

Benjamin Powell, *Out of Poverty: Sweatshops in the Global Economy*. New York, NY: Cambridge University Press, 2014. xvi + 181 Pages. USD 29.99 (paper).

In the First World, “sweatshop” is a dirty word. Activists continually call for boycotts of companies that employ sweatshop labor and sell sweatshop products. And who can forget Kathie Lee Gifford’s emotional public apology following the revelation that the production of her clothing line relied on sweatshop labor from Honduras. Indeed, the issue of sweatshops brings forth a strong, emotional response and rightfully so. The working conditions in sweatshops are miserable. But does this mean, as many people conclude, that sweatshop labor should be banned or that products produced in sweatshops should be boycotted? In *Out of Poverty*, Benjamin Powell concludes that the answer to this question is a resounding “No!” In stark contrast to the way that most people think about sweatshops, Powell argues that sweatshops are part of the development process, a process which makes the lives of workers better off. Given their priors, Powell’s answer will seem counterintuitive to most people living in the First World. That is precisely why this book is so important.

The book consists of 11 chapters including the Introduction and Conclusion. The Introduction lays the groundwork. Powell makes the important distinction between voluntary employment and slave labor. His economic analysis is focused on the former, and he makes clear that the latter, which he strongly denounces, falls outside the purview of the analysis that follows. Also recognized is that the conditions in sweatshops are often unpleasant, if not downright miserable, especially when compared to those in wealthier societies. While readily admitting this point, Powell makes clear that subsequent chapters will defend the proposition that “[d]espite these atrocious conditions, sweatshops are still in the best interest of the workers who choose to work in them” (p. 3).

The second chapter provides a brief overview of the anti-sweatshop movement. Chapters 3 and 4 are among the most important in the book. Chapter 3 explains how wages emerge through market forces. The upper bound of what one can earn is determined by worker productivity, while the lower bound will be determined by the opportunity cost of the worker. This has important implications because, if successful, efforts to shut down and ban sweatshops would reduce the alternatives available to workers, depressing the already low lower bound. Alternatively, efforts to artificially raise wages, via minimum wage laws would, in many instances, push wages above the upper limit, resulting in disemployment effects. In either instance, those who claim to be helping the poorest in the world would, in reality, be making them worse off.

Chapter 4, aptly titled “Don’t Cry for Me, Kathie Lee,” reviews the actual evidence (a surprising rarity in discussions on this topic) on sweatshop wages. The crucial point here is that Powell reviews wage data in comparison to the other alternatives actually available to workers in the country. This is an important and often overlooked point. Many discussions of sweatshops, and development more broadly, compare conditions in poor countries to those in wealthy countries. But that is the wrong comparison. The option facing a laborer in Honduras is not between working in a sweatshop and working in the corporate offices of Apple. Instead, the options are much more limited and often include things like: working in the fields, scavenging for garbage, prostitution, or starvation. None of these are pleasant which is why it is quite odd that those who claim to be advocates of the worst off would want to further reduce the options available to them by banning sweatshops or implementing regulations that lead to their demise.

One other point deserves mentioning. In order to determine what sweatshops, and the wages paid by those sweatshops, to include, Powell draws on mentions in the Western press. This is an important strategy because it insulates the analysis from potential accusations of cherry

picking. Instead, the sample includes “every newsworthy instance of a job in the Third World that someone in the First World had thought deplorable enough to call a sweatshop” (p. 50). Comparing sweatshop wages to other alternatives, Powell finds that in almost all cases sweatshop employment offers superior pay.

Chapter 5 addresses issues of health and safety standards in the context of sweatshops. Here Powell returns to how overall worker compensation is determined. Many people narrowly think of compensation as monetary income. In reality, however, compensation includes monetary and non-monetary factors, including working conditions. Powell makes the argument that health and safety conditions in sweatshops tend to be lower because workers demand more of their compensation in monetary wages. Of course once a certain level of monetary compensation is met, workers may be willing to trade off additional salary for better working conditions. This again leads the reader back to the earlier discussion (in Chapter 3) on wage determination. The only way to improve monetary compensation so that workers are able to afford this tradeoff is by improving productivity and the number of alternatives available. This same solution also helps to eradicate child labor, the topic of Chapter 6.

Chapter 7 argues that consumers in developed countries should purchase sweatshop products, not boycott them. Powell provides a consequentialist argument for buying sweatshop products. Such purchases show respect for the worker’s voluntary choice to work while also contributing to economic progress which is necessary to further improve the wellbeing of these workers. Chapter 8 provides a historical overview of the role sweatshops played in the development of societies that are now considered highly developed and wealthy. Chapter 9 delves further into the process of development, highlighting the central role of property rights, economic freedom, and entrepreneurial discovery.

Chapter 10 provides some concrete steps that can be taken to improve the wellbeing of the poorest people in the world. Among the topics discussed are the lowering of barriers to trade and freedom, including the easing of immigration restrictions. As mentioned earlier, another positive step that can be taken is to actually purchase sweatshop products instead of boycotting them. Powell makes clear that there is no simple plan for economic development and that it cannot be planned by well-intentioned experts. Instead, it is an unpredictable process that can only unfold under a certain set of institutional conditions. The final chapter concludes with a summary of the main themes of the book.

This book is excellent from start to finish. Its greatest strength is that it is not only well researched but also well written. Powell provides a dispassionate yet rigorous study that stands in stark contrast to most discussions of sweatshops which are emotionally charged and lacking any kind of systematic analysis. *Out of Poverty* makes important contributions to both academic scholarship and public policy. It makes a scholarly contribution to the fields of labor economics and development economics by providing an economic analysis of the realities of sweatshop wages and how sweatshops are situated in the broader process of development. At the same time, it makes a crucial contribution to policy discussions related to sweatshops. It shows how many of the policies intended to alleviate the suffering of the world's poorest have the opposite effect, convincingly demonstrating that compassionate rhetoric does not necessarily result in compassionate outcomes. It is rare for an academic book to make a scholarly contribution while also being fully accessible to a wide-ranging audience. This book is one of those rare instances. Given what is stake in terms of human wellbeing, I can only hope that this book receives the attention it deserves.

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