

Emancipating the Slaves to Neoclassical Economics

Karl Schoenberger

I think it is entirely reasonable to identify the American consumer as someone who shares responsibility for the social injustice that is an unintended side effect of today's global economy. He is at best an unwitting coconspirator, tacitly condoning the practices of the multinational corporations who stock the shelves of his local store. At worst, he is an uncaring opportunist, whose callous glutony for cheap imports helps drive a cycle of abuse in the international labor market. I also believe that the sooner a critical mass of consumers becomes aware of their complicity in labor and human rights violations in the developing world, the sooner effective political solutions to the problems of globalization will emerge.

I am not talking here about the theoretical role of consumers in a neoclassical economic model. I am talking about citizens who shop, about consumers who vote and join grassroots organizations, about ordinary people who possess an extraordinary capacity to take personal responsibility for their actions—once they are mindful of the consequences.

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The notion that American consumers are complicit in the veil of suffering that is caused by unregulated labor practices in the global economy was not at all a central point in *Levi's Children*,¹ as George Demartino suggests in his review of the book.² The basic message I aimed to get across was that there are serious obstacles to practicing the tenets of corporate social responsibility in a competitive marketplace, and that corporations themselves are never likely to take meaningful responsibility for safeguarding human rights while doing business relatively free of legal constraints. The problem is too big and complex for voluntary self-regulation by the corporate community. This idea is not mine originally. Similar arguments have been made elsewhere.³

The defining question I posed to readers of my book was this: If corporations—even a paragon of high ethical principles such as Levi Strauss & Co.—cannot be counted on to take responsibility for the social problems caused by their business activities, who can? I do not believe multilateral agencies such as the World Trade Organization (WTO) or the United Nations have the capacity, or the predilection, to step up to the task any time soon. Even if they did, the fleeting and mobile nature of the manufacturing sector, compounded by the incorrigible corruption of local labor officials, would make a mockery of enforcement efforts. Before the international community can even begin to agree on remedies, the United States needs to take decisive leadership on the issue. But I seriously doubt the U.S. government, particularly under the current administration, is going to be inclined to act boldly in this area.

Why not then look to enlightened American consumers, galvanized by opinion leaders in the human rights advocacy community, for grassroots political action? Prof. Demartino notes a logical inconsistency in my characterization of consumer demand as a responsible agent in global economic transactions, which he suggests would relieve corporations of their responsibility for outlandish behavior in supplying competitively priced goods to the free market. I was amused to be placed in the grips of Milton Friedman's cutthroat ideology, while at the same time I indicted it as soulless and amoral. Notwithstanding the rigors of neoclassical economic theory, I submit that the people who reap the greatest benefits as consumers of the fruits of the global economy can and should play a responsible role in counteracting its egregious pattern of labor exploitation. I think Prof. Demartino and I would agree that this is the ultimate goal.

I cannot take credit for imagining that progress toward this goal was likely to take place through the agency of “consumer sovereignty,” whereby the demand or the lack of demand for cheap goods would somehow affect the proliferation of labor abuse. The popular delusion achieved by corporate brand marketing is so omnipotent in today’s information-saturated environment that companies do not need consumers to make conscious choices to drive demand—the marketeers know they can create demand with their own alchemy if conditions are favorable. Their efforts result in a pervasive static in the airwaves that has an overwhelming effect.

Getting past this static and reaching the minds of consumers is a major challenge for human rights and labor advocates who campaign to raise public awareness by targeting specific companies for their wrongdoings. Consumer boycotts—the interruption of demand—rarely have a direct impact on a company’s bottom line, and therefore cannot directly suppress the supply of goods coming out of sweatshops. What boycotts do generate is negative publicity, which is an indispensable tool for advocates—and a reason for corporations to engage in public relations damage control, which in turn raises the volume of the static.

My conclusion is that the only practical means of mitigating the social inequities caused by irresponsible corporate practices is through legislation and regulatory remedies. Non-binding codes of conduct and voluntary business principles are well intentioned and important, but they are not doing the job. This is an awkward conversation during the current economic gloom, but the solution must involve setting legal constraints on corporations, whose boards and shareholders sincerely believe they have a right to remain unfettered in their principle mission of maximizing profits.

The best way to overcome resistance to regulatory controls on business in a nation with a free-market tradition as strong as ours is by moving the levers of democracy through an unequivocal expression of popular will. The battle, however, is uphill. Plenty of bills have been introduced in Congress over the past decade to reform the appalling labor practices persisting on Saipan, which is U.S. territory and where a form of indentured servitude is condoned in the garment industry. But without a critical mass of constituents demanding change, many members of Congress cannot be expected to risk offending their friends in the business community. Here is where I think enlightened and motivated consumer-citizens can have great influence, not at the cash register but in the voting booth, on the Internet, and on the telephone, collectively expressing the moral force of their personal responsibility.

Exposing brand manufacturers who produce goods in contractor factories under dubious labor conditions has been a successful tactic for the advocacy movement, often with the effect of tainting these brands in the public eye—at least temporarily. I do not believe it is reasonable to expect that many consumers will change their shopping habits every time an apparel company or a retail chain gets caught in the so-called human rights spotlight of shame. But it is important that they feel a little guilt when they do patronize these brands, because this can have a catalytic effect for political action. A consumer does not have to join a boycott campaign to exercise personal responsibility.

Buying the latest fashions at The Gap's ubiquitous retail outlets, for instance, is politically incorrect for a growing number of informed shoppers. Gap Inc., which once surpassed Levi-Strauss as the world's largest manufacturer of brand apparel, has been singled out by advocates as the chief target in a campaign protesting labor practices on Saipan, where Gap is alleged to be the most active U.S. firm. Although the call for a boycott of Gap stores has been effective in raising public awareness of the problem of indentured servitude on U.S. soil, the long-term solutions to the problem cannot come simply from shunning the company's products or tarnishing its brand name. From a strategic point of view, it makes greater sense to educate and motivate shoppers who continue to have a relationship with the brand to write to their representatives in Congress, demanding the passage of legislation that would reform labor practices on Saipan.

If there is significant progress in developing transparent and reliable methods to monitor the apparel industry for compliance with international labor standards, then there may come a day when a consumer can look for a tag guaranteeing a garment was not made in an overseas sweatshop. It remains to be seen whether many consumers would pay a premium for that tag, or whether manufacturers would go to the expense and assume the risk of marketing such a product. Neoclassical economists might tell us that sweatshops would disappear if consumers demanded "sweatshop free" tags on their clothing. Realistically, some sort of federal legislation would be necessary to make the tag scheme work—similar in effect to the health information on cigarette packages, with an endorsement instead of a warning. The labeling requirement certainly would be challenged by international business interests in the court of the WTO as violating international trade law, which would raise the bar for political action on that front, too.

This perspective is not pessimistic. It may be a frustrating idea to slog through, especially for those seeking hope in the corporate social responsibility movement. Indeed, my own perspective was influenced by my disappointment in Levi-Strauss, whose reputation for ethical leadership frayed before my eyes as I wrote on their activities. I also came to the sad realization that hypocrisy seems to be part of any institutional attempt at living up to the lofty principles we aspire to in this messy world.

But I have never lost faith in the power, the optimism, and the dignity of the individual. Imperfect as we all are, individuals possess a remarkable capacity to rise up above our immediate self-interests and join together to change the world for the better. The potential for this has manifested itself clearly in the past few years, with the proliferation of small non-profit groups devoted to the problems of human rights, labor justice, and environmental protection, as well as other urgent social concerns. It is a safe bet that members of these groups also happen to be consumers of goods fabricated somewhere under oppressive labor conditions. Even the anti-WTO protesters in Seattle could not have escaped that reality. I am optimistic that an expanding number of conscious consumers will use the democratic tools at their disposal to shape a world that is consistent with their values.

Notes

¹ Karl Schoenberger, *Levi's Children: Coming to Terms with Human Rights in the Global Marketplace* (New York: Atlantic Monthly Press, 2000).

² George Demartino, "Enslaved to Fashion: Corporations, Consumers, and the Campaign for Worker Rights in the Global Economy," review of *Levi's Children: Coming to Terms with Human Rights in the Global Marketplace*, by Karl Schoenberger, *Human Rights & Human Welfare* (April 2001): 29-37.

³ Lawrence Mitchell, *Corporate Irresponsibility: America's New Export* (New Haven: Yale University Press, 2001).