



CPE Globalization Briefs

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Care, Nonmarket Work, and the Global Economy

Imagine the following scenario: a multinational corporation, tired of dealing with the regulations and taxation imposed by national governments, decides to buy an uninhabited island where it forms its own country. If you become a citizen, you are guaranteed a high-paying job. But there are some limits: you must have an advanced education, be of working age and in good physical health to become a citizen. As soon as you need more training, become pregnant, ill or elderly, you get kicked off the island and lose your citizenship. The result is that the corporation can take advantage of the best workers in the world without having to pay any of the costs of producing those workers or their maintenance when they become ill or old.

This corporation-state should do very well in the global marketplace because they can attract the world's best workers and pay high wages without threatening profits. The problem comes when other corporations adopt the same strategy, because in the long-run, it results in exhausting human capabilities without renewing them – it is unsustainable. The competitive pressures of the global economy are similar.

We are already witnessing some aspects of this scenario today. Immigration policies in many industrialized countries are geared towards attracting ready-made workers: U.S. immigration is no longer run on national quotas but rather on immigrants having a certain occupation or skill; in Canada one can buy citizenship by bringing in sufficient money to invest. Other countries import temporary workers that must leave when unemployment goes up: Germany sends its “guest” or contract workers home when unemployment goes up, as did Malaysia during its recent economic crisis. And with the advances of technology and improving educational systems in developing countries, subbing out high tech work to computer programmers in India or data processors in the Philippines means corporations not only pay low wages. The strategy is a great boon for countries or corporations because they do not have to pay the costs for the production, education or maintenance of these workers.

With the increasingly free flow of international investment and the development of institutions like the World Trade Organization, it is also becoming easier for multinational corporations to bargain

with workers or national governments over higher wages or taxes. The result is that it is becoming more difficult to get capital to pay the costs of reproducing workers. In the United States, for instance, since 1960 the contribution of corporate taxes to total federal tax revenue has fallen by more than half.

The rules of international competition have created strong incentives for global capitalists (and even nations) to try and free-ride on the social welfare investments –



the costs of care – of others. In the short-run, profits do go up. But is it sustainable?

Part of the problem is the way records are kept. When economists use the term “economic growth,” they are referring primarily to growth in the value of market transactions, those which involve money. But many of the investments in human capabilities that we make happen outside of the market sector, mainly in the form of housework and care for other family members. Researchers have shown that this work is worth between 30 and 60 of GDP. As an economist’s joke goes, if you marry your housekeeper, you lower GDP; if you put your mother in a nursing home, you raise it.

Record-keeping can have important effects on people’s lives. Consider what happens when hospitals, in an effort to cut costs, compel patients to return home earlier. These patients, who return home sicker than they used to, require more care from family members or their extended communities to re-

cover than before when convalescence was mostly undergone at the hospital. As a result of discharging patients earlier, hospital balance sheets look better because they can perform the same procedures at lower costs to themselves. But these costs have not disappeared, they have been merely been transferred to the nonmarket sector, increasing workloads for caregivers, most of whom are women.

Partly as a result of pressure from the international women’s community, in 1993 the

United Nations Statistical Commission recommended that national statistical offices prepare estimates of economic activity outside current market boundaries, creating a national accounting system to be used in conjunction with traditional measures of market activity.

Source:

Nancy Folbre. 2001. *The Invisible Heart: Economics and Family Values*. New York: The New Press.

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