

CHILD LABOR, FAMILY INCOME, AND THE URUGUAY ROUND

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An important area of contention between the industrialized countries of the North and the developing countries of the South at the close of the Uruguay Round was trade and labor standards. The United States and the European Union were among those seeking the international ratification of minimum labor standards regarding freedom of association; the right to form unions; the prohibition of forced labor; the end of child exploitation; and non-discrimination in employment. They argued that the World Trade Organization (WTO) agreement should have included social clauses that allowed countries to act against social dumping: exports from countries with *low* labor (or environmental) standards.

A workhorse of the debate over trade and labor standards is moral outrage over children working in sweatshops. For example, the U. S. State Department has said:

Jobs which prevent children from attending school or which subject them to hazardous conditions are exploitative. Such labor is detrimental both to children and their countries. Education is the key to a child's future, just as it is to a nation's future. Rob the former of his or her opportunity to improve himself and the latter is robbed of that opportunity, too. (US DOS 1997)

Most previous reviews of this debate have been qualitative surveys of the moral and economic arguments (Lee 1997). Data have recently become available that throw new light on the issue. Field research by the International Labor Organization (ILO 1996, 1997a,b,c,d) suggests that prohibitions on child labor in developing nations could result in large reductions in family incomes. These data invite analysis of more venal explanations for the resurgence of the child-labor debate.

As an aside, the child-labor debate is an opportunity to illustrate the unity in economic thinking about controversial microeconomic policy issues. The emerging consensus among economists about child labor in developing countries will be

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illustrated by showing the interchangeability in views of Austrian economists such as Block (1993), Mises (1998) and Rothbard (1993) with a wider spectrum of economists such as Becker (1997), Bhagwati (1987), Krueger (1996) and Krugman (1997a).

INSTITUTIONAL BACKGROUND

The WTO was established in January 1995 as the successor to the Secretariat to the General Agreement on Trade and Tariffs (GATT). The GATT was both an international treaty and the media name for the Secretariat located in Geneva that oversees the treaty.

The GATT was founded in 1947 in Havana and dealt only with trade negotiations for goods. Successive GATT negotiating rounds achieved reductions of over 90 percent in tariffs on industrial products traded between the major industrial countries. The GATT's Uruguay Round was completed and signed in Marrakesh in April 1994. The signatories to the treaty agreed to reduce non-tariff barriers in textiles and apparel, product standards, and intellectual property, among other areas, to extended coverage to agriculture and to services, and to establish the World Trade Organization (WTO) to administer the new agreements and settle trade disputes.

LABOR STANDARDS AND THE WTO

The WTO agreements signed in Marrakesh do not deal with any core labor standards. However, some industrial nations including the United States and France believed that the issue should be studied by the WTO as a first step toward bringing the matter of core labor standards into the treaty. Many developing nations believed that efforts to bring labor standards into the arena of multilateral trade negotiations are little more than a smokescreen for protectionism.

At the 1996 Singapore Ministerial Conference of the WTO, after intense lobbying, member nations identified the International Labor Organization (ILO) as the competent international body to deal with labor standards:

We renew our commitment to the observance of internationally recognized core labor standards. The International Labor Organization (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalization contribute to the promotion of these standards. We reject the use of labor standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration.¹

Subsequent to the 1996 Singapore Ministerial Conference, the Clinton administration has sought to accelerate collaboration between the ILO and the WTO and establish a framework for multilateral discussion on how best to promote core labor standards including the elimination of exploitative child labor.² The Clinton Administration is seeking the negotiation of a new ILO convention on the worst

¹See the World Trade Organization at www.wto.org/wto/archives.wtodec.htm at para. 4.

²See statements by Samet (1998) and Herman (1998).

forms of child labor: forced and indentured labor, work by children in hazardous conditions and work by very young children.³

THE ILO AND CHILD LABOR

While ILO action against child labor has developed in scope and intensity since 1990, its agenda concerning child workers dates back to the inception of the organization. The first ILO convention on child labor, prohibiting the work of children under the age of 14 in industrial establishments, was adopted within months of the ILO's creation in 1919. Since then, the ILO has adopted nine separate conventions on the minimum age of admission to employment in such sectors, including agriculture, mining, and maritime work. The key instrument was ILO Convention No. 138, which was adopted in 1973. This convention sets either 15 years or the age reached on the completion of compulsory schooling as the minimum age for admission to employment. The minimum age for work that is not likely to jeopardize the health, safety, or morals of young persons is set at 18.

The ILO's conventions are binding on signatories, but the ILO has no power of enforcement. However, failure to comply with the conventions can lead to international pressure to conform; and the ILO recently declared that the very fact of membership in the organization committed member nations to the abolition of child labor. Moreover, building on the international impetus, several bills have been introduced into the United States Congress in recent years to prohibit imports made with child labor or to place sanctions on the exporting country.⁴

HOW MANY CHILDREN WORK AND WHERE?

Child labor is common in the South. The ILO's surveys (1996, 1997a,b,c,d) have suggested that an average of 25 percent of children between the ages of 5 and 14 years old engage in economic activity in developing countries. The ILO found that for a third of these children, work was their principal activity, while for the remaining two-thirds it had been a secondary activity in addition to school. However, when allowing for seasonal variations in economic activities, the proportion of economically active children was around 40 percent on average. Although the great majority of economically active children belong to the 10 to 14 year age group, the proportion of child workers under the age of 10 in the total is far from negligible; the ILO considers that it may be up to 20 percent in some countries.

The ILO (1996) found that the available statistics on school attendance confirm the considerable extent of child labor in the South. For example, some 20 percent of children of primary-school age were not receiving any education in 1990. It must be assumed that a large proportion of these children were engaged in an economic activity. The same year, the proportion of children of secondary-school age but not enrolled in secondary education was around 50 percent; again many must be presumed to be working. There are a large number of children who both study and work. The ILO considers that, according to available national surveys, between 50 and 70 percent of all child workers are in this category.

³Ibid.

⁴See, for example, Child Labor Deterrence Act of 1997 (S. 340 and H.R. 1328) and International Child Labor Elimination Act of 1997 (H.R. 2678).

Field research by the ILO (1997a,d) in developing countries found that child workers are employed in a wide range of economic activities. The vast majority of child workers are in small production units of the urban informal sector and the rural traditional sector. The modern sector plays a relatively minor role in absorbing child labor; and only a small percentage, probably less than five percent, were found to be employed in export industries. Children employed for cash wages usually account for a relatively small percentage of total child labor. Huge numbers of children work as unpaid workers in family farms, shops, and stores that the ILO considers to depend on family labor for their economic viability.

The ILO (1997c) found that the most common explanations for why employers hire child labor—their lower cost and the irreplaceable skills afforded by children (the *nimble fingers* argument)—were often unsustainable. The ILO concluded that the nimble fingers argument is entirely fallacious in several hazardous industries, including carpet making, glass manufacturing, mining, lock-making and gem polishing. The ILO found that adults perform most activities performed by children in these industries and children more often than not do unskilled work. Even in the hand-knotting of carpets, which calls for considerable dexterity, the ILO found in a study of over 2,000 weavers that children were no more skilled than adults; some of the finest carpets were in fact woven by adults.

WHY DO CHILDREN WORK?

Appalling poverty in developing countries can force everyone in the family to help as best he can in the daily struggle with poor nutrition and health care, dirty water, bad sanitation, and economic stagnation.

The issue of child labor is vexing: there are legitimate issues of intolerable working conditions, but employment of children may provide food that prevents a family from starving. In some instances, also, it may provide girls with an alternative to forced early marriages. (Krueger 1995, p. 122)

It is common for children who work in developing countries to earn up to a quarter of the family income—contributions that are critical to the survival of their families.

Poverty, however, emerges as the most compelling reason why children work. Poor households need the money, and children commonly contribute around 20 to 25 percent of family income. Since by definition poor households spend the bulk of their income on food, it is clear that the income provided by working children is critical to their survival. (ILO 1997a)

Interestingly, the U.S. Department of Labor prefers to say that the contribution of children to family income is small.

Most apologists for child labor cite poverty as the cause. However, the amount of money earned by most child workers is generally a small contribution to the family income. Although children work because they are victims of poverty, by working instead of being educated, they tend to perpetuate the cycle of poverty. (US DOS 1995, p.3)

However, the U.S. Department of Labor (1995, p. 18) went on to quote UNICEF in Latin America as estimating that “rarely does the proportion of household income

generated by children exceed 10–20 percent.” It is difficult to accept that even a 10 percent reduction in income is “small” for families living on less than a dollar a day. Proposals to restrict child labor must explain what alternative sources of income they offer to the contributions children make to family income—income contributions that the ILO (1997a) views as “critical to their survival.”

WHY THE INCREASED POLITICAL PROFILE?

The much-increased political profile of the child-labor issue since the end of the Uruguay Round must be due to more than chance. Child labor is not new and, as Krugman (1997b, p. 115) rightly noted, “there are worse things in the world than low wages . . . to excite our moral indignation.”

Likewise, opponents of child labor have also always been able to craft emotive political propaganda. The use of emotive propaganda as a key element in agitation for child-labor laws dates as far back as the lobbying for the Factory Acts in the United Kingdom in the 1830s (see Hutt 1954). Block summarized the position well when he wrote:

High on the list of the enemies of society, one can always find the employer of child labor—cruel, cold hearted, exploitative, cunning, and evil. In the public mind, child labor is almost the equivalent of slave labor, and the children’s employer is no better than a slave owner. (Block 1993, p. 223)

WHO GAINS?

However, certain political or economic constraints or both must have changed recently for the issue of child labor in developing countries to gain so much new momentum since the close of the Uruguay Round.

The common coin of the child-labor debate is moral outrage. However, few suggest that tougher child-labor laws will help economic growth, lower costs of production or otherwise raise the living standards in developing countries in the immediate term.

Child labor laws, by restricting the supply of labor, lower the production of the economy and hence tend to reduce the standards of living of everyone in society. . . . To reduce the working population while the consuming population remains undiminished is to lower the general standard of living. (Rothbard 1970, p. 42)

Of course, children in developing countries who are not working could go to school and this investment may have long-term benefits. However, this presumes that schools are available—no small assumption in developing countries—and that investment in formal education is the best choice given the stark realities and hardships of life in developing countries. For example, rural schools are often inefficient, and the cost of transporting children to school is higher for rural families (Becker 1991). It should be added that child-labor laws and school-attendance laws are two sides of the same coin.

Compelling a child to remain in a state or state-certified school until a certain age has the same effect of prohibiting his employment and preserving adult workers from younger competition. Compulsory attendance, however, goes even further in compelling a child to absorb a certain service—schooling—when he or his parents would prefer otherwise, thus imposing a further loss of utility upon these children. (Rothbard 1970, p. 56)

Without wishing to diminish the value of basic literacy and numeracy, the human capital acquired at schools may be less useful in rural areas of developing countries as compared to cities. Prior to extensive industrialization of a country, the main source of human capital for children is through the family and on-the-job training on farms. For example, the average number of years of formal schooling among the population 15 years and older in developing countries was only 2.1 years in 1960 and was still a low 4.4 years in 1990 (Barro and Lee 1996).

Children in developing countries skip school to work out of necessity. Their work may substantially increase the income and welfare of their families:

Parents would allow their children to be employed in their own economic enterprise or as wage workers only if, given their market and non-market constraints, family welfare is enhanced by the use of children's time in such employment rather than in other activities (including being in school). Thus proscription of such labor, if strictly enforced without compensation, would lower family welfare of those who are already desperately poor. (Srinivasan 1994, p. 37)

While wages in new industries in the cities of developing countries are often low, they are an improvement over far less visible but very real rural poverty. The claim that offering a desperately poor woman or child a job in a new factory is exploitation dates as far back as the dawn of the industrial revolution. The response has always been the same:

[Factories] converted starving beggars into self-supporting breadwinners. The factory owners did not have the power to compel anybody to take a factory job. They could hire people who were ready to work for the wages offered to them. Low as these wages were, they were nevertheless much more than these paupers could earn in any other field open to them. It is a distortion of facts to say that the factories carried off the housewives from the nurseries and the kitchens and the children from their play. These women had nothing to cook with and to feed their children. Their only refuge was the factory. It saved them, in the strict sense of the term, from death and starvation. (Mises 1998, p. 615)

A growing industry must offer a competitive wage to get workers to move from their existing jobs in other sectors (Krugman 1997a). Industrial workers in developing countries receive above-average wages and laborers queue for jobs in factories (Krueger 1995, p. 122). Just as during the Industrial Revolution in the North, if better alternatives really were available at home or at school for those children who now have to work in developing countries, their parents would already have taken advantage of them.

Despite the fact that the employer might be cruel, the job menial, and the salary low, it would be far more injurious to forbid him the opportunity. If there are other, more favorable, alternatives, the young person will avail himself of them even if the law allows him the choice of accepting or rejecting the unfavorable job. If there are no other opportunities, the law prohibiting child labor will take from him this one opportunity, however unfavorable. (Block 1993, pp. 228–29)

There must be reasons for parents in developing countries not to send their children to school if schools are available and when they have a legal obligation to do so. As noted before by the ILO (1996), there is a high level of non-compliance

with school attendance laws in developing countries. The percentage of the population 15 years old and over with no formal schooling in developing countries was 64 percent in 1960 and was still 40 percent in 1990 (Barro and Lee 1996).

It cannot be presumed that parents in developing countries are ignorant of the benefits of investing in schooling for their children. Such parents are the heads of important units of production for food, old age care, and mutual insurance in addition to the child rearing role that is familiar to families in the wealthy nations.

In virtually every known society—including ancient, primitive, developing, and developed societies—families have been a major force in the production and distribution of goods and services. They have been especially important in the production, care and development of children, in the production of food, in protecting against illness and other hazards, and in guaranteeing the reputation of members. (Becker 1987, p. 281)

The investment strategies of rural families in developing countries have been relatively pragmatic in the face of changing costs and benefits of schooling. This is because children are net economic assets on farms (Rothbard n.d.). The ILO found that the reason for poor school attendance in the least developed countries was poverty and how families coped rationally with it. As the ILO has noted, some families are so poor that formal schooling is a bad investment for their children.

The acute need of many households to keep many family members working to ensure income security makes it nearly impossible for them to invest in their children's education. Most "free" public education is in fact very expensive to a poor family, which is expected to meet the cost of books and other school supplies, uniforms and clothes, transportation, and sometimes even provide unofficial payments to teachers. *In some places, the costs for a primary-level student may represent one-third of the entire cash income of a typical poor family, and many families have more than one child of school age.* Moreover, this does not take into account the income that is lost to the family when the child studies rather than works. It is no surprise, therefore, that in many places one of the most important reasons why children work is to earn money to pay for their own school expenses. . . . However, even when schools are available, the comparatively high cost to poor families of investment in the education of their children means that the return on such investment must also be high. (ILO 1996, emphasis added)

Children can start farm work in developing countries as young as five and make sizeable contributions as they grow older (Becker 1991). The economic value of children in agrarian societies has been long recognized. For example, Adam Smith wrote of the value of children in colonial America:

Labor is there so well rewarded that a numerous family of children instead of being a burthen [sic] is a source of opulence and prosperity for their parents. The labor of each child, before it can leave the house, is computed to be worth a hundred pounds clear gain to them. A young widow with four or five young children, who, among the middling or inferior ranks of people in Europe, would have so little a chance for a second husband, is there frequently courted as a sort of fortune. (Smith 1979, p. 88)

The main reason that rural families have more children in rural economies is that they are more productive than in cities.

The net cost of children is reduced when opportunities for child labor are readily available, as in traditional agriculture. This implies that children are more valuable in traditional agriculture than in either cities or modern agriculture, and explains why fertility has been higher in traditional agriculture. (Becker 1987, p. 281)

Industrialization and urbanization turn children from investment goods for the family into consumption goods for their parents (Rothbard n.d.). Investment in the human capital of children through formal schooling rises, as agriculture (and the wider economy) becomes more mechanized and complex with economic development.

Economic development raised the relative cost of children because the value of parents' time increased, agriculture declined, and child labor became less useful in modern farming. Moreover, parents substituted away from the number of children toward expenditures on each child, as human capital became more important not only in agriculture, but also everywhere in the technologically advanced economies of the twentieth century. (Becker 1987, p. 282)

The prevalence of child labor has been found to decline sharply with economic development. Krueger (1996) found that employment of young children was common in low-income countries and uncommon in high-income countries. He found that where per capita real GDP exceeds \$5,000, the employment of young children is negligible.

It should be recalled that the prosperity (and the associated demise of child labor and the rise in school attendance) in Europe and the United States is a relatively recent phenomenon.

Child labor was common in Europe and the United States not so long ago. . . . These families who sent their children to work were generally better off than most parents in the Third World who depend on earnings of their children. . . . Child labor did not decline to negligible levels in all parts of the West until the second half of this century. (Becker 1997, p. 12)

The value of children as farm labor in, for example, the United States is not some distant memory from around the turn of the century or before.

As late as 1950, for example, 44 percent of 16-year-old boys on farms [in the United States] were in the labor force, but only 24 percent of urban boys were in the labor force. It is quite possible that on balance the returns from a child exceeded the costs for farmers until fairly recent times. (Stigler 1987, p. 284)

Many developing nations are still far below the standards of living that prevailed in the United States in the 1950s. The time it will take some poor countries to catch up with developed countries is one illustration that there still is a huge gap between the North and the South. For example, Barro and Sala-i-Martin (1995, p. 3) have calculated that if Ethiopia were to grow at the long-term growth rate of per capita GDP in the United States (1.75 percent), it would take 239 years for Ethiopia to reach the 1990 level of United States real per capita GDP.

It was economic development that eliminated child labor in Europe and the United States earlier this century and encouraged parents to send their children to schools. Lee noted that the minimum labor standards proposed for international trade by, for example, the members of the ILO have evolved with their economic development:

Conceptions of economic and social citizenship rights have broadened over time and the scope of labor standards has evolved with it. While there remain those who fall “below the line” drawn at the outset, *that line itself has been raised with rising prosperity*. (Lee 1997; italics supplied)

The “rising prosperity” referred to by Lee must be presumed to be the prosperity of the Western members of the ILO. This is because the representatives of the developing nations strongly oppose the inclusion of social clauses in the GATT. For example, then Indian Prime Minister P.V. Rao described social clauses as “an alibi for raising protectionist trade barriers” (quoted in *The WTO Reader* n.d., p. 27). Bhagwati got to the heart of the matter when he said:

Developing countries cannot then be blamed for worrying that major OECD countries’ recent support for such a clause in the WTO [on labor standards] derives from the desire of labor unions to protect their jobs by protecting industries that face competition from poor countries. These countries fear that moral arguments are produced to justify restrictions on such trade since they are so effective in the public domain. In short, the “white man’s burden” is being exploited to secure the “white man’s gain.” (Bhagwati 1995, p. 31)

It is inappropriate to impose the social values of developed nations—values that rose only with their own very successful economic development—on the South. These very same (but now unsatisfactory) labor practices were permissible at comparable stages in the economic development of the North.

Local laws against child labor and international trade sanctions within the purview of the GATT do not provide parents in developing countries with additional income to support their newly unemployed children, much less to send them to whatever schools they can attend. As Rothbard has pointed out:

Child labor laws, then, are compulsory unemployment. . . . Not only is the child prevented from laboring, but the income of families with children is arbitrarily lowered by the government . . . child labor laws penalize families with children because the period in which children remain net monetary liabilities to their parents is thereby prolonged. (Rothbard 1970, p. 41–42)

Proposals to restrict child labor through the GATT must explain how they will contribute to economic growth and development in the Third World. Economic growth and development is best understood as an increase in the options of people:

Any proper definition [of economic growth] must surely encompass an increase in economic means available for the satisfaction of people’s ends—in short, increased satisfaction of people’s wants, or as P.T. Bauer has put it, “an increase in the range of effective alternatives open to people.” (Rothbard 1993, pp. 837–38)

Few children in developing countries are likely to have their effective range of alternatives expanded, as either consumers or producers, as the result of stronger international trade laws against the export of the products of child labor. A social clause in the GATT will not build any new schools, improve teaching, or help create replacement jobs, or income for children (or their parents) in the non-traded sector. We need to look elsewhere to find the true beneficiaries of a child-labor clause in the GATT.

WHO LOBBIED?

Child-labor laws have had a long history of being manipulated for sectional gain. This is because such laws increase the demand for adult labor and disadvantage labor-intensive competitors. Some of the earliest and most famous social reformist laws were the British factory acts of the 1830s: these laws limited the working hours of women and children and, not by coincidence, favored steam mills over water mills. Water mills require a good water flow and they run very long hours when streams and rivers are strong. Working hour restrictions curtailed their ability to produce and to make up for loss of production time when water levels were low. These reforms had the effect of transferring considerable wealth to steam mill owners (Marvel 1977). Senior factory workers played an important role in lobbying for the factory acts in the 1830s because they saw women and children as competitors in the labor market (Anderson and Tollison 1984).

The lobbying for many regulations is fueled by competitor-versus-competitor interests—predation through regulation—rather than a common agenda (Tollison 1991). This is also why consumer and social activists, unions and business groups can form united fronts. Activists and unions want restrictions on the industry as a whole. Incumbent firms will support regulations if they are in a forum that raises the costs of their rivals, or of new firms, or competitors from a particular region or overseas, or of firms using particular technologies, or sources of supply.

A business-union-activist coalition is possible over child labor because a GATT sanctioned prohibition would also reduce import competition in developed countries. Lee centered on the themes of better communication and the emergence of broader-based lobby groups when explaining the resurgence of the child labor issue:

The global communications revolution . . . has forged vivid public awareness of appalling labor conditions, such as the exploitation of child labor and harsh labor processes for women workers in export processing zones. At the same time, the new wave of democratization and the proliferation of non-governmental organizations with social concerns across the world has brought about more active advocacy of action for dealing with morally unacceptable labor practices, reinforcing the traditional role of trade unions. . . . the increasing public awareness of exploitative labor practices and the political repercussions of popular anxieties over job losses in the industrialized countries, have probably contributed to the raising of the issue of a social clause in international trade agreements by some industrialized countries. (Lee 1997)

Increased globalization is perhaps the main reason why political pressure for protection against imports based on rhetoric about child labor is more effective than before. Manufactured imports into the United States from developing countries have increased substantially since 1970: imports represented 0.3 percent of GDP in 1970, 2 percent of GDP in 1990 and 3.25 percent in 1995 (Golub 1998, p. 96). The percentage of the world's population living in open economies increased from 20 percent in 1960 to more than 50 percent in 1993; and more than 87 percent if China and Russia are included (Sachs and Warner 1995). The average OECD member country has seen its trade share rise from 12.5 percent of GDP in 1960 to 18.6 percent in 1990; and China exported virtually nothing before 1978, but now exports 25 percent of its GDP (Krugman 1995).

Higher import shares in the North and industrialization in the developing countries in the South imply that it is much more credible for social activists, unions and businesses to allege that manufactured goods made with child labor are likely to be imported. This allows pressure groups to say with enhanced credibility that consumers in developed countries are more likely to buy and thus profit from and otherwise be tainted by the products of child labor. However, as the ILO discovered, less than 5 percent of children work in export industry, but a direct link is not needed. Rising globalization is enough to claim plausibly that there are more child-labor imports.

By converting protection from manufactured imports made by child labor into an issue of personal complicity, the cost of trade policies to exporting countries in the South and the wider issue of Third World poverty are both sidestepped.

Support for bans on imports that are made by child labor allows voters in developed countries to quickly and cheaply escape reminders of poverty in the Third World. A ban on imports of child labor quickly removes child poverty in developing countries from view. More substantive action against child poverty in the South and difficult decisions that might be costly to consumers and taxpayers in developed countries are sidestepped in the same stroke.

The interaction between globalization and the risk of personal complicity is a potential explanation that also helps explain why not all forms of child labor are seen as repugnant by observers in developed countries. The U.S. State Department has said:

Every job children perform is not necessarily harmful to them or their families. Indeed, children who work on family farms or in family-run businesses or who have part-time jobs after school can benefit from the wages and experience they gain and contribute to their families' welfare. To eliminate this kind of work would be counterproductive. (USDOS 1997)

Even though traditional forms of child labor on farms and in family business are an identical problem in terms of child welfare, school attendance, and family income as outside paid work they are not opposed. Traditional forms of child labor carry little risk of personal complicity for the consumers and voters of developed countries.

WHAT ABOUT CHILD SLAVERY?

Child slavery is also part of the international labor standards debate. The blame for the persistence of child and adult slavery rests with the governments of the jurisdictions where it occurs. An effective criminal justice system is unlikely to consume more than a tiny percentage of GDP in any reasonable country.

Why do any countries committed to the principle of free markets and democratic government not have effective systems for the protection and enforcement of the liberties that undergird a democratic free-market system? Poverty cannot be the answer, or at least the complete answer. Few countries outside of sub-Saharan Africa cannot afford the relative handful of minimally honest and competent judges, lawyers, prosecutors, and police that is necessary to operate a legal system whose only job is to protect and enforce the fundamental rights to property, contract, and personal safety. (Posner 1995)

Child and adult slavery are, by implication, outlawed with the law prohibiting crimes such as assault false imprisonment, and threatening behavior. International cooperation in criminal-law enforcement and the suppression of slave trading and trading in the proceeds of crime are not new. However, the ILO and WTO are not the best forums to coordinate the cross-border seizure of the proceeds of crime. Apart from difficulties with proof, there is the possibility of abuse of the process by those seeking relief from import competition through spurious allegations that particular products may be made with slavery.

CONCLUSION

We are no longer limited to qualitative discussions of the merits of a social clause in the GATT against child labor. Future debates should be in quantitative terms. Child labor can contribute up to 25 percent of family income—contributions that the ILO regards as critical to their survival. Child laborers have few alternatives if they lose their jobs as a result of a social clause on labor standards.

It is reasonably clear that child labor falls away quickly with economic development. However, multilateral trade agreements against child labor such as those proposed for inclusion in the WTO (and ILO) do not promote economic development. The contrary is more likely to be the case: they may reduce the range of alternatives available to children and their parents as producers, consumers, and breadwinners in developing countries.

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