with Global Reality."

[2] Paul Krugman, "In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better Than No Jobs At All," *Slate Magazine*, March 1997.

[3] "Haiti: From Natural Catastrophe to Economic Security," *A Report for the Secretary-General of the United Nations*, January 2009, retrieved from www.focal.ca/pdf/haiticollier.pdf.

that Haiti had good access to key markets and that "due to its poverty and relatively unregulated labour market, Haiti has labour costs that are fully competitive with China." Collier essentially outlined a sweatshop model of economic development for Haiti.

Wages and working conditions in Third World sweatshops are appalling compared to the wages and conditions that most readers of this book are likely used to. Any decent person who has witnessed poor workers toiling in a sweatshop should hope for something better for those workers. So why have people such as Krugman, Collier, and many other economists from across the ideological spectrum defended sweatshop employment? These economists defended sweatshops because they are the best achievable alternative available to the workers who choose to work in them, and sweatshop employment is part of the process of development that eventually leads to higher wages and improved working conditions.

How bad are the alternatives to sweatshops? In Cambodia, hundreds of people scavenge for plastic bags, metal cans, and bits of food in trash dumps. Nicholas Kristof reported in the *New York Times* that "Nhep Chanda averages 75 cents a day for her efforts. For her, the idea of being exploited in a garment factory – working only six days a week, inside, instead of seven days in the broiling sun, for up to $2 a day – is a dream."[4] Other common alternatives are subsistence agriculture, informal sector work, begging, or even prostitution.

Recent international trade did not invent poverty. The history of humanity is one of poverty. In most places in the world, for most of human history, people had low incomes, worked long hours, and had short life expectancies. Poverty has been the norm and unfortunately still is the norm for much of the world's population. Although First World citizens often express a desire for an end to poverty, normal Third World rural poverty doesn't raise the sense of moral outrage that sweatshops do.[5] People become more outraged about sweatshops because the poor workers are toiling for our benefit. Unfortunately, that moral outrage can lead wealthy consumers and their governments

[4] Nicholas Kristof, "Inviting All Democrats," *New York Times*, January 14, 2004.

[5] I continue to use "Third World" to describe the poorer countries of the world even though it's a bit dated and out of fashion. "Developing world" is often inaccurate since some countries are actually getting poorer and, besides, rich countries are still developing too. I don't like "less developed" because then their problem is insolvable – some countries will always be relatively less developed no matter how rich they get. Underdeveloped is true of all countries, even rich ones, compared to their potential. I will continue to use Third World until someone comes up with something more satisfactory.

to take actions that, although they may assuage their feelings of guilt, make Third World workers worse off by taking away their ability to work in a sweatshop and throwing them into an even worse alternative, such as scavenging in a trash dump.

This book provides a comprehensive defense of sweatshops. This defense does not deny that sweatshops have wages far below the levels in the developed world. Nor does it deny that sweatshops often have long and unpredictable working hours, a high risk of injuries on the job, and generally unhealthy working conditions. Sweatshops also sometimes deny lunch or bathroom breaks, verbally abuse workers, require overtime, and break local labor laws. Despite these atrocious conditions, sweatshops are still in the best interest of the workers who choose to work in them.

Sweatshops that coerce their workers with the threat of violence, or get the government to do it for them, are the one type of sweatshop I condemn. That is slave labor and has no place in a moral society. That type of sweatshop cannot be defended by the economic arguments made in the remainder of this book. If a worker must be coerced with the threat of violence to accept a job, then that job is obviously not the best alternative available to that worker – otherwise they would have voluntarily taken the job.

Despite all their drawbacks to Western eyes, most sweatshops with low wages and poor working conditions are places where workers voluntarily choose to work. Rarely do employers actually use the threat of violence to obtain employees. Admittedly, workers' other options are often much worse. A starving person with no alternative employment is likely to take a very bad job, if offered one. But that doesn't change the fact that the bad job was his best option. To help sweatshop workers, more options are needed. Unfortunately, much of the anti-sweatshop movement's advocacy, if implemented, would take away the sweatshop option but will not replace it with something better that's actually attainable.

Economic theory is used throughout this book, but nowhere do I advocate "economic efficiency" as my ethical standard. The welfare of poor workers, and potential workers, in the Third World is the standard used throughout this book. Nowhere do I favor economic efficiency, the welfare of Western consumers, or profits at the expense of workers. The welfare of the worker is the end; the crucial question is the means to achieve it.[6] Any serious anti-sweatshop activist *must* be concerned with

[6] I'm not sure how to make this point more clearly. Most anti-sweatshop activism is undertaken in the name of improving the lives of people who work in sweatshops. Economic reasoning helps us establish whether policies or actions that are chosen as a means of

this question. Market forces motivate how firms interact with workers; thus, activists need to appreciate the role they play as a means to helping workers. Economics puts limits on people's utopias. Wishing doesn't make things so. Economic theory forces us to examine how actions taken by activists, NGOs, governments, consumers, and others will impact the incentives of businesses that employ sweatshop workers. Unfortunately, many actions for which the anti-sweatshop movement has agitated adversely impact incentives and harm worker welfare.

The next chapter introduces the anti-sweatshop movement. It's a diverse movement that includes celebrities, ministers, students, politicians, intellectuals, unions, and consumer-activists, who advocate for policies such as international labor standards and minimum or "living" wages in the name of helping workers. When a country fails to adopt their favored policies, sometimes they will advocate imposing trade restrictions against the country. In other cases, they may simply protest or boycott an individual firm or company that uses sweatshop labor.

But what effect will such actions have on the welfare of workers? To answer this question, we need to understand the economic forces that determine sweatshop wages. Chapter 3 explains how the maximum wage that workers can earn is limited by their productivity and how their next best alternative employment limits the minimum wage they will voluntarily accept. Unfortunately, many actions taken by activists do nothing to raise these two bounds; in fact, they often advocate policies that would push wages above the maximum level that employers are willing to pay. As a result, sweatshop wages don't improve for many workers. Instead, their jobs disappear. This chapter also examines what happens to the wages and employment of workers when consumers engage in boycotts to protest conditions they object to. The second half of Chapter 3 examines possible exceptions scholars have raised to the basic theory outlined in the first half of the chapter.

If sweatshop workers lose their jobs, what are their other alternatives? Are they all destined to scavenge in trash dumps? Chapter 4

helping those workers can achieve their goal. That makes much of this book a means-ends analysis. This point seems lost on philosopher Joshua Preiss who claims that the most charitable way to understand my analysis is through a global prioritarian frame. I need not, and do not, embrace any such general global prioritarian frame. The prioritizing of the welfare of sweatshop workers is done by those who undertake actions to help them. Economics helps us figure out if those actions will deliver on the goal or not. Chapter 8 will consider other philosophical ends, raised by Preiss and others, and the relationship between those ends and worker welfare. Joshua Preiss, "Freedom, Autonomy, and Harm in Global Supply Chains," *Journal of Business Ethics* 160, No. 4 (2019), 881–891.

systematically investigates how sweatshop wages compare with alternative earnings in the countries where they operate. It compares the wages in the very firms that the Western press has identified as sweatshops with poverty living standards, agricultural workers' earnings, and the average income in each of these countries. Sweatshops earnings, while low by the standards most readers are used to, usually compare quite favorably with the alternatives available for many workers in these countries. Sweatshop jobs aren't just better when compared with scavenging in trash dumps. They are better than many jobs in the countries where they are located.

Even some critics of sweatshops will admit that the wages paid by sweatshops are better than worker alternatives. Instead, they claim that the real problem is the deplorable health and safety standards in these factories. But health and safety standards, and working conditions more generally, are intimately tied to wages. Employers care about the total cost of compensating workers but care little about how that cost is divided between wages and other forms of compensation. Workers do care about that mix. As a result, firms have every incentive to make the mix of compensation match the preferences of their employees. As Chapter 5 argues, health and safety standards are low because the workers' overall level of compensation is low, and they prefer the vast majority of their meager compensation as wages. The best cure for low health and safety standards is the process of economic development that raises overall compensation.

But what about truly dangerous conditions? On April 24, 2013, the Rana Plaza factory in Bangladesh collapsed, killing 1,129 workers and injuring another 2,500. Surely cases like this illustrate that greater safety regulation would improve the lives of workers. Chapter 6 examines the Rana Plaza disaster and the actions that were subsequently taken by activists and major international brands to improve safety standards and monitoring. Economists know that there are no "free" solutions – only trade-offs. Chapter 6 argues that, while the reaction to the Rana Plaza disaster improved safety, it also cost nearly a third of the jobs that should have been created in the garment industry in subsequent years. These jobs would have been a significant step out of poverty for many workers in Bangladesh. A reasonable person could easily conclude that the overall reaction to the Rana Plaza disaster did more to harm worker welfare than to improve it.

What about the children? In 1993, US Senator Tom Harkin proposed banning imports from countries that employed children in sweatshops.

In response, Bangladeshi firms laid off 50,000 children. What was their next best alternative? According to the British charity Oxfam, many of them became prostitutes or starved.[7] Prostitution and starvation are clearly worse alternatives than sweatshop labor. Chapter 7 explains how all of the preceding arguments apply to children as well as adults and how economic growth leads to the abolition of child labor.

What about ethics? Don't workers have a "right" to better treatment or higher wages? Even if the sweatshop is the workers' best alternative, isn't it still unethical to buy their products? Chapter 8 makes an ethical case for buying sweatshop products on consequentialist grounds, while considering issues of background injustice, exploitation, and objections to the arguments used in this book by philosophers on the grounds of autonomy, the limits of choice, and global labor justice.

Anti-sweatshop activists often seem to forget that they live in countries that once had widespread use of sweatshops too. Chapter 9 provides historical perspective by examining the role that sweatshops played in the development of the United States and other wealthy countries. Sweatshops are part of the process that creates new technology and capital that eventually raise labor productivity. This process of economic growth leads to improved wages and working conditions. Although the process took more than 100 years in the United States, it can happen much more rapidly today because the world has a greater amount of capital and technology that it can export to these poor countries. Witness the rapid rise of the Asian tigers and China's growth today. Chapter 9 will also demonstrate that the level of development the United States had achieved before adopting more stringent labor standards was much greater than the level of development in sweatshop countries today. If the United States had adopted more stringent standards when it was as poor as the sweatshop countries today, it would not have grown as rapidly to achieve the high living standard it enjoys today. Finally, Chapter 9 revisits the countries that were analyzed in the first edition of this book to see how they are developing. These countries had sweatshops reported in the news between 1995 and 2010. All of them experienced significant increases in average incomes and major decreases in poverty rates. Some no longer have sweatshops reported in the most recent decade and those that do usually report sweatshop wages that are significantly higher than were reported in the previous decades. In short, with more than a decade of evidence since

[7] See Paul Krugman, "Reckonings; Hearts and Heads," *New York Times*, April 22, 2001.

the publication of the first edition of this book, the process of development is lifting people out of poverty in the countries identified in that edition – just as the book argued it would.

Chapters 10 and 11 describe how sweatshops can be replaced with better alternatives. Chapter 10 builds on the previous chapter by describing how the process of economic development takes place and describing the necessary enabling environment that allows a country to grow out of sweatshops.

Sweatshops may be the best option currently available for workers, but any moral person would aspire to help improve those conditions. What good can activists possibly do? Chapter 11 outlines positive steps activists can take to improve the lives of sweatshop workers. The chapter first returns to the issue of slave labor in the Xinjiang Uyghur Autonomous Region of China. It argues that there is ample evidence that the Chinese government is using violent coercion of the Uyghur people to force them to work in sweatshops and that activists can productively direct their protests against such slave labor. The chapter also considers "Ethical" branding and the role for profit or nonprofit firms in monitoring this labeling. Trade policy and immigration policy are other areas in which activism could help. All the actions outlined in this chapter would help improve the lives of poor sweatshop workers, but they will be marginal compared to the main cure.

The very process of industrialization and development, of which sweatshops are part, is ultimately the cure for sweatshops. As capital accumulates, technology improves, and workers build skills, productivity rises. As firms compete with each other for the productive workers, total compensation gets bid up. This process raises wages and improves working conditions, and it occurred in virtually all of the wealthy countries in the world today.

I have studied sweatshops for the past 20 years. In that time, I have become convinced that many well-meaning people advocate actions that are detrimental to the lives of sweatshop workers because they do not understand the economic forces that govern the creation of sweatshops and their alternatives. The remainder of this book explains these economic forces and illustrates them with the best available evidence. This book is intended for a wide audience that includes economists, other social scientists, and policymakers. It's also intended for the general public and, in particular, people who have been active in the anti-sweatshop movement and genuinely care about the welfare of impoverished sweatshop workers.

Rather than hold protests that risk cutting the process of development short by destroying sweatshop jobs, activists should instead buy products made in these factories and embrace the forces of economic development that will improve the lives of sweatshop workers. *New York Times* columnist Nicholas Kristof wrote that people need to rethink their objections to sweatshops and that "We need to build a constituency of humanitarians who view low-wage manufacturing as a solution."[8] I hope you will join this constituency by the time you're finished reading this book.

[8] Nicholas Kristof, "My Sweatshop Column," *New York Times*, January 14, 2009, retrieved from http://kristof.blogs.nytimes.com/2009/01/14/my-sweatshop-column/.