

### **Out of Poverty: Sweatshops in the Global Economy**

Benjamin Powell. 2014. New York: Cambridge University Press. ISBN 978-1-107-68893-3. \$29.99.

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**A**re defenders of sweatshops simply relying on “textbook economics” and ignoring concerns about “actual labor markets” (p. 143)? This book, while drawing heavily on basic economic theory and reasoning, provides real-world details of economic history, the anti-sweatshop movement, and the plight of current Third World sweatshop workers. Powell provides a well-organized and thorough argument against anti-sweatshop activism but falls short of convincing the reader that sweatshops are a necessary step in economic development, as he claims. Still, Christian economists ultimately concerned with human flourishing will find this statement from the book’s brief description to be accurate: “Nowhere does this book put profits or economic efficiency above people.” Powell’s thorough discussion does not understate the desirability or the challenge of eliminating sweatshops.

It is difficult to define “sweatshop” definitively, but this term is often applied to businesses—mostly now in the Third World—where workers are paid low wages and work long hours, sometimes with few/no bathroom breaks, physical discomfort, health risks, and/or verbal and physical abuse. Powell considers sweatshops “deplorable” but maintains they are also the best real-world opportunity available to the workers who choose to work in them. If anti-sweatshop activists are successful at closing down sweatshops, he says, they actually make sweatshop workers worse off. (He is careful to distinguish sweatshop labor from slavery, which he states is a separate issue and one that cannot be supported by his arguments. The necessity of coercion is a clear indication that the “job” is not the worker’s best opportunity.) But this book does more than start and end with the basic assertion that citizens of the Third World are rational and, thus, fewer choices are worse than more choices.

One of the first things Powell does in his presentation is detail the players and tactics of the anti-sweatshop movement. As his book is targeted to a broad audience—perhaps even anti-sweatshop activists who find themselves questioning the consequences of the policies they support—this account in chapter 2 seems important. For some economists this chapter will be less engaging than the remainder of the text, but it appears he anticipates this, leaving some of the details to a separate appendix.

Powell next employs relevant labor economics theories to explain how sweatshop wages are determined, how they compare to the wages from other real-world work alternatives, and the idea that sweatshop workers accept compensating wage differentials in exchange for poorer health and safety standards than the First World might prefer. In describing wage determination, Powell states that a worker's next-best alternative provides a lower bound, and marginal revenue product an upper bound, for his agreed upon wage. Consequently, if activism aimed at a minimum or "living" wage successfully increases wages above the marginal revenue product, sweatshop jobs are eliminated. Importantly, this does not imply that those who become unemployed are free to find better jobs; Powell's basic claim is that the sweatshop *was* their best job option by revealed preferences. Further relying on the notion of marginal revenue product, in chapter 3 Powell adroitly argues that boycotts that decrease demand for sweatshop goods, lobbying that "improves" work conditions, and trade sanctions all reduce the maximum wage a profit-seeking firm will offer a worker.

Two chapters later, he similarly argues that regulations of health, safety, and other non-pecuniary aspects of a job will actually harm workers. This will occur whether or not it reduces employment, as in the absence of such regulations workers had determined their optimal mix of compensation. (If health and safety are normal goods, Third World workers actually prefer wages to other forms of compensation at the same time that employers should be indifferent between various types of compensation, holding overall cost constant.)

Powell does not ignore the plight of child sweatshop workers nor consumers' concerns about the ethics of engaging with sweatshop businesses. With respect to children, he continues to rely on the notion of the next-best real-world alternative but is especially careful to point out that schooling is rarely that alternative. In discussing ethics, Powell focuses on who is to blame for the root cause of the deplorable employment conditions of sweatshop workers. He places most of his emphasis on "background injustice," but appropriately points out that if multinational enterprises "influence governments to act unjustly, ...MNEs do bear moral responsibility" (p. 103). He finds no reason for consumers to receive blame for buying items produced in sweatshops, though, actually arguing later that young people could engage in "Made in the Third World" campaigns (p. 140).

Before suggesting other ways activists can help, Powell discusses sweatshops as they existed throughout history and their role in economic

development. Powell has published journal articles in these areas, many of which he cites, but it is still unclear that sweatshops are *necessary* to development. Even if one accepts the common experience of Great Britain and the United States during the Industrial Revolution, and then the “East Asian tigers” following World War II, as evidence that sweatshops have played a role in development in these particular (now) First World economies, that does not imply development and growth cannot occur in the absence of a “necessary stage” of sweatshop labor (p. 121), as he suggests.

The final chapter of the book before its brief conclusion discusses some non-harmful—perhaps even helpful—approaches that those who find sweatshops deplorable can pursue to the benefit of Third World sweatshop workers. He suggests anti-sweatshop activists target slavery while being cautious to distinguish low wage employment from slavery, pursue ethical branding while encouraging profit-seeking businesses use the same for marketing, incentivize individual families to send their children to school by paying the family with private funds, and promote development while remaining humble about what outsiders can accomplish.

While the economic reasoning in the book is strong, there are instances of missing or weak empirical evidence. Some claims are not supported with evidence (e.g., “few employers actually use the threat of violence” (p. 3), “[unions] intentionally advocate policies that will harm those very workers” (p. 33), “[most] people who lose their job in a sweatshop will not end up in [prostitution, begging, or starvation]” (p. 53). It is easy enough to imagine this area of research is burdened by data limitations. When comparing sweatshop workers’ earnings to other alternatives, Powell does not (cannot?) use data on individuals’ alternatives for employment. While he is upfront about some of the data limitations (e.g., that his figures on sweatshop wages, which he compares to existing statistics on the fraction of the population living on over two dollars per day, are not adjusted for family size), the lack of individual-level data makes it very difficult to say how much worse the next-best alternative would be. Powell makes clever use of newspaper accounts of sweatshop workers to identify both firms as sweatshops, and their workers’ wages, and he does anticipate some of the concerns readers might have with his data. But he subsequently interprets these data still too strongly when he says “workers in firms accused of being sweatshops almost *universally* earn more than \$2.00 per day” (p. 61, emphasis added). This is too strong a claim if news reports are a nonrandom sample of actual sweatshop experiences or lack accuracy in reporting daily wages based on workers’ self-reports. (If the media tend to

overstate the hardship of sweatshop workers, this may bias the data against Powell's argument, making his case even stronger. But it is still too small a sample—85 sweatshops in 18 countries collected at different points over 16 years—with too unclear of a sampling technique to make any strong claims of universal experience.)

A main strength of this text taken as a whole is its accessibility to a broad audience. While professional economists might debate the quality of some of the empirical sources cited, the economic reasoning is sound. The terminology should be accessible to an advanced undergraduate economics student, making this book a reasonable supplementary text for classes in labor or development economics or law and economics. The book may not provide much new insight into the economics of sweatshops to professional economists. At the same time, it is thorough, organized, and pleasant to read. It is neither condescending nor overly apologetic for its economic approach. In the end, this book is effective at codifying a broad set of theories, facts, and logic into a unified argument against the mainstream anti-sweatshop movement.

Yet, Christian economists may find the book neglectful of or even inconsistent with some of their particular concerns. Chapters 8 and 9, which describe sweatshops in history and their role in economic development, leave the reader wondering if anything short of growing the economy sufficiently can or should be done to elevate current sweatshop employees' situations in the present. Even if it is possible to determine that sweatshops are a necessary stage of the development process, Christians might feel especially uneasy accepting all the real-world experiences of sweatshop workers as necessary components of the process. For example, Powell explains that beyond the low wages earned and long hours endured, sweatshop workers may also be slapped, yelled at, or otherwise verbally degraded. It is hard to see how this treatment is profitable from the firm's perspective (e.g., can it possibly increase production rates?) or is in any way conducive to accumulating human or physical capital or technology, the sources of growth Powell identifies. If the managers or owners of sweatshops believe this behavior to be productive, Christian economists might serve a role of providing information to the firm that this is not the case. As Powell concedes, "Not every voluntary action that employers could take to improve wages and working conditions without unemploying [sic] workers has already been taken" (p. 142). Christian economists can play the role of providing information. Furthermore, Christian economists, or those they influence, can affirm the dignity of Third World citizens.

Also troubling to Christian economists might be the brief argument

Powell makes in Chapter 5 for breaking local labor laws to the benefit of sweatshop workers. Christians might prefer to follow Powell's suggestions later in the text where he explores the role of institutions and even the idea that "freedom is contagious" (p. 151) in order to engage broken institutions, working to change laws rather than disobeying authority.

Despite the strong conviction with which the book lays out its argument, the tone of writing is mostly humble and consistent with general morality, especially in Powell's concern for humans rather than profit. (One notable exception is the sweeping claim that entrepreneurs are "simply greedy profit seekers" (p. 131) without further discussion of greed as a vice.) *Out of Poverty* is a book that will likely benefit the Christian economist, if not in her work directly, perhaps within her congregation or in refining her understanding of what might represent both well-intentioned and effective service toward those who find themselves with sweatshop jobs as their best real-world option. ■