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978-1-107-02990-3 - Out of Poverty: Sweatshops in the Global Economy

Benjamin Powell

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Out of Poverty

This book provides a comprehensive defense of Third World sweatshops. It explains how these sweatshops provide the best available opportunity to workers, and how they play an important role in the process of development that eventually leads to better wages and working conditions. Using economic theory, the author argues that much of what the anti-sweatshop movement has agitated for would actually harm the very workers they intend to help by creating less-desirable alternatives and undermining the process of development. Nowhere does this book put profits or economic efficiency above people. Improving the welfare of poorer citizens of Third World countries is the goal, and the book explores which methods best achieve that goal. *Out of Poverty* will help readers understand how activists and policy makers can help Third World workers.

Benjamin Powell is the Director of the Free Market Institute at Texas Tech University and a Visiting Professor in the Rawls College of Business. He is a past president of the Association of Private Enterprise Education and a Senior Fellow with the Independent Institute. Professor Powell is editor of *Making Poor Nations Rich: Entrepreneurship and the Process of Development* (2008) and coeditor of *Housing America: Building Out of a Crisis* (2009). He is the author of more than fifty scholarly articles and policy studies. His primary fields of research are economic development, Austrian economics, and public choice. Dr. Powell's scholarly research on sweatshops has been published in *Comparative Economic Studies*, the *Journal of Labor Research*, *Human Rights Quarterly*, and the *Journal of Business Ethics*. His research findings have been reported in more than 100 popular press outlets, including the *Wall Street Journal* and the *New York Times*. He received his PhD in economics from George Mason University.

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BENJAMIN POWELL

Texas Tech University



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Contents

<i>Figures</i>	<i>page</i> viii
<i>Tables</i>	ix
<i>Acknowledgments</i>	xi
<i>Preface</i>	xv
1 Introduction	1
2 The Anti-Sweatshop Movement	8
3 The Economics of Sweatshop Wage Determination	23
4 Don't Cry for Me, Kathie Lee: How Sweatshop Wages Compare to Alternatives	48
5 Health, Safety, and Working Conditions Laws	63
6 Save the Children?	83
7 Is It Ethical to Buy Sweatshop Products?	97
8 A History of Sweatshops, 1780–2010	112
9 The Process of Economic Development	127
10 What Good Can Activists Do?	138
11 Conclusion	157
<i>References</i>	161
<i>About the Author</i>	173
<i>Index</i>	175

Figures

3.1	Location of factories supplying the Shop with a Conscience Guide (one in Thailand not shown).	<i>page</i> 34
4.1	Alternatives in agriculture.	54
4.2	Percent of population living on less than \$1.25 and \$2.00 per day (PPP).	55
4.3	Average sweatshop earnings per day (PPP).	57
4.4	Average sweatshop earnings as a percent of average incomes.	59
6.1	Percent of economically active children employed by sector.	89
6.2	Percent of children aged ten to fourteen in labor force by country income quintile.	92
9.1	GDP per capita.	133
9.2	Income of the poorest 10 percent of the population.	134

Tables

4.1	Sweatshop Wages Reported in the Press	<i>page</i> 51
5.1	Desirability of the Mix of Compensation	74
6.1	Percent of Children Aged Ten to Fourteen in Labor Force	87
6.2	Child Education	88
7.1	Economic Freedom	104
8.1	U.S. Income and Labor Standards Compared to Sweatshop Countries	125

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Acknowledgments

My first debt for this book is owed to David Skarbek. Now a lecturer at King's College London, he was an undergraduate student in an international economics class I taught at San Jose State University in 2004. He approached me with a desire to write a term paper that we might jointly turn into a scholarly journal article. I suggested working on an empirical investigation of sweatshop wages. We eventually published the paper that evolved out of that project in the *Journal of Labor Research*. It was my first sweatshop-related research.

That initial research led to many invitations to give public lectures about sweatshops. I have given lectures to, or participated in debates in front of, civic groups, professional associations, and, mostly, college and university student groups. I resist the urge to try to name each audience I have lectured to about sweatshops because I will surely leave some out. It now numbers at least scores and probably somewhere in the hundreds. This book is a direct result of the public lectures and the feedback I received at them. In the course of my lectures I found myself addressing more and more aspects of sweatshops that went beyond topics I had been able to address in scholarly journal articles. Ultimately, I decided that it was time to write a book on the topic that could more fully elaborate the points I was making in my lectures. I am indebted to the students and faculty members who helped to arrange these many lectures and the participants, both hostile (and there were many of them) and sympathetic, who provided feedback over the last decade.

Although most of this book is new work, it does draw on my prior research. I'm indebted to coauthors Matt Zwolinski, J.R. Clark, and David Skarbek for their contributions to that research. Chapter 7, in

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particular, draws heavily on work that Matt did with me, and many of the ideas appearing in that chapter were initially his. I also thank Giancarlo Ibarguen and his staff at the Universidad Francisco Marroquí'n for the help they provided J. R. Clark and me in surveying workers and visiting factories in Guatemala. Some of that research appears in Chapter 5. I'm also grateful that the editors of the *Journal of Business Ethics*, *Comparative Economic Studies*, the *Journal of Labor Research*, and *Human Rights Quarterly* all saw fit to publish my research on sweatshops.

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xiii

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Preface

Christian Hansen oiled the machinery and fixed the belts at the Waterhead Mills in Lowell, Massachusetts, for a dozen years. The mill processed corduroy, velvet, and finished cotton goods. It ran on steam power until 5 PM, after which some of the machines changed over to electric power. Part of Christian's job was to change over the motors at 5 PM. On March 16, 1920, Christian went about his usual work routine. Shortly after 5 PM, he threw one of the switches to turn on the electric power. The nearby compensator box had not been properly grounded and was leaking electricity. Christian was hit with 550 volts of electricity and died on the spot.

At about the same time, Leona Gagne began working at the Cardinal Shoe Factory in nearby Lawrence, Massachusetts. She worked up to ten hours a day, sometimes six days per week. The pay was modest, but as her son Paul recalls it, "It wasn't bad for what she did. And the money helped put my brother and me through school."

I knew Leona as "Nana." She was my great-grandmother. Christian was my stepfather's great-grandfather. However, in the pages that follow, I defend the type of "sweatshop" jobs in which Leona and Christian worked. I argue that the jobs are the best realistic alternative available to the workers employed in them and that such jobs are part of the very process of economic development that allows the descendants of Leona, Christian, and their counterparts toiling in Third World sweatshops today to enjoy a higher standard of living with safer, better-paying jobs.

As an economist, I am hardly alone in making this defense, and I am not the only such economist who had ancestors work in sweatshops. Another economist described the situation his immigrant

mother, Sara Friedman, was in when she arrived in the United States around the turn of the last century:

Very shortly after my mother's arrival, she started earning her own living by working as a seamstress in a "sweatshop." In view of the bad reputation of sweatshops, it is interesting that I never heard my mother make a negative remark about her experience. On the contrary, she regarded it as enabling her to earn a living while she learned English and became adjusted to the new country.¹

Her son, Milton, would go on to teach at the University of Chicago and win a Nobel Prize in economics. When economists, such as Milton or I, defend the existence of so-called sweatshop jobs, it is not because of any lack of caring or compassion for the workers. Rather, our defense stems from an understanding of the laws of economics. The laws of economics do not put profits over people. They dictate which policies will help poor workers and which policies will harm them. If you want to help today's Leonas and Christians in the Third World, you should be interested in learning how economic theory relates to sweatshops. I sincerely hope this book helps you in that endeavor.

¹ Milton and Rose Friedman, *Two Lucky People* (Chicago: University of Chicago Press, 1998), 20.