



LESSON 3: TRADE AND LABOR: SWEATSHOPS

Lesson Overview

Popular media and rhetoric often assert that international trade results in the exploitation of workers in developing countries for the unfair benefit of American consumers. Low wages, women and children working long hours, or sub-standard and dangerous working conditions are offered as evidence of the evils of foreign investment and growth of the export trade in developing countries. Closer examination reveals that reality and rhetoric are at odds. Understanding the nature and causes of productivity allows students to put in perspective the role of commonly called "sweatshop" labor in import-export trade.

Economic Concepts

Human Capital

Opportunity cost

Unemployment

Labor Markets

Productivity

Voluntary exchange

Content Standards

Standard 1: *Students will understand that:* Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

- The choices people make have both present and future consequences.

Standard 4: *Students will understand that:* People respond predictably to positive and negative incentives.

- Responses to incentives are predictable because people usually pursue their self-interest.
- Changes in incentives cause people to change their behavior in predictable ways.
- Acting as consumers, producers, workers, savers, investors, and citizens, people respond to incentives in order to allocate their scarce resources in ways that provide the highest possible returns to them.

Standard 5: *Students will understand that:* Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.

- When people buy something, they value it more than whatever it costs them; when people sell something, they value it less than the payment they receive.
- Free trade increases worldwide material standards of living.



- Despite mutual benefits from trade among people in different countries, many nations employ trade barriers to restrict free trade for national defense reasons or because some companies and workers are hurt by free trade.
- When imports are restricted by public policies, consumers pay higher prices and job opportunities and profits in exporting firms decrease.

Standard 13: *Students will understand that:* Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce and how productive they are.

- Employers are willing to pay wages and salaries to workers because they expect to sell the goods and services those workers produce at prices high enough to cover the wages and salaries and all other costs of production.
- To earn income, people sell productive resources. These include their labor, capital, natural resources, and entrepreneurial talents.
- A wage or a salary is the price of labor; it usually is determined by the supply of and demand for labor.
- More productive workers are likely to be of greater value to employers and earn higher wages than less productive workers.
- People's incomes, in part, reflect choices they have made about education, training, skill development, and careers. People with few skills are more likely to be poor.
- Changes in the structure of the economy, the level of gross domestic product, technology, government policies, and discrimination can influence personal income.
- In a labor market, in the absence of other changes, if wage or salary payments increase, workers will increase the quantity of labor they supply and firms will decrease the quantity of labor they demand.
- Changes in the prices for productive resources affect the incomes of the owners of those productive resources and the combination of those resources used by firms.
- Changes in demand for specific goods and services often affect the incomes of the workers who make those goods and services.

Standard 15: *Students will understand that:* Investment in factories, machinery, new technology, and the health, education, and training of people can raise future standards of living.

- Economic growth is a sustained rise in a nation's production of goods and services. It results from investments in human and physical capital, research and development, technological change, and improved institutional arrangements and incentives.



- Historically, economic growth has been the primary vehicle for alleviating poverty and raising standards of living.
- Economic growth creates new employment and profit opportunities in some industries, but growth reduces opportunities in others.
- Investments in physical and human capital can increase productivity, but such investments entail opportunity costs and economic risks.

Key Points

Economic Reasoning:

Voluntary Exchange and Productivity are the guiding principles of labor markets.

1. There is no economic justification for slave labor. It is vitally important that, before exploring the issues of wages and labor conditions around the world, we make a clear distinction between forced and voluntary labor.
 - Market economic theory and practice do not support the use of labor by coercion.
 - The threat of force fundamentally violates market conceptions of property rights – that the worker owns his labor and has the right to sell it freely in the labor market.
 - Economists recognize that involuntary labor exists throughout the world, and is, in fact, sometimes found in the United States. Forced labor, in any form, is considered a true economic loss.
 - Involuntary labor can be both direct and indirect:
 - The direct form of involuntary labor enslaves people, usually women and often illegal immigrants, in underground factories and brothels. Estimates by the U.S. State Department number the victims of human trafficking at 24.9 million people world-wide – and the developed world is by no means immune. Many Americans are shocked to learn that slavery isn't a relic of the past, but an ongoing reality for thousands. Human trafficking is estimated to bring in global profits of about \$150 billion a year—\$99 billion from sexual exploitation, according to the [International Labor Organization](#). Almost 9000 cases in the U.S. were reported in 2018 to the National Human Trafficking Hotline—up 13% from 2017 <https://www.state.gov/wp-content/uploads/2019/06/2019-Trafficking-in-Persons-Report.pdf> (8/22/19)
 - <https://fortune.com/2019/04/14/human-sex-trafficking-us-slavery/> (8/22/19)
 - <https://polarisproject.org/> (8/22/19)



- <https://www.local10.com/news/florida/miami-dade/law-enforcement-agencies-prepare-to-crack-down-on-human-trafficking-ahead-of-super-bowl> (08/22/19)
 - <https://www.cnn.com/2019/01/14/perspectives/human-trafficking-fight/index.html> (08/22/19)
 - <https://www.pri.org/stories/2017-12-04/wear-and-tear-series-women-who-make-our-clothes> (08/22/19)
 - Indirect involuntary labor exists when workers are put into high-risk situations without their knowledge, as for example, when toxic chemicals are used in production without workers' knowledge or understanding of potential harm.
2. Wages are a function of productivity.
- In analyzing this issue, it is important to remember that the employment context matters. Economic inquiry into wages and worker conditions in export industries must be made in the context of productivity levels of a given economy, rather than being compared to wage rates in the United States.
 - **Productivity** is a function of the quality and quantity of a nation's inputs to the productive process. Those inputs include:
 - First - the quantity and quality (including the level of technological sophistication) of capital equipment available and in use;
 - Second - the characteristics of **human capital** (worker training, education, and skill); and
 - Third - the economic infrastructure (communication, transportation etc.)
 - The more productive the workforce of a nation, the higher the wages.
 - Wage rates vary because of productivity differences among industries, but issues of technology, human capital, and infrastructure that determine overall levels of productivity affect all production in a nation's economy.
 - If the general level of worker productivity is low, wage rates in all industries, not just exports, reflect this condition.
 - Low worker productivity is characteristic of poor nations.
 - The consequent low wages are a symptom, not a cause, of poverty. The existence, world-wide, of dangerous factories, sweatshop conditions, and treatment of workers that Americans find unconscionable raises significant economic questions:
 - How do we determine what is an acceptable wage?
 - What are the acceptable levels of worker safety?
 - What are the appropriate age limits for workers in other economies and other political situations?
 - Bangladesh ship breaking is an example of low worker productivity and low wages. Ship breaking is incredibly dangerous as many ships leak asbestos, lead, and other poisons



into the air and water where the workers work. Estimates from 2014 find that the average ship brings in about \$1 million profit in Bangladesh compared to \$200,000 profit in Pakistan.

- <https://www.nationalgeographic.com/magazine/2014/05/The-Ship-Breakers/#close>
- <https://www.theguardian.com/global-development/2017/dec/02/chittagong-shipbreaking-yards-legal-fight>
- Answers that fail to acknowledge the economic realities of poor nations offer little more than rhetoric.
 - An objective effort to address the questions raised by sweatshops is hampered by the difficulty of obtaining data necessary to provide a thorough analysis of less developed economies.
 - While it is sometimes possible to obtain data on wages paid by U.S. producers in foreign countries, it is often impossible to get data on production for domestic sale.
 - Further, U.S. firms may have little control over their sub-contractors or access to the sub-contractors' data.

Answering Questions About Sweatshops

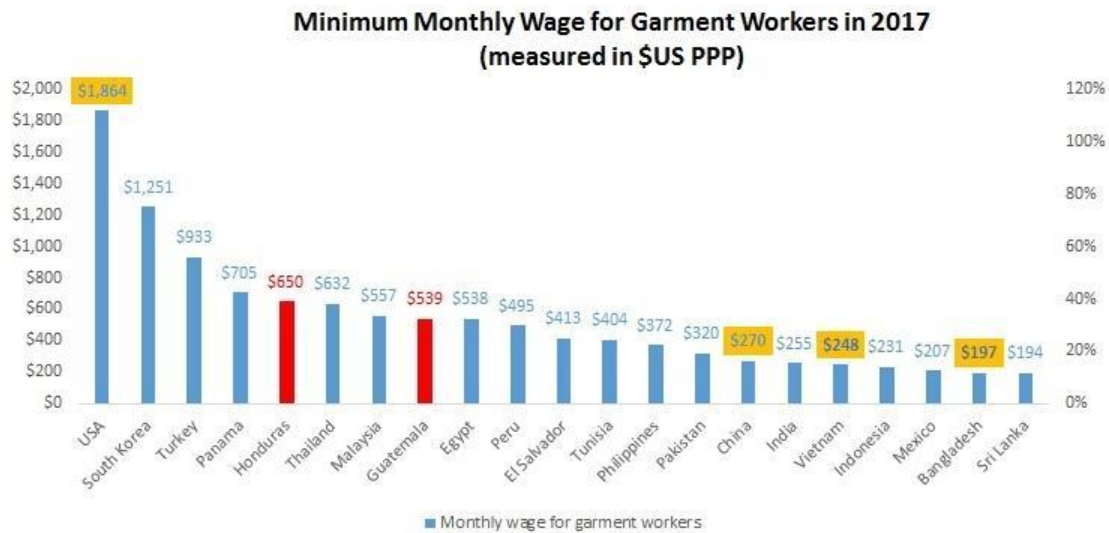
Keeping in mind very real concerns about the availability and reliability of data, and the low productivity characteristic of poor nations, it is still instructive to address the primary questions and arguments offered by those concerned with wages and working conditions in foreign industries that export to U.S. consumers.

1. Are wages paid to foreign workers unfairly low?

- Considering the anecdotal evidence at face value leaves the impression of appalling low pay:
 - Workers in the Nike plants in Indonesia, Cambodia, and Vietnam make about 45-65% below the “living wage” according to the Clean Close Campaign (CCC). <https://www.newsweek.com/nike-factory-workers-still-work-long-days-low-wages-asia-1110129> (08/22/19)
 - Nike workers in Vietnam earn an estimated \$.61-.89 per hour in 2016 based on a 48-hour work week. Women make up about 80% of the 385,000 workers in Vietnam as of 2018. <https://www.snopes.com/fact-check/nike-workers-pay-kaepernick/> (08/22/19)
 - Workers in Guatemala apparel factories make \$539/month (2017).
- However, the fact that workers choose to enter these jobs tells us that the wages offered must be competitive with wage rates in the economy at large.



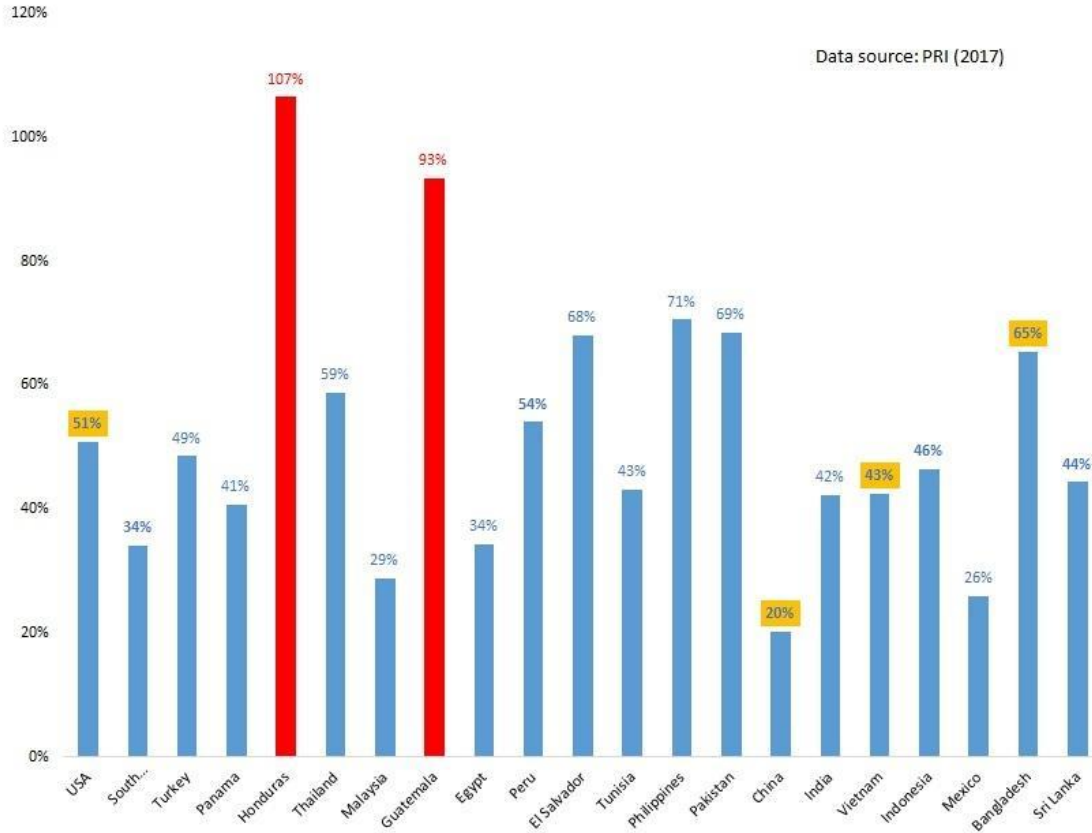
- In labor markets based on voluntary exchange, a worker must perceive that she will benefit by taking one job over another or over the option of not taking a job – or she would not take the job.



Retrieved by Dr. Jamie Wagner for FTE on 8/22/19 <https://shenglufashion.com/2018/03/04/wage-level-for-garment-workers-in-the-world-updated-in-2017/>



**Wage for Garment Workers as a Percent of National Average Wage in 2017
(measured in \$US PPP)**



Retrieved by Dr. Jamie Wagner for FTE on 8/22/19 <https://shenglufashion.com/2018/03/04/wage-level-for-garment-workers-in-the-world-updated-in-2017/>



Support for the contention that export industry wages are not exploitative comes from comparing the income of workers in so-called sweatshops to a nation's per capita GDP.

Country	2017 Monthly Wages	Annual Wages(\$) ¹	2017 \$GDP per capita (World Bank)	Ratio
Guatemala	\$539	\$6468	4470.6	1.45
Indonesia	\$231	\$2772	3836.9	.72
Honduras	\$650	\$7800	2432.9	3.21
Vietnam	\$248	\$2976	2365.6	1.26
U.S.	\$1864	\$22,380	59,927.9	.37

- Note the example of Guatemala, above:
 - GDP measures the dollar value of all goods and services produced annually in Guatemala.
 - GDP per capita (GDP divided by population) is an average measure of individual yearly income.
 - A worker in the garment (export) industry makes \$6468, about 145% of the per capita income of \$4470.60. Is this a high wage or a low wage?
 - We would expect the income of a textile worker to be somewhat lower than average because textile jobs are low-skill occupations. But how much lower than average is reasonable?
 - By comparison, an American apparel worker makes only about 37% of the average American income.
 - In relative terms, then, the Guatemalan apparel worker is better off in his economy than his American counterpart is in the U.S.
 - Another way to gauge the position of the Guatemalan worker is to note that an income of \$6468 is 93% of the Guatemalan average wage in 2017.



- Again, in relative terms, the apparel worker is better off than his countrymen in other low-skill occupations.
- Statistical comparisons should not be allowed to obscure the objective reality. Estimates for a living wage in Guatemala (based on WHO nutrition and housing standards) is estimated to be about US\$ 359 per month (Sept. 2016). Even though garment workers are relatively rich in Guatemala they are still poor by U.S. standards.
 - https://www.isealalliance.org/sites/default/files/resource/2018-04/2018_Guatemala_Final_Report.pdf
- Statistical evidence of endemic poverty, rather than poverty restricted to export industries, is even more stark in Indonesia.
 - The apparel worker's wage of \$231 is almost 72% of per capita GDP, making apparel workers the "middle class." The country has made impressive economic growth (GDP per capita has risen from \$807 in 2000 to \$3836.90 in 2017 overcoming a financial crisis in Asia in the 1990s. However, Indonesia remains largely in poverty. Almost 10% (25.9 million out of 260 million total population) live in poverty and another 21 percent remain vulnerable to falling into poverty.
 - <https://www.worldbank.org/en/country/indonesia/overview> (08/22/19)
- In Vietnam and Honduras the wage paid in sweatshops is actually *higher* (and MUCH higher in Honduras) than per-capita income; without apparel-industry jobs, the per-capita income of the country would be even lower.

In developed countries, apparel industry jobs are low-skill, low-wage employment. By contrast, the combination of little technology, little human capital development and poor infrastructure causes the overall level of productivity to be lower in a developing nation like Vietnam, and makes working in a sneaker factory a *good* job.

- “Portland State University professor [Piman Limpaphayom](#) took a group of graduate students to various Asian factories in March, including a factory in Vietnam that makes Nike shoes.”
- “Limpaphayom said the factory was clean and well ventilated, but low-tech. He said workers still use toothbrushes and glue to put the soles on shoes.”
- “He also said workers in the factories are "better off" than workers at other Vietnamese factories that make footwear and apparel. ‘It's very obvious those people are better off,’ he said. ‘Nike factories pay much better than other factories.’ Limpaphayom has been



visiting Asian factories for about a decade. He said turnover is low at Nike contract factories.”

- https://www.bizjournals.com/portland/blog/threads_and_laces/2014/05/whats-it-like-to-work-at-a-nike-contract-factory.html

- In 2003, Johan Norberg traveled to Ho Chi Minh to examine the effects of multinational corporations on poor countries:

In truth the work does look tough, and the conditions grim, if we compare Vietnamese factories with what we have back home. But that’s not the comparison these workers make. They compare the work at Nike with the way they lived before, or the way their parents or neighbors still work. And the facts are revealing. The average pay at a Nike factory close to Ho Chi Minh is \$54 a month, almost three times the minimum wage for a state-owned enterprise.

Ten years ago, when Nike was established in Vietnam, the workers had to walk to the factories, often for many miles. After three years on Nike wages, they could afford bicycles. Another three years later, they could afford scooters, so they all take the scooters to work (and if you go there, beware; they haven’t really decided on which side of the road to drive). Today, the first workers can afford to buy a car.”

“The Nobel Feat of Nike,” Johan Norberg.net, June 7, 2003.

<http://www.johannorberg.net/?page=articles&articleid=53> (8-29-06)

- Conclusion: It would be ridiculous to assert (and no reasonable voices do) that workers in Indonesia or Guatemala or Vietnam are as well off as Americans. Their quality of life is substantially inferior to that of low-wage, low-skill American workers and even to that of most Americans living on incomes below our designated poverty line. However, it is clearly the overall poverty of these nations, not sweatshop employment, that is responsible for their citizens’ plight. Indeed, it is defensible to argue that sweatshops actually improve living standards in poor nations. A country that doesn't produce much cannot offer its people much, regardless of what workers are paid.

2. *Are foreign workers in export industries being exploited?*

- Offering as evidence the low dollar-equivalents of foreign wages, sweatshop protesters claim that even if workers’ lives are improved by working in export factories, they are still being exploited and companies should raise wages. Several misunderstandings contribute to this position.
 - It is often forgotten that money is just a medium of exchange and an efficient way to measure value; it has no inherent value.
 - Real value is in the consumption of goods and services, and consumption is limited by an economy's ability to produce.



- If an economy produces more goods, there is more for people to consume (or to trade for other things to consume) and, depending on how that extra production is distributed, everyone is better off.
- Simply paying workers more money will not make them better off. If everyone's pay increases, but no more is produced, workers will not be better off; they will only pay higher prices for goods and services.
- Real increases in welfare only occur through growth in real output.
- Raising wages increases **unemployment**.
 - Raising wages for workers raises the costs of production. In a competitive market, higher wages have negative impact on total employment unless caused by an increase of the price of the final product or an increase in the labor productivity. Likely outcomes include:
 - Higher wages for those who keep their jobs, but lower employment as the demand for workers falls in response to the higher "price" of workers.
 - A net decline in well-being as the loss to those displaced or denied jobs is greater than the increase in welfare for those able to keep the now higher paying jobs.
 - The replacement of children and women by adult male workers, attracted from other employment by the higher wages.
 - As children and women are crowded out of the factory jobs, either family incomes and standard of living fall, or the women and children move to lower-paying jobs, often in worse working conditions.
 - Protesters often ignore the reality of **opportunity cost** – children take factory jobs because it is their best alternative. Poor children displaced from factory jobs are not likely to spend their days in leisure or even in attending school.
 - An increase in the rate at which labor is replaced by capital as businesses invest in machinery and technology to replace high-priced, low-skilled labor.
 - The cost of hiring a worker includes more than a worker's wage. Similar to raising wages, improving working conditions and/or offering worker benefits increases production costs, resulting in increased unemployment.
 - As the chart on the next page indicates, although market wage rates reflect worker productivity, labor cost may not.



- In economies, like those of Europe, where generous benefits (and mandated minimum wage laws) increase labor costs, unemployment rates more than 8% have been common for the last several decades.

**Hourly compensation costs in manufacturing,
U.S. dollars, 2012**

	Labor Costs (In US\$)	Labor Costs (As a % of US\$)
United States	35.67	100
Canada	35.59	99.78
France	39.81	111.61
Germany	45.79	128.37
Italy	34.18	95.82
Japan	35.34	99.07
United Kingdom	32.23	90.36
Korea	20.72	58.09
Mexico	6.36	17.83
Singapore	24.16	67.73
Taiwan	9.46	26.52

Labor costs in other countries are converted to U.S. dollars at the market exchange rate.

For complete information on definitions, industrial classifications, and data sources, see the technical notes at www.bls.gov/ilc/ichcctn.pdf and country notes at www.bls.gov/ilc/ichccsources.pdf.

Bureau of Labor Statistics <https://www.bls.gov/fls/ichcccountry.htm> (08/22/19)

- Similarly, the argument that foreign workers must be exploited because they receive so little of the final value of a product overlooks the realities of competitive markets and the trade impacts of raising workers' wages.



- One anecdote circulating among "fair trade" advocates castigates Nike because only \$3.37 of the \$90 received per pair of athletic shoes goes to overseas labor. Would foreign workers be better off if Nike paid more than the market wage rate in the country where the factory is located?
 - Without an increase in the market price of shoes (remember that Nike does not determine the price; the market does), paying workers more means falling below normal profit – the level of profit necessary to keep an entrepreneur in business.
 - If Nike falls below normal profit, it will exit the shoe business and *all* the workers will lose their jobs.
 - Even if the market price of shoes does rise, the law of demand for labor still holds – at higher wages, Nike will demand fewer workers.
 - If demand for labor is inelastic, Nike will pay more in total wages, but employ fewer workers, *or* it will relocate where workers will accept lower wages. Either way, there will be less employment for workers where the wage increase goes into effect.
 - If demand is elastic, not only do many workers lose their jobs, but total spending on labor by Nike in the affected area falls, implying lower total income for the community.
 - Exports produced in developing countries are characterized by highly elastic demand, meaning that pressure on American companies to raise wages in foreign factories is likely to reduce overall employment even as it improves the standard of living of those employed.
- The most extreme opponents of sweatshop labor argue that we should not trade at all with developing nations because to do so or to invest in factories overseas forces foreign workers to produce low quality goods and keeps them impoverished.
 - No foreign country is forced to produce for American markets; indeed, more and more actively seek trade with the U.S.
 - Nor are workers forced to work in export factories; export industry jobs are considered good jobs and are sought after.
 - If we ban the importation of products from developing nations, low-skilled workers in those countries will be worse off. Demand for their (low) labor skills is derived from the demand for the export products they can produce. Without that demand, most will be unemployed or employed at lower pay.



- Foreign demand and foreign investment increase the aggregate demand for labor. Without jobs in export industries, many more people would be unemployed or wages in the country would fall in order to preserve full employment.
 - It is erroneous to suppose that if those workers weren't employed in sweatshops, they would be computer programmers or doctors. Such opportunities are practically non-existent in nations where productivity is very low.
 - Higher levels of employment at low-skilled jobs increase the possibilities for the development of the human capital necessary for more productive, higher-skilled employment, either for the workers themselves, or for their children.
3. *How can we, in good conscience, purchase products made in factories with unsafe working conditions, or in factories that employ children and force people to work incredibly long hours?*
- We don't like to think about dirty, dangerous working conditions, 10 year-old workers, and 12-hour, 7-day work weeks, but just as it isn't enlightening to compare foreign wages to American pay rates, so it is misleading to compare working conditions overseas to those in the U.S.
 - Time and context matter. Leisure, increasingly safe work places, and childhood spent in school and play are a function of wealth.
 - In 1900, child labor was common in the U.S., adults had 60 hour work-weeks, and factories were abysmal by today's standards. Yet, people flocked to the factories as an opportunity to improve their lives – and the improvements they sought materialized, as evidenced by the standards of living and working found in the U.S. today.
 - This pattern of development has been repeated many times throughout the world during the last century.
 - We cannot objectively consider the case of sweatshops if we ignore opportunity cost and the realities of the limited alternatives available to people in poor nations.
 - David Henderson, writing for *Fortune* on "The Case for Sweatshops," puts it succinctly: "A worker chooses a particular job because she prefers it to her next-best alternative. To us, a low-paying job in Honduras or in Los Angeles's garment district seems horrible, but for many adults and children, it's the best choice they have. *You don't make someone better off by taking away the best of her bad options.*" [emphasis added]

Source: *Fortune*, v. 124, no. 8, October 28, 1996: 48-52



- In *The Travels of a T-Shirt in the Global Economy*, Georgetown University professor Pietra Rivoli reinforces the often over-looked reality that sweatshops represent opportunity for people with limited choices.

“ . . . [L]iterally millions of young Chinese women choose the factory over the farm, apparently preferring even the most grueling, worst sweatshop work to life in rural China. Liang Ying, a young woman interviewed by sociologist Ching Kwan Lee, remembered the day she escaped to the Shenzhen factory zone in southern China:

That was the year when I turned sixteen. More than ten girls from my village planned the trip to Shenzhen. That day, we went to do the farm work in the fields as usual. We even went back for lunch with our parents. After our parents left for the fields again, we took our luggage and left notes saying, ‘Dear parents, when you see this note in the evening, I will have already left for Shenzhen to find work. Please don’t worry.’

For Liang Ying, almost anything was better than life on the family rubber farm and the choice between farm and factory was clear:

It is really hard work. Every morning, from 4 a.m. to 7 a.m. you have to cut through the bark of 400 rubber trees in total darkness. It has to be done before daybreak, otherwise the sunshine will evaporate the rubber juice. If you were me, what would you prefer, the factory or the farm?

He Yuan Zhi agrees.... Yuan Zhi has worked as a cutter at Shanghai Brightness for eight years. It was a good job for a girl from the farm, and it is an even better job now, she believes, as after several raises she earns nearly \$150 per month. Yuan Zhi came to Shanghai from the mountainous area of Jiangxi province because of the lack of opportunity at home in the village. She told me that she misses only two things about her home village: One is the spectacular scenery, and the other is her 12-year-old son, who is back in Jiangxi in the care of his grandparents. Everything else about life in Shanghai, she says, is better than that in the village. Jiang Lan of the Number 36 textile mill agrees. In the factory she gets to sit down and is not



outside in the sun all day. We can talk, she says, and the work is not so hard. What's more Jiang adds, we each have our own bed." (Rivoli, 92-93).

**Note: This case study of global trade is extremely engaging and appropriate to high school readers. The author follows the "travels" of her own T-shirt from its beginnings in a Texas cotton field to its eventual end in the mitumba, the used-clothing markets of Africa.*

Source: Pietra Rivoli. *The Travels of a T-Shirt in the Global Economy.** Hoboken, N.J.: John Wiley & Sons, Inc. 2005

4. *If sweatshops aren't the problem, what is?*

- The question we should ask when considering the issue of sweatshops is, "Why are these nations so poor that they not only tolerate, but eagerly seek, work in sweatshops?"
 - Productivity is the answer. With inadequate infrastructure and without much human and physical capital, productivity in developing nations is low and poverty is rampant.
- The next question must surely be, "Why don't these nations have the technology and education that would allow their workers to be as productive as those of developed countries?" And the answer must as surely be that their governments have failed them.
 - Some argue that poverty is a function of cosmic accident – that some nations were simply dealt a bad hand. The argument doesn't stand up to historical evidence.
- Taiwan and Korea are nations that could justifiably claim to have been dealt "bad hands," but that didn't stop them from developing.
 - In 1950, both nations were poverty stricken, war torn, and had little in the way of natural resources; they were among the poorest of nations.
 - Within 40 years, they had become the 2nd and 3rd wealthiest nations in Asia, as measured by per capita GDP.
 - The sources of Korean and Taiwanese economic success are easily identified:
 - They encouraged international trade.
 - They opened their economies to low opportunity cost production (read "low-skill, sweatshop-type jobs") and then traded for other goods and services, thereby improving their income, standard of living, and eventually, their productivity.



- Their governments created economic environments that incorporated incentives to work hard.
 - Low levels of taxation allowed workers to keep most of what they earned.

Conclusion

Korea and Taiwan started out selling sneakers and plastic toys to the United States, just as Indonesia and Guatemala do today. The argument could have been made that these nations were being "exploited," just as the argument is made about poor nations today. But over time, Korea and Taiwan became richer as the income from export industries allowed them to invest in human and physical capital. Eventually, they shifted to producing electronics, machinery, and automobiles. Wages rose and standard of living has flourished. Both nations went from being among the poorest of the poor to rankings in the top 10 in a mere 35 years because they had governments that protected people's rights to take advantage of economic opportunities.

As we look at nations today, the story hasn't changed. Those mired in poverty are held back by corrupt governments, weak property rights, and restrictive economic policies. Nations experiencing growth and change have, on the other hand, seen through the myth that "evil foreign capitalists seek to exploit impoverished workers" and understand that some paths to development just might run through sweatshops.