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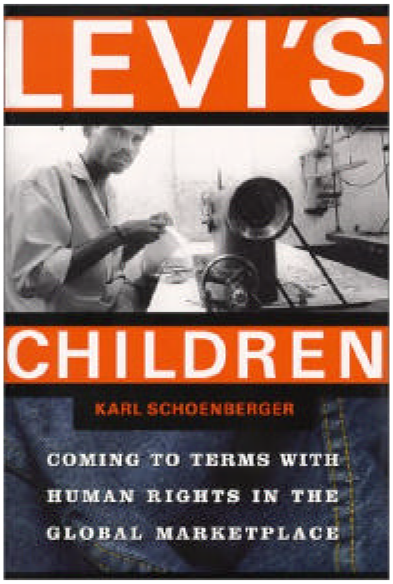

Enslaved to Fashion: Corporations, Consumers, and the Campaign for Worker Rights in the Global Economy

By George DeMartino

A review of Levi's Children: Coming to Terms with Human Rights in the Global Marketplace by Karl Schoenberger. New York: Atlantic Monthly Press, 2000. 288pp.

The insatiable demand for inexpensive clothing by American consumers—low-budget slaves to fashion, if you will—and the intense competition among branded clothing manufacturers to meet that demand, in essence, drives the pattern of abuse. Yet is anybody talking seriously about the fact that the gluttonous American consumer is a coconspirator in the chain of responsibility for sweatshops? It's much easier to blame a company, but if you stop to think, we're all culpable…

When enough American consumers wake up to the fact that they are as much to blame for the social injustices of globalization as the multinationals that pander to their demand for cheap goods, then things might begin to happen.

Levi's Children presents a sobering account of the tribulations of a transnational corporation with a heart trying its best to navigate honorably the polluted moral waters of the global economy. San Francisco-based Levi Strauss and Company, maker of the iconic Levi's jeans and other apparel, sought to maintain a commitment to social responsibility in the face of intensifying financial pressures to do otherwise. Author Karl Schoenberger puts this account to good effect, illuminating the extraordinary obstacles facing the Seattle protestors and activists worldwide who hope to marshal the forces of the global economy toward the aim of promoting human rights.

For the better part of the twentieth century, Levi Strauss distinguished itself among its competitors by embracing a moral responsibility to promote the welfare of its employees and the communities where it produced and sold its jeans. This was a company that kept its production workers on the payroll in 1906 when an earthquake forced it to shut down its San Francisco factory for repairs. It did the same during the Great Depression: rather than lay off its workers when business soured, it incurred steep debts to retain them to install new wood floors in its Valencia Street factory. More startling, it took the bold, no doubt even dangerous step of desegregating an allwhite plant in Blackstone Virginia in the 1950s, over the strong objections of local civic leaders. Not only did it hire black workers, it refused the demands of public officials to require them to use separate bathrooms and drinking fountains, or to separate them from whites with a wall or painted line on the factory floor. Then, in the early 1970s, Levi's CEO Walter Haas Jr. hired religious ethicist Charles McCoy to codify the company's ethical principles, to ensure that they would remain central to the company's culture even as it expanded rapidly. In 1975 the company adopted its "International Business Principles," to be followed in 1992 by its "Global Sourcing Guidelines." These guidelines had real bite: on the basis of these principles, the company refused to invest in countries that failed to meet fairly demanding human rights criteria. Going against the grain of American business, it had declined to invest in South Africa during the apartheid regime. And for several years during the early to mid-1990s, it substantially reduced production in Mainland China (and for a time considered leaving the country entirely) owing to concerns about widespread worker rights abuses there.

Good business? Perhaps—indeed, the Stern-Haas family members at the helm of the company thought so. But we should recall that most of these initiatives preceded the mobilization of organized movements demanding stakeholder rights or corporate responsibility. In Schoenberger's telling, the paramount concern of the family was ethical behavior for its own sake. Until, that is, financial turbulence at the company in the late-1990s forced the firm to soften its ethical stance, to better compete in an increasingly hostile global marketplace. By the end of the Levi's century, the company had begun to look a lot like any other transnational in labor-intensive industries. It had quickened the pace of factory relocations from the US to low-waged countries—including those with repressive regimes—among them, most notably, China.

Notably, Levi's reversal occurred at just the time that labor, human rights and environmental activists were beginning to raise a ruckus over transnational corporate behavior and economic globalization. Certainly by the 1990s, worker rights (e.g., the right of workers to associate freely, to form independent unions and to bargain collectively with their employers) and corporate behavior were squarely on the agenda of leading human rights advocacy groups. By then, and largely as a consequence of their efforts, the repression of workers abroad (and in clandestine sweatshops at home) who stitched and glued and soldered for meager wages under deplorable conditions on behalf of the wealthiest US corporations was common knowledge. By then, the American electorate was anxiously debating the costs and benefits of the North American Free Trade Agreement (NAFTA) and what it presaged about deepening economic integration. At just the moment when corporate behavior appeared on the radar screen of not just campus activists but members of the US Congress, officials at various UN agencies, the International Labour Organization (ILO) and the European Union (EU), religious leaders at all levels (including the Pope), and even concerned consumers, Levi's maneuvered quietly to relax its self-imposed ethical strictures in order to survive intensifying global competitive pressures. Good corporate ethics, Schoenberger laments, could not survive if it imperiled corporate survival. With so many competitors producing jeans at lower cost and selling them at lower prices, Levi's principles suddenly seemed too costly to bear. Something had to give—and in the hurly-burly, unregulated kill-or-be killed global marketplace today, this choice amounts to what we now call a "no-brainer."

The lesson we are to take from this and the related accounts found in Levi's Children is dismal. Schoenberger wants us to see just how complex are the issues surrounding the connections between the global economy and human rights. For Schoenberger, the activist community is too radical and unyielding to participate meaningfully in the discovery and implementation of appropriate strategies to regulate corporate behavior. Moreover, advocacy groups are too few and weak to have much effect in those societies where human rights are routinely trampled. In any event, American and other transnational corporations are powerful enough to block meaningful legislative reform that would severely constrain their behavior beyond their own borders. As a consequence of this power, governments are in their service, and are likely to continue to do their bidding at the expense of workers at home and abroad. The multilateral approach is also unlikely to yield immediate results: not only is corporate power just as effective at that level, the world also lacks a single universal moral code to guide global policy formation. This implies that multilateral institutions like the World Trade Organization (WTO) will remain silent on workers' rights, leaving the global marketplace largely unregulated.

What hope is there, then, for meaningful reform that can and will ensure the protection of worker and human rights in the new global economy? For the foreseeable future, advance will depend on the willing cooperation and initiative of those corporations with the moral backbone and long-term business sense to undertake appropriate behavior voluntarily. Here we must look to the leadership of the UN, moderate non-governmental organizations (NGOs), and progressive business associations (such as "Business for Social Responsibility") that can find a way to encourage socially responsible behavior. Schoenberger identifies what he takes to be important initiatives in this vein that have emerged over the past decade. He singles out the efforts of UN Secretary General Kofi Annan and UN High Commissioner for Human Rights Mary Robinson to promote corporate consideration of a "Global Compact" that would govern corporate behavior, largely through exhortation and moral suasion.

The importance of Levi's reversal on social responsibility emerges in this context. If a firm as peculiar as Levi Strauss and Company—privately owned by a wealthy family deeply committed to social responsibility, insulated by virtue of that private ownership from intemperate shareholders demanding a quick return at the expense of good corporate behavior, and holding a priceless, world-famous brand image—if even *this* company cannot manage to sustain an unequivocal ethical posture in the face of global competition, then what hope is there that transnational corporations as a group could ever be enlisted in the campaign for human rights? Schoenberger's answer emerges clearly by the concluding pages. "Not much chance at all." Schoenberger's hope, his only hope, is that consumers/voters will begin to demand appropriate ethical behavior in the marketplace and in the voting booth. Their behavior will decide whether corporations will have sufficient incentive to embrace the 'Global Compact' and other related initiatives. After all, Schoenberger emphasizes, consumers are fully complicit co-conspirators in the oppression of the abused workers who produce the cheap goods they crave. They can break the chains of oppression, but only as they free themselves from their own slavery to cheap fashion.

I should confess that as a political economist embroiled in recent theoretical and policy debates surrounding globalization, I came to this book with an interest in the matter of just how it bears on

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the kinds of questions now at issue in my profession. Those debates largely center on the effects and legitimacy of 'global neoliberalism.' This is the name given to an economic system in which economic flows and outcomes across the globe are mediated by the 'free market' rather than by government directive. Under a neoliberal regime, each actor (now matter how rich or poor) is free to contract as she sees fit in pursuit of her own economic advantage. Each actor decides for herself what to contribute to production, and each actor then receives a reward commensurate with that contribution. This freedom applies to individuals, and to entities like corporations. Global neoliberalism merely extends this freedom to the realm of international economic flows and outcomes.

Mainstream (or "neoclassical") economists have advanced an astoundingly dogmatic defense of the chief components of global neoliberalism: free international investment and free trade. From the perspective of neoclassical theory, private firms operating under only the most minimally necessary restrictions should be allowed to make all production decisions as they see fit. Facing competitive pressures they will source each phase of production in whatever location around the globe promises lowest costs. For labor-intensive industries, this imperative ensures that firms will invest where labor is most abundant relative to capital, because this is where wages will be lowest. When they get there, they will necessarily employ the cheapest labor they can find, using whatever allowable methods yield lowest cost. These same market pressures also ensure that they produce just what consumers desire. Hence, although global neoliberalism might appear to the untrained eye to benefit transnational corporations over others, and although it might appear to augment the economic power of the corporation over other groups and institutions, economists are here to teach us that it actually serves all consumers, indeed, all the world's inhabitants far better than would any other economic system. After all, under this regime investment ideally flows to those regions where it is most in need—where capital is most scarce and poverty most rampant. At the same time, consumers (poor and rich) gain access to the goods they desire far more cheaply than would otherwise be the case. In short, neoliberalism promises rising efficiency and prosperity for all, all in the context of personal freedom. And if we believe that freedom from privation is fundamental to the exercise of human rights, then we also must conclude that neoliberalism is the singly appropriate regime to achieve human emancipation. And what could be wrong with all that?

Schoenberger is not (entirely) convinced. Citing a 1970 article by Milton Friedman in *Time*, he argues rightly that conservative (neoclassical) economists believe the corporation to have no ethical responsibility other than to obey the "basic rules of society" as it pursues the interests of its owners by making "as much money as possible." If this entails 'exploiting' child or indentured labor in societies that permit it, so be it. If this entails pillaging irreplaceable environmental resources where that is permissible, or relying on the military to break strikes where strikes are illegal, then this is what the corporation is not just entitled but indeed obligated to do.

In 1970 this argument may have seemed startling. Today, it is no longer viewed as extreme or in the least shocking in the economics profession. Consider, for instance, the recent arguments of leading *liberal* economist Paul Krugman. In his evocatively titled essay "In Praise of Cheap Labor," Krugman defends transnational corporations against critics' allegations that they are promoting and exploiting sweatshop conditions in the South. He argues intuitively that workers in the South evidently benefit from the opportunity to work in the new transnational sweatshops, because if they didn't, they wouldn't show up for work (it is a *free* market, after all). As rational agents, their choice to take these jobs indicates that the alternatives they face are far worse. And for Krugman, this is the relevant normative comparison: we must ask how these jobs stack up against the alternatives otherwise available to these workers, not how they compare with the wages and conditions of comparable jobs in wealthier countries. Once we recognize that this is the right comparison to make, we must see that the new sweatshops in the South are virtuous rather than evil. From this perspective, Levi's would have done far better by hiring South African, Burmese and Chinese workers under the prevailing repressive conditions than by shunning those places out of a sense of social responsibility. Finally, we must recognize that pitiful wages abroad necessarily reflect low levels of productivity rather than exploitation. It follows that if we want to promote rising incomes in poor societies, we should celebrate rather than condemn the new sweatshops, because they are the vehicles for technology transfer from the North to the South. Over time, this investment will enhance productivity and thereby raise wages. Initiatives that seek to short-circuit this process, by forcing transnationals operating in the South to raise their wages prematurely or to abide by restrictive codes of conduct, will only retard investment and harm the very workers whom the critics of sweatshops hope to help.

For Schoenberger, this 'situational ethics' of neoclassical theory, in which local custom and law and the exigencies of profit making dictate what is and what is not acceptable corporate behavior, opens the door to egregious violations of worker rights and other atrocities (such as environmental degradation). The theory absolves the corporation of its complicity in perpetuating these violations. It tells the corporation that its chief obligation is to its owners, but it also assuages its conscience by reminding the firm that by investing where circumstances are most dire, it is actually the chief economic agent propelling the universalization of human emancipation. For Schoenberger, the relevant moral comparison is not between what the transnational firm offers by way of wages and working conditions and what is otherwise available in poor societies, but between what the transnational chooses to offer and what it *could* offer, given its power, wealth and other resources. In this view, what makes low wages and poor working conditions 'exploitation' is the ability of the transnational to do far better. Contra neoclassical theory, the firm's ethical obligation extends beyond what local custom and law dictate. Its obligation reaches to the realm of what is right universally, if you will—universally as codified in internationally-adopted treaties and declarations on labor and human rights. Its obligation is to do what it reasonably can, not what it is minimally forced to do. On this first count, then—in the realm of corporate responsibility—Schoenberger lines up with the Seattle protestors against the neoclassical economists.

But Schoenberger is far from consistent in this regard. Take, notably, the quotations reproduced at the outset of this essay. Here we find Schoenberger venting his frustration with the consumer, whom he indicts for full complicity with the transnational corporation in perpetuating worker rights violations. Neoclassical economists would surely approve of this judgement. After all, a vital component of neoclassical theory's defense of neoliberalism is its attachment to what is called "consumer sovereignty," the rabbit pulled out the hat in every ECON 101 course somewhere near the first midterm exam. If you do not recall it, let me remind you. Though to all appearances the firm is the driving agent in a free market economy—empowered with the authority to decide what to produce, how and where to produce it, how to market it, what to charge for it, how much to pay for the labor and other inputs it hires, what kind of working conditions to offer its employees, what return to send off to its investors, and on and on and on—this authority is entirely illusory. The firm is the *proximate* agent of all these decisions, to be sure—but the *ultimate* authority in all these matters lies with the consumer. The consumer marches off to market with a pocket full of "dollar votes," and chooses to validate the decisions of some corporations at the expense of its competitors, in accordance with her values, tastes, and judgements—or what economists group together under the notion of her "preferences." Sure a corporation can decide in the first instance to do whatever it likes, but if those choices do not square with the preferences of the consumer, it will be run out of business by those firms that have chosen more wisely. So the lowly consumer casting her dollar votes is in charge here, not the almighty firm with its billion dollar revenues, its phalanx of marketers and lawyers, its massive political war chest. Appearances, the economist teaches his pupils, can be deceiving.

Heterodox political economists have ridiculed this line of argument for a century at least. I speak not only of Karl Marx and his disciples, though they have taken great pains to put the lie to this mythology, but most notably of Thorstein Veblen and the generations of institutionalist economists that have followed in his footsteps. In this view, the myth of the sovereign consumer obscures the exercise of raw power in the market economy. ECON 101 has nothing at all to say about power, other than the relatively trivial issue of monopoly pricing power that arises in the case of market imperfections. But as for the far more consequential power that emerges in the realm of the mediation of tastes, values and judgements, the theory takes the position that there is simply no story to tell. The consumer is taken to arrive in the market with her "exogenous" preferences in place. This means that her preferences are fully formed, entirely independent of the actions of other market agents. Her market participation has no effect whatsoever on these "preferences," insofar as they are fully durable and unreachable by even the most aggressive strategies of other economic actors. So, for instance, despite the billions of dollars allocated to marketing each year, all those commercials and all that ad copy have no meaningful effect on preferences. Marketing merely gives the consumer useful "information" about products so that she can make the best choices, given her previously existing desires.

Is this assumption plausible? Try ridiculous. Is it tested? Almost never. Then why is it here, at the very foundation of neoclassical theory? The answer is that it is vital to all the chief conclusions that the theory reaches about the market economy. Let us consider two objectives that it helps to secure. First, it allows the economist to conclude that in a free market economy consumers make those choices that make them truly best off. These choices fully accord not just with their whimsical likes and dislikes, but also with their most dearly held ethical values and moral beliefs. Insofar as consumers' choices are truly optimal in this regard, there is no warrant for the government to interfere with market outcomes. We would not be able to conclude this if we thought that these beliefs were in any way contaminated, perhaps manipulated by other economic actors. We solve this problem by simply ruling out this possibility. We can then happily reach the conclusion that the free market is the ideal vehicle for ensuring that each of us achieves maximum personal welfare, because it affords each of us maximum latitude to make the right choices. Second, this assumption insulates the corporation from ethical responsibility for its actions, because it is merely the servant of a higher, more powerful authority. If we find corporations misbehaving, it is surely folly to indict them. We must indict the consumer who is running the show (whether she realizes it or not).

Despite his apparent distaste for neoclassical economic theory, Schoenberger falls for the mythology of consumer sovereignty. He asks rhetorically, "Yet is anybody talking seriously about the fact that the gluttonous American consumer is a coconspirator in the chain of responsibility for sweatshops?" Well, the answer is yes: thousands of economists have been making the general claim of consumer sovereignty routinely to tens of thousands of students every semester for decades. Much of what those economists teach in those classes certainly does not stick. But the notion of consumer sovereignty—and the lesson it underwrites about the legitimacy of the market economy—has such ideological force that it tends to infuse the thinking even of many of those who think themselves critics of mainstream economics. Could it be that Schoenberger is in the grasp of a theory he believes himself to oppose? If so, he would not be the first.

If, with Schoenberger, we adopt the view of consumer sovereignty/culpability, then we are led quite naturally to the conclusion held by many neoclassicals regarding corporate behavior in the global economy. It is this: if consumers truly care about corporate behavior—behavior ranging from where they choose to invest, to how they treat their workers, to how thoroughly they oversee their subcontractors, to how they treat the environment at home and abroad—then as rational agents they will choose to cast their dollar votes for the goods produced by those corporations that behave responsibly, by which I mean in accordance with consumers' values. These goods may cost more to produce and to buy, of course, and would force the consumer to reduce consumption of other goods. But here is the beauty of the market mechanism—it keeps the self-described socially responsible consumer honest. It is one thing to say that one opposes the suppression of worker rights, after all, and quite another thing to be willing to do something about it. If the consumer is truly moved by human suffering or environmental exploitation, she might be willing to pay twice the price to purchase a good produced under better conditions. And if enough consumers feel this way, then the problem disappears, because rational firms operating at the dictate of the market will be forced to improve their behavior in order to survive. If consumers truly care, we should expect to find a virtuous "race to the top" as firms try to outcompete each other for the affections of concerned consumers by acting more and more responsibly. If we instead are witness to a "race to the bottom" of the sort Schoenberger describes here, with each firm rushing off to the newest low-cost production site, then we must infer that our concerned consumers are not truly all that concerned. And in that case, we can hardly expect corporations to put themselves at competitive jeopardy to protect rights that no one truly cares about, can we? Nor should a government impose socially responsible behavior on its corporations operating abroad, because the market would have provided it with incontrovertible evidence that such restrictions are inconsistent with the preferences of its citizenry, regardless of what activists might claim.

This, I would submit, is precisely where Schoenberger ends up. He cannot truly fault the manager who runs the corporation, because it is hardly right that he should imperil his job and his company for a cause nobody really cares about. He cannot truly fault the shareholder who stands behind the manager because it is hardly right that she should forgo income for the same reasons. So, if I might borrow a memorable line from David Mamet's film *Things Change,* he must fault *the guy behind the guy behind the guy*—the consumer, who pulls all the strings. But here's the rub: the consumer is a slave to fashion, fully complicit in a circle of exploitation that begins with inappropriate desires and ends in a happy, mindless display of the latest cheap fashions. There is little hope there, Schoenberger despairs, for righteous indignation of the sort that can lead a compassionate Levi's—let alone a ruthless Nike—to change its ways.

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Given the evident sensibilities of its author, it is hardly surprising that Levi's Children ends on a note of despair. Had I read the book in 1990, I might have shared that sentiment. But watching events of the past decade unfold, I feel quite otherwise today. The rapid spread of social movements across the globe seeking reform in pursuit of economic, environmental and social justice; the flowering of organizations and mobilizations demanding a new global economic regime that ensures empowerment of workers, the dispossessed and their communities; and the crystallizing effect of even rather small and tame demonstrations of opposition to global neoliberalism in Seattle and elsewhere on activists the world over suggests a very different future than the one Schoenberger describes. "It is a sober conclusion to make," he epiloguizes, "but the world probably will never be able to agree on a multilateral structure that could govern the behavior of transnational corporations." Sobering were it true, but also entirely unwarranted.

Why unwarranted? Because people are not just—or even primarily—consumers. They are also workers—to name just one other important identity—who sometimes forge bonds of solidarity with and take risks on behalf of others near and far. They are also community members, and fathers and mothers, and people of faith, and many other things besides. And when they decide what is the correct thing to do, what it is right and appropriate to demand of their governments, and how they should relate to those who are perhaps thousands of miles away, they are not just slaves to fashion (though they might be that, too). They are also citizens, with all the obligations that designation entails.

In virtually all countries that have adopted market forms of economy, citizens have transcended their narrow interests as consumers and insisted on legislative controls and protections for workers, the environment, and community. They have imposed on themselves far higher costs of production in service of ends far higher than rampant consumerism. Worker safety and health protections, minimum wage laws, child labor prohibitions, environmental regulations—these and more are paid for by consumers at the cash register every time they make a purchase. At all times and at all places this has been contentious, of course, and is so today in the US where neoclassical economists and other advocates of neoliberalism have held sway for some time and where repeal rather than extension of social protections has been the order of the day. But the fight for social protections against neoliberalism continues, and will continue for as long as markets exist. And usually, once a regulation has been adopted and fully implemented, citizens come to accept the extra cost of consumption as simply natural and right. Contra the principle of consumer sovereignty, subsequent complaints against the regulation come not from consumers, but from those producers who face the loss of profit opportunities associated with the prohibition.

Historically, advocates of social protection have typically (though by no means exclusively) concentrated their efforts at the national and sub-national levels. So long as the domestic economy contained the most consequential economic activity, the nation-state was thought to possess the capacity to legislate and enforce rights, standards and other protections. Today, following the emerging patterns of economic intercourse, the campaign for social protection has gone international. Today, activist organizations and their constituents recognize that adequate protection at the local level requires the construction of new protections at the regional and perhaps even global level. I would suggest that we stand now at the beginning of what will likely be a decades-long struggle to secure adequate global protections. Conceptualizing and achieving these protections is a complicated affair. It cannot and will not happen overnight, and it will likely be piecemeal and terribly inadequate when it comes. But achieving some measure of social protection against global neoliberalism—legislating substantive restrictions on what corporations and indeed governments can do to achieve advantage in global markets—is not rocket science, either. We can draw on nearly two centuries of experience by dozens of countries in the practice of legislating social reform. We can also draw on the accumulated work of various UN and other agencies, not least the ILO, to envision new global policy regimes that might make a difference.

Levi's Children provides a compelling vision of the obstacles lying in the path of reform, and a rather bleak account of what we can continue to expect in the realm of worker rights if that path is not soon traversed. But we need not share its pessimism to appreciate the book's important achievements. Historically, the expansion and deepening of neoliberalism has always induced a social protective reaction by society, what Karl Polanyi has called a "double movement." Overcoming their interests as consumers, diverse groups have converged in demanding that the state step in to ensure the viability of community and solidarity against the most ravaging effects of market competition. There are clear signs today that that double movement has taken root at the international level, and that it will eventually bear fruit in the form of new global policy regimes. And when that happens, Karl Schoenberger will be able to take some measure of satisfaction in having hastened the day of its arrival.

George DeMartino is an Associate Professor at the Graduate School of International Studies, University of Denver. He has recently published Global Economy, Global Justice: Theoretical Objections and Policy Alternatives to Neoliberalism (Routledge, 2000). His current research investigates the crisis facing the US labor movement and strategies for union renewal.

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