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A money-making system: modern slavery and the global economy

> Money is the measure of morality, and the success or failure of slavery as a money-making system, determines with many whether ... it should be maintained or abolished.
>
> Frederick Douglass, 1857

Today's slaves are disposable people. The price of a slave has fallen to an all-time low, and slaves are now so cheap that they have become cost-effective in many new kinds of work. These disposable people are also a global phenomenon. Slaves from West Africa are found in Paris and New York, slaves from the Philippines are found in Vancouver and Saudi Arabia, and Eastern Europeans, especially women, are dispersed as slaves all around the globe.

In terms of the world economy, slavery is not worth much. Slaves tend to be used in low-value work, such as quarrying and agriculture, and, while slaveholders make a high rate of profit, there may only be five to eight million slaveholders in the world, each holding, on average, a handful of slaves. The ILO's estimate of around $44 billion per year in profits means that slavery is a drop in the large ocean of the global economy. But if slavery is a drop, criminals have become adept at managing its flow. As governments tackle the problem of modern slavery, they are confronting a truly globalized business.

Globalization and the consumer

The most immediate and dramatic impact of globalization has been in the world economy. For centuries countries had controlled the flow of money across their borders, but in the mid-1980s these restrictions ended all at once for most countries. This meant that money could fly around the globe. Hiring or firing workers, buying, selling, or renting factories, investing or diverting funds could all happen with the touch of a button. Businesses could move quickly whenever and wherever they found cheaper labor, and if there was a less expensive factory to rent somewhere else, then a business could just walk away from its current location. As businesses began to spread around the planet, governments had less and less control over their operations; whether the businesses were legal or criminal or a mix of the two.

Throughout history slavery has fluidly adapted to a changing world, and it continues to do so today. As the ILO puts it, slavery and human trafficking are the "underside of globalization." New forms of bondage spread slaves and slave-based activities around the globe with little government control. With the financial systems of globalization, without labor market regulation, slave profits flow smoothly across national borders and governments find it very difficult, if not impossible, to stop the flow of this money. A country's laws stop at its border, but the global slave traffic flows over and under borders like water through a sieve. Many human traffickers operate over the internet, using its global reach to find customers and make deals. And with slavery illegal everywhere, all slaveholders have to act in similarly clandestine ways, hiding their slaves and squeezing out their profits. Locked into a global economy that means that money, goods, and people flow in many directions, slave traffickers increasingly run their "businesses" in similar ways.

Slavery's flows are merging and crossing. In Brazil, slaves are "recruited" in densely populated, economically depressed regions and then shipped over 1000 miles to the forests where they make charcoal. The charcoal, in turn, is shipped another 1000 miles for use in steel mills. The resulting steel is sold to Canada and the US. The European Union imports nearly a million tonnes of Brazilian steel each year to produce everything from cars to buildings to toys. Women are trafficked from Burma or Laos for use in brothels in Thailand, Japan, or Europe. Capital from Hong Kong funds the

brothels of Thailand and investment from Europe supports the charcoal operations of Brazil.

While much of today's slave labor is aimed at local sale and consumption, slave-made goods filter throughout the global economy. Millions of slaves in India grow food, quarry stone, or produce other commodities that are used in their own towns and villages, but rugs made by slave children in India, Pakistan, and Nepal are mainly exported to Europe and the US. The phenomenon of globalization means that the goods we buy are increasingly assembled in different parts of the world, using components from all over the world. There are numerous steps and parts that go into making a product and slavery can creep into any one of them.

Slaves are used to produce many of our basic commodities. Originating from numerous different countries, there are documented cases of slavery in our carpets, cocoa, cotton, timber, beef, tomatoes, lettuce, apples and other fruit, shrimp and other fish products, gold, tin, diamonds and other gemstones, shoes, clothing, fireworks, rope, rugs, rice, and bricks. Coffee is sometimes grown with slave labor and some sugar is harvested using slaves. In the Congo, armed gangs force local villagers to dig a mineral called tantalum. The gangs sell the tantalum to exporters who send it to Europe and Asia for use in the production of cell phones and computers. And slavery creeps into investments. Pension funds or mutual funds may have stock in companies that employ other companies that use slave labor.

The problem is even more complex because only a small and hidden proportion of any particular commodity actually has slave input. For example, cotton is grown with slave labor on three continents, but slave-grown cotton is just a tiny fraction of all the cotton grown worldwide. While the American pre-civil war cotton was primarily a slave-made good, the proportion of today's global cotton harvest touched by slaves may be one or two percent at most.

The same problem applies to many other commodities, including chocolate. In Ivory Coast there are about 800,000 farms that grow cocoa – producing about half the world's supply. Young men, normally from poor neighboring countries such as Mali, arrive looking for work. In remote rural areas some are tricked and enslaved into working on the farms. No one knows for certain how many of these farms use slaves, but a good estimate is less than five percent. When the farmers sell their cocoa to wholesalers, the small amount of slave-grown cocoa gets mixed up with the "free" cocoa, and there is no way to tell them apart. The cocoa is exported from Ivory Coast to Europe and North America to be made into chocolate, it is mixed with cocoa from other countries, and it becomes even harder to know what fraction is tainted with slavery.

One attempt to tackle this problem, and remove slave labor from the cocoa supply chain, is the Cocoa Protocol. Established in 2001, it brings together the global chocolate industry, several anti-slavery groups, labor unions, and the ILO. Covering all cocoa-growing regions worldwide, the Protocol serves as a treaty between all the groups and is the first treaty to be struck between an entire industry and the anti-slavery movement. The Protocol established a foundation, the International Cocoa Initiative, which seeks to remove slaves from cocoa production and provide them with a safety net. It received more than $5 million from the chocolate industry between 2002 and 2006, and $4 million for 2007 and 2008. Farm communities are helped to recognize and renounce slave labor, and shelters are ready to care for anyone found in slavery on the farms. Another $1 million was handed over to the ILO to set up the "West African Project Against Abusive Child Labor in Commercial Agriculture," with thirty pilot projects reaching 6000 displaced children in the country. Altogether this is $10 million spent on anti-slavery work by the chocolate industry.

Equally significant was the Protocol's agreement that by 1 July 2005, there would be "credible, mutually-acceptable, voluntary, industry-wide standards of public certification, consistent with federal law" that cocoa was not being grown with child and slave labor. It proposed systems to inspect and certify cocoa at its source. But the certification deadline came and went without result. The system was still being worked out in 2005 and the governments were yet to agree how the inspections could take place. Eighteen months later a pilot program of inspection did begin, but it remained unclear

who would pay for it. The local governments wondered why they should have to pay for something forced on them from the outside. Industry was willing to take on some of the cost but saw government responsibility as well. Plus, a number of businesses that use cocoa were not taking part: there is currently no legal requirement for companies to police their supply chain. Work is still being done to find the best way to certify that cocoa is free from slavery.

Prices and population

But how and why did modern slavery even become so embedded in the global economy? The answer begins with slaves' decreased value. Slaves have been expensive capital purchases for all of recorded history. Over the past 4000 years the price of slaves has averaged – as supply ebbed and flowed – between $10,000 and $40,000 in today's currency. But since about 1950, a glut of potential slaves has entered the market and the average price for a human life has plummeted to a historic low of less than $100. The supply of possible slaves is especially plentiful among the billion people who live on about a dollar a day, a population concentrated in the developing world. The fall in price has been so dramatic that the basic economic equation of slavery has been forever altered. Figure 6 shows this dramatic fall in the price of slaves after some 4000 years of high prices. While it is impossible to find a clear equivalent between modern dollars and the currency used in ancient Babylonia or Rome, it is possible to find out how much slaves cost in terms of things that don't change over time. The Price Index in figure 6 reflects a combination of three measures: the value of land, the annual wages paid to a free agricultural worker, and the price of oxen.

Over the centuries the number of oxen needed to buy a slave never dropped below two. In Sumer in 2000 BC, a slave was worth two oxen. In Greece in 800 BC, a slave was worth four oxen, and in Rome in 200 AD, eight oxen. During the Middle Ages in England a slave was worth between four and eight oxen. In the US between 1847 and 1859, a single slave was worth between four and seven

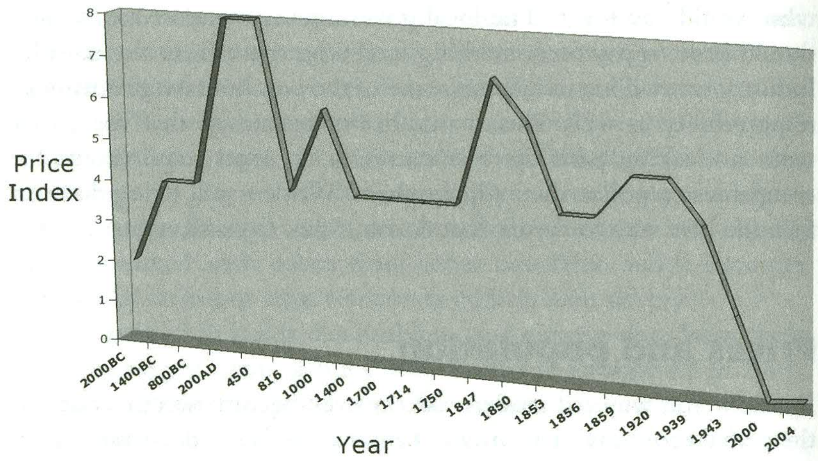

Figure 6 The price of slaves, 2000 bc to 2004 ad

oxen. In a relatively similar context today, that of agricultural debt bondage slavery in Northern India, the acquisition cost of a person is less than one-fifth the cost of a single ox. In land equivalent, the cost of slaves in the past never fell below one productive field, while today the acquisition cost of a slave in India is around one percent of the cost of a single productive field that can be operated by an individual. And in wage equivalents, the price of a slave in the past varied from one annual wage total for an agricultural or manual worker to three annual wage totals, while in the Indian debt bondage context of today, the equivalent is around twelve percent of the local annual wage rate of a farm laborer (one of the lowest paid workers in India).

The same trend applies elsewhere in the world today: in Ivory Coast, a slave costs just under four percent of the annual wages of a poor farm worker. This is more than a ninety-five percent fall in price. The price index score of four in the year 1856 would be equal to about $40,000 today, while in 2001, in Ivory Coast, agricultural workers are sold for about $40 each. Or in Thailand, where rapid economic change has led to new poverty and desperation, a girl aged twelve to fifteen can be purchased for $800 to $2000. The costs of

running a brothel and feeding the girls are relatively low, especially considering how little they are fed. A girl will be told she must repay four times her purchase cost to gain her freedom – plus rent, food, and medicine costs. Even if she has sex with ten or fifteen men a day, her debt will keep expanding through false accounting. Her annual turnover, the amount men pay for her, is more than $75,000. The profit for the slaveholder is often as high as 800 percent a year and can be generated for three to five years.

This new, cheap form of slavery has developed over the last fifty years and several trends account for its emergence. First, the fall in slave prices is tied to the population explosion after World War II – a product of many positive events, including the control of infectious disease, better health care for children, and a prosperity that provided sustenance for the coming billions. As shown in figure 7, the world population exploded from two billion people to over six billion in about fifty years, and most of this growth was in the developing world. Many of the countries of the Global South now have population profiles that are heavily weighted to the young. For example, nearly fifty percent of Africa's population is between the ages of five and twenty-four, indicating that the momentum for further population growth is considerable. Worldwide there are now 426 cities with populations of more than one million people, and most of these are in the developing world – Mumbai alone has twenty million inhabitants. And in spite of large-scale migration to urban areas in the Global South, population pressure in rural areas also remains severe.

As the market was flooded with potential slaves, this led to a crash in prices, as shown in figure 8. Population growth therefore helps to explain the drop in slave prices. But it still does not necessarily explain the growth in slave numbers. Simply having a lot of people doesn't make them into slaves: another factor is poverty. Significantly increased populations do not in and of themselves create the possibility of enslavement, rather they increase pressure on resources, exacerbating impoverishment if an increase in productivity does not match this population growth. This impoverishment in turn renders people more suceptibile to enslavement.

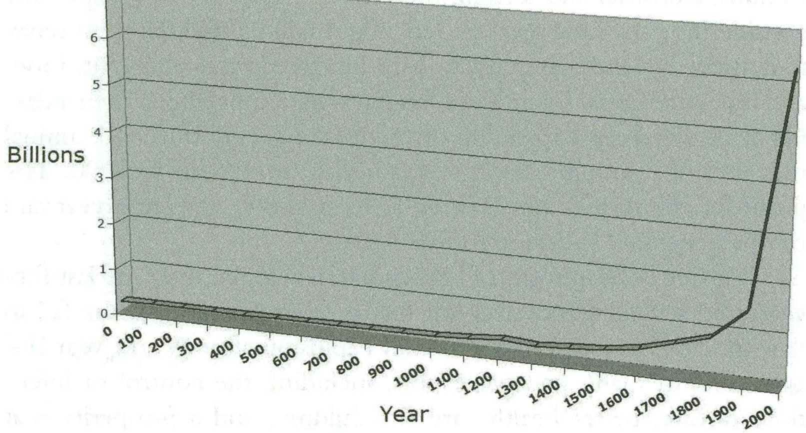

Figure 7 World population growth since 1 ad

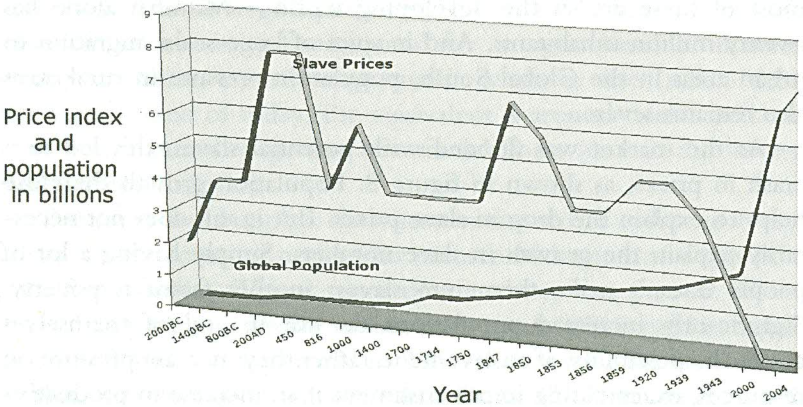

Figure 8 Population growth and slave prices, 2000 bc to 2004 ad

Poverty and debt

One factor pushing these growing millions toward slavery was the very economic growth that was supposed to make their lives better. The economic transformations of first modernization and then globalization have driven many people in the developing world both into the shanty-towns surrounding the major urban centers and into serious social and economic vulnerability. These dislocated and impoverished people are a bumper crop of potential slaves.

Like the world population, the global economy boomed after 1945. As colonies in the developing world became independent countries, many of their economies opened up to the spread of Western businesses. The economy became global and grew exponentially, bringing many benefits. But some parts of the world had no part in that growth. Throughout the world, whole populations were left behind, stuck in the subsistence poverty of the past or an even worse destitution.

In fact, the rapid change in the global economy has increased the poverty and vulnerability of large parts of the population in the developing world. Throughout Africa, Asia, and much of South America, the last fifty years have been scarred by civil war or wars for independence from colonial powers, and the wholesale looting of resources by leaders and elites who were often supported by the powerful nations of Europe and North America. Countries with little to sell on the world market have been put deeply into debt to pay for the weapons that leaders – often dictators – use to hold on to power. Meanwhile, traditional family farming was largely abandoned to concentrate on raising cash crops that could be sold to pay off those foreign debts.

So as the world economy grew and became more global, it had a profound impact on people in the Global South and the small-scale farming that supported many of them. The loss of common land shared by all the people in a village, and government policies that pushed down farm income in favor of cheap food for city workers, have helped to bankrupt millions of peasants and drive them from their land. All across the developing world the slums and shanty-towns that surround big cities hold millions of these displaced people. They come to the cities in search of jobs, but find they are competing for jobs with thousands of other displaced people. With little income and no job security, they are powerless and very vulnerable.

The foot of the ladder has two levels of poverty. On the very bottom rung are more than one billion people who live on $1 per day or less. All of these people are living in the developing world. For the most part, they are also living outside towns and cities, playing out the same hand-to-mouth existence that was the rule for most of human history. What does it mean to be this poor? The economist Jeffrey Sachs describes it like this:

> Extreme poverty means that the households cannot meet basic needs for survival. They are chronically hungry, unable to access health care, lack the amenities of safe drinking water and sanitation, cannot afford education for some or all of their children, and perhaps lack rudimentary shelter – a roof to keep the rain out of the hut, a chimney to remove the smoke from the cook stove – and basic articles of clothing, such as shoes.

This is life without options. Every action must be aimed at day-to-day survival, and even that goal may be unattainable. Desperation is the norm, and families are ready to do anything to survive.

One step up are families living on $1 to $2 per day; this is sometimes called "moderate poverty." Many of these families are living in the vast shanty-towns that surround the major cities of the developing world. For example, Mexico City has a population of twenty million, and about half of this number live in shacks and lean-tos of cardboard and scrap wood without basic services. Many of these families are economic refugees from rural areas that have been converted from family farms into plantations growing cash crops for export.

Their lives as subsistence farmers, based around the village and church, were shattered when they were dispossessed of the land their families had often worked for generations. Searching for jobs, they migrated to the city only to find themselves competing with millions of others. In the shanty-town they have lost the neighbors, the church, and the customs of the rural village. Criminal gangs control

much of the slum. The government has little time or attention to give these poor and unregistered citizens, relegating them to second-class status. This pattern is repeated across the developing world and the result, whether in Rio, New Delhi, Manila, or Bangkok, is extreme vulnerability.

Some national and global policies also threaten these vulnerable and displaced people. The US government, for example, pays $19 billion a year to subsidize American farmers. It gives $4 billion a year to cotton farmers to help them grow a crop that is valued at only $3 billion. The cotton farmers in India, Benin, Mali, Burkina Faso, and Togo (all countries with high levels of slavery) cannot compete with this subsidy. Though they actually raise cotton at a lower cost than American farmers, the American farmers can beat them in the marketplace because they receive money from both the sale of the crop and from the US government. European countries pump money into the pockets of their own farmers as well, creating an unfair advantage on the world market.

When the global economy squeezes poor countries as it does with these farm subsidies, people have fewer and fewer options. Slavery can become one of the remaining options. Table 7 shows the

Table 7 Levels of poverty and levels of slavery for 193 countries

	Amount of slavery in country				
	No slavery	Very little or rare slavery	Persistent, low level of slavery	Regular slavery in a few sectors	Slavery in many sectors
Extreme poverty	0	3%	49%	32%	16%
Moderate poverty	14%	17%	24%	17%	28%
Low income	21%	33%	39%	2%	5%
Middle income	30%	55%	10%	5%	0
Rich nations	20%	30%	30%	11%	9%

relationship between poverty and slavery in the world today. The table groups 193 countries according to poverty as measured by their Gross Domestic Product (GDP). It is easy to see that the poorest countries have the highest levels of slavery, and this would be a perfect pattern if were not for the effects of human trafficking. In the global market for people, the vulnerable are trafficked from poorer countries to richer countries. The result is that the richest countries have significant pockets of slavery.

The slow deterioration of an economy can also bring slavery in its wake. Most slavery occurs in the poorer parts of the world and many of these poor countries are poor because the citizens have lost control of their economies. Sometimes this happens when corrupt leaders take over a country. Such leaders are called "kleptocrats" and perhaps the champion kleptocrat was Charles Taylor, the former dictator of Liberia. Taylor stripped nearly all the wealth from the country, selling off its hospital equipment and even the desks and light fixtures from schools. Thousands of people were enslaved to dig diamonds at gunpoint. When he was finally driven from the country, he took $3 billion with him.

It is no coincidence that Liberia, with its high level of slavery, also has an international debt of about $3 billion. Many of the countries with high levels of slavery suffer from "debt overhang." The UN has classified thirty-eight countries of the world as being "high debt" countries, which means that these countries are carrying a crippling load of debt to international lenders. As Sachs explains, a high-debt country "must use its limited tax revenue to service the debt rather than finance new investments … Debt from the past crushes the prospects of growth in the future." Much of the national income has to go to pay back international banks.

The relationship between international debt and slavery is very clear. Countries with large debts cannot spend money on the things that are most likely to reduce the amount of slavery – schools, law enforcement, economic growth. Table 8 shows the link between international debt and slavery for 204 countries. The high-debt countries are concentrated in sub-Saharan Africa and include states with a high level of slavery such as Mauritania, Ghana, Niger,

Table 8 Levels of debt and levels of slavery for 204 countries

	Amount of slavery in country				
	No slavery	Very little or rare slavery	Persistent, low level of slavery	Regular slavery in a few sectors	Slavery in many sectors
High-debt countries	3%	5%	42%	26%	24%
All other countries	25%	36%	26%	8%	5%

and the Congo. The persistent but low levels of slavery that exist in countries without a high debt reflects the fact that human trafficking carries slaves into the rich countries of North America and Europe.

While levels of poverty and national debt create a tough situation, this still doesn't automatically transform people into slaves. Like population pressure, increased vulnerability does not, in itself, "cause" enslavement. To convert the abundant and vulnerable into slaves requires the third supporting factor: governmental corruption.

Corruption

The linchpin of slavery in many countries is government complicity or indifference. To turn someone into a slave means keeping them where the law can't protect them, and in some countries, including the US, this means locking up individuals and keeping them isolated. But when governments fail to maintain the rule of law, its citizens can become slaves. Table 9 shows the link between slavery and government corruption for 177 counties. An annual report by the organization Transparency International scores most of the countries in the world on their level of corruption, and they are grouped below into high, medium, and low levels of corruption. The pattern is strong and clear: more corruption means more slavery. When extreme economic, social, and political vulnerability in one part of the population is matched by the ability of another part of the

Table 9 Levels of corruption and levels of slavery for 177 countries

	Amount of slavery in country				
	No slavery	Very little or rare slavery	Persistent, low level of slavery	Regular slavery in a few sectors	Slavery in many sectors
Low corruption	47%	53%	0	0	0
Medium corruption	33%	34%	22%	6%	5%
High corruption	4%	19%	44%	19%	14%

population to mobilize the means of violence and the "right" to exercise it with impunity, the result can be slavery.

This pattern is a special challenge when corruption becomes institutionalized. Because slavery is now illegal everywhere, the complicity of crooked police is a fundamental requirement for slavery to take root and persist. In Western Europe, Canada, and the US, slavery happens in spite of the efforts of law enforcement, but in many countries slavery grows because of the work of the police. A simple payment to the local police allows the use of violence without fear of arrest. Sometimes the police themselves will provide violence for an extra fee, acting as slave catchers, pursuing and punishing escaped slaves. The bribes pass up the chain of command and into the hands of politicians and government officials. Soon law enforcement is dedicated to protecting systematic law violation.

For example, one researcher has noted that Japanese police are "tolerant" of organized crime, and in a report on human trafficking to Japan written for the Organization of American States, the researchers note that "policemen return women, who came to seek help, to the traffickers … it is almost impossible to escape." Slavery is both pervasive and officially ignored in Japan. Police corruption is also one of the biggest obstacles to reducing slavery in Thailand, where lucrative police commands are sold to the highest bidder and the regular payments from slaveholders join the flow of money from

other criminals into the pockets of police and government officials. And in Moscow, a single monthly payment provides protection from government taxes, police investigation, fire, theft, vandalism, safety inspections, and parking tickets. The size of the payment depends on the size of the business and whether it is legal.

In India, within the debt bondage slavery system, corrupt police provide protection for the slaveholders and take bribes to thwart prosecutions. With sex trafficking, corrupt police officers help transport victims and protect their enslavers. It is not difficult to understand the pressure on Indian police to join the slaveholders. If a police officer's salary is $10 or $20 a month in a country suffering from high inflation, the opportunity to bring in an extra $100 per month is the difference between poverty and affluence. Taking the bribe is even easier when the police are urged to do so by their bosses. Landlords, moneylenders, and businessmen, the powerful citizens of the town or village, are likely to use slavery in their businesses. Since the enslaved are often migrants from somewhere else, members of a "lower" caste or class, or a discriminated ethnic or religious group, serving their interests will have few rewards and plenty of penalties.

If this sort of corruption is widespread, then national governments face an enormous task. Yet government complacency joins with police corruption to exacerbate the situation in India. Governments at all levels in India have consistently failed to arrest and punish traffickers and slaveholders in every type of slavery in the country. This is particularly pronounced with regard to the debt bondage system. More than twenty-five years ago India enacted an excellent law against bondage, setting a three year prison sentence and a fine for anyone who is convicted of forcing people into, or keeping them in, bondage. But of the hundreds of cases that have been prosecuted, no convicted slaveholder has ever served prison time. Today fines of just 100 rupees (less than $2) are common for those convicted, making a mockery of the law. Equally, while Pakistan enacted a strong law against debt bondage slavery in 1988, and a large number of cases have come to light, not a single offender has been convicted. The enslaved may be freed, usually through the actions of human rights organizations, but the slaveholders are never punished. Instead, the ex-slaves and their liberators are at great risk of retaliation and persecution.

Predicting slavery and its economic impact

We have, then, the ability to predict the existence of slavery in any one country. Increases in the average population and high debt, along with a high degree of trafficking and an increase in the political rights index (which is consistent with more abuses), will all increase the probability that slavery will be a regular feature in several economic sectors, other things being equal. On the other hand, increases in the GDP per capita and the Human Development Index, and decreases in corruption levels, all increase the probability that any one country will have no slavery, other things being equal.

If we can predict the presence of slavery in this way, can we also predict its economic impact? The answer is yes: the amount of slavery in a country is itself a predictor of the country's level of economic and human development. The alteration of the basic economic component of the slavery relationship has changed the way that slaves are treated and the way that they fit within local and global economies. But the unprecedented fall in the price of slaves has had numerous results outside slave/slaveholder relations as well. In particular, it has hindered the development of national economies: slavery today is a drag on economies, preventing their development.

In 2006, Robert Smith analyzed a number of possible factors that were already thought to increase or diminish human and economic development: corruption, level of democracy, the amount of internal conflict, the amount of the national debt, as well as the regional groupings of countries, sometimes linked to culture. The result was clear: in his statistical trials, in each region, it was slavery that best explained differences in human development between countries. Other factors also played a role, but slavery was more important than

the extent of democracy, the level of national debt, the amount of civil conflict, or the level of corruption. Slavery not only ruins the lives of slaves, but is a major cause of a depressed economy, low levels of literacy, and shorter lifespans, for all citizens in poor countries.

Slavery distorts local economies in two crucial ways, ways that spread up the economic ladder and affect economic and social development. The first is that enslaved laborers can depress the wages of free laborers in the same economic sector in which they work. Most slaves today are used at the lower end of the production ladder, growing or processing raw materials. For the poorest workers who are not enslaved, enslaved workers represent severe competition. The second way that slavery distorts economies is by the removal of enslaved workers and their families from local economies as consumers. While it is true that slaveholders make profits from their enslaved workers and that they enjoy the benefit of those profits, they are not as likely to spend those profits in the ways that average workers do – on local food, housing, clothing, and so forth. Likewise, enslaved families are unlikely to buy school supplies, pay teachers, access medical care or other services that both are part of the local economy and benefit the community.

So while slaves may make a lot of money for slaveholders, they tend to be a drag on a country's economy. They contribute only a little to national production and their work is concentrated at the lowest end of the economic ladder, in the basic low-skill jobs that are dirty and dangerous. The value of their work is stolen and pocketed by criminals, who are less likely to spend it on necessities. Slaves are not able to acquire assets. Just as it is for free working poor, asset acquisition is a determining factor in their achievement of economic autonomy. Economically, then, except for the criminals, slaves are something of a waste. They contribute next to nothing to a country's economy, buy nothing in a country's markets. They are an untapped economic resource. As we combat poverty to end slavery, we also need to combat slavery to help end poverty.

Smith's analysis also showed that gender differences increased the power of slavery to explain human development. But what is the specific role of gender in shaping the landscape of modern slavery? What are the particularities of the slave experience for women? Chapter four examines the dynamics of bondage for the millions of women and girls enslaved around the world today.