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## USED CLOTHES AND SOCIAL GOODS: TWO ECONOMIC PROBLEMS

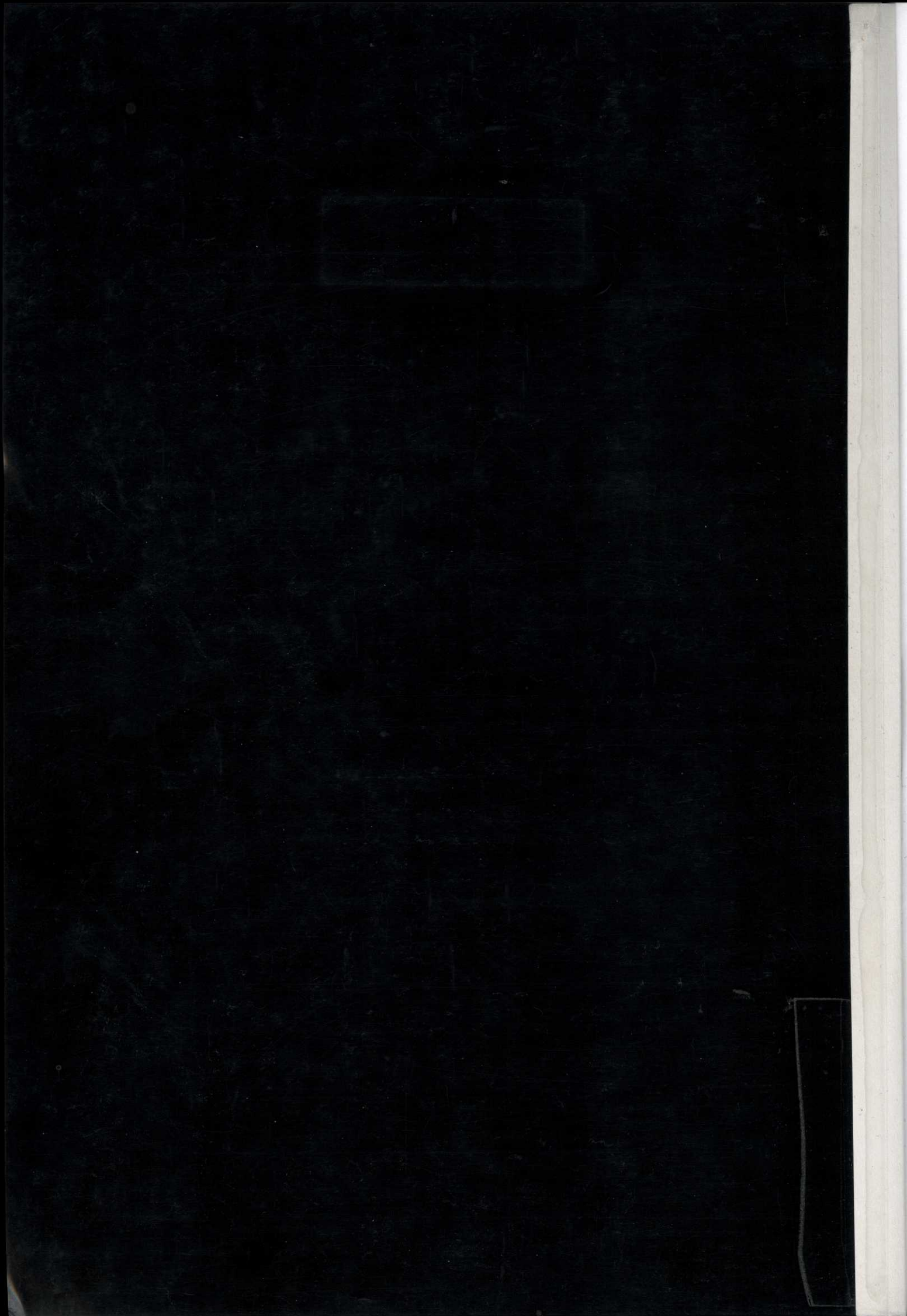
by

**Rick Wicks**

Uppsats för licentiatexamen vid

Nationalekonomiska institutionen  
Handelshögskolan vid Göteborgs Universitet

Göteborg  
Februari 2003





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NATIONALEKONOMISKA INSTITUTIONEN

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Till Handelshögskolans fakultetsnämnd  
Göteborgs Universitet

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Vid seminarium den 28 februari 2003 behandlas en licentiatuppsats av Rick Wicks  
med titeln:

**"Used Clothes and Social Goods: Two Economic Problems"**

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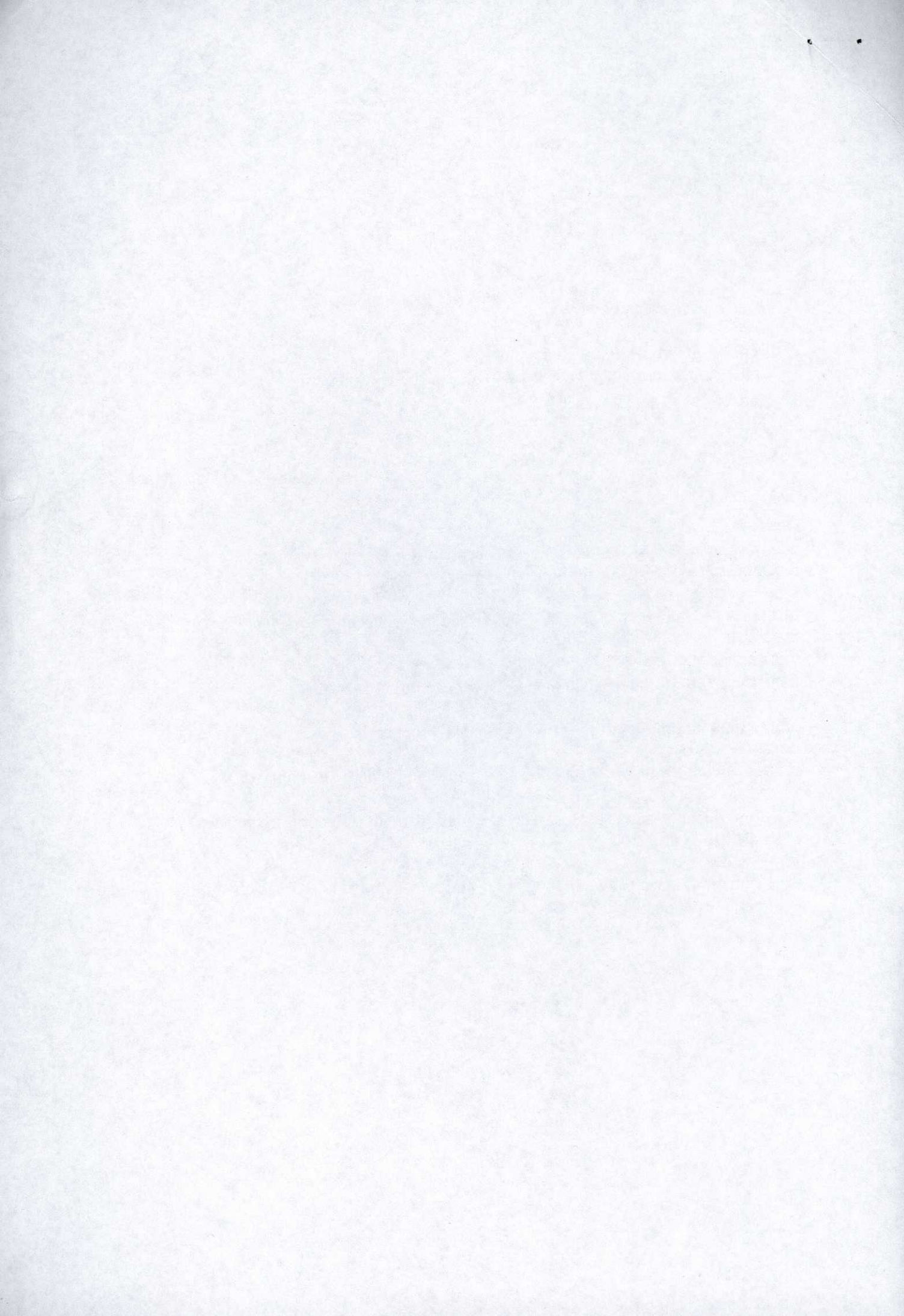
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*Bo Sandelin*

Bo Sandelin  
Professor/Handledare



# Used Clothes As Development Aid:

## The political economy of rags

*Report of a study for Sida  
(the Swedish International  
Development Cooperation Agency)*

by

Rick Wicks <Rick.Wicks@economics.gu.se>

and

Arne Bigsten <Arne.Bigsten@economics.gu.se>

**Abstract:** Should Swedish used-clothes exports continue to be subsidized as development aid? Theoretical analysis and review of empirical evidence regarding effects of both commercial and charitable (subsidized) used-clothes imports in LDCs. Includes statistics on the world used-clothes trade, including 127 gross used-clothes-exporting countries and 181 importing countries in 1990 (with values, weights, average prices, and weights-per-capita), and some specifics of U.S. and Swedish imports and exports. Discussion of images of the trade in labor and popular media; trends in national trade policies and practices; NGO attitudes and involvement; similar issues with food aid; and excerpts regarding the trade in 18<sup>th</sup>-century Britain. Conclusion: Greater benefits are possible for poor people with a more imaginative approach. Poor people who need clothes need many things. Used clothes can be sold and the proceeds used, along with erstwhile subsidy funds, for income-generating projects. A possible exception: if supply has broken down due to catastrophe, and clothing is not available in the market.

**Keywords:** used clothes; second-hand; imports; exports; LDCs; development aid.

**JEL Codes:** O1, O2

160 pages; February, 1996.





# Economic Theory and the Social Realm: Communities and Social Goods

by

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## ABSTRACT

The social realm of communities and social goods is defined and their importance and motivations are explored. Largely because of effects related to markets, many observers see the social realm as in distress, perhaps even at the end of a 10,000 year epoch, with no clear way forward. Communities are affected by scarce marketable (and public) goods, and the social goods which communities produce are themselves scarce, while, on the other hand, markets -- and even the study of economics -- seem to affect the provision of communities and social goods. Thus there is a scientific puzzle: Economics is variously defined as either 1) the study of choice under scarcity constraints, or 2) the study of markets. Logically and empirically, then, economic theory -- including especially welfare economics -- *must* include communities and social goods, but, with minor exceptions, it has entirely left them out. How and why communities and social goods have been left out of economic theory are explored, and various methodological (and public) complaints about economic theory are related to this "oversight". A number of unfortunate rhetorical consequences of the omission of communities and social goods are reviewed. Are the ideas of "universal markets" or "complete contracting" meaningful if we haven't considered social goods, which can have no markets and no contracts? How "fundamental" are welfare theorems which haven't considered social goods? How "social" are "social welfare functions"? Some possible benefits of recognizing the social realm in economic theory are explored. **JEL:** A11, A12, A13, A20, B41, B50, D00, D20, **D52**, D60, D62, D64, H10, H40, I31, Z12, Z13.

**Key words:** Altruism, caring behavior, club goods, communitarian, communities, complete markets, complete contracting, economic ideology, economic theology, general equilibrium theory, inherent non-marketability, methodological individualism, neoclassical economics, rational choice, religion of the market, rhetoric of economics, separability, social capital, social economics, social environment, social goods, social institutions, social realm, social values, social wealth, social welfare, three realms, universal markets.



## Introduction

The two papers included herein were written at some distance in time, with quite different purposes and viewpoints. The first ("used clothes") was written in 1996 as a project for Sida (the Swedish International Development Cooperation Agency), with Professor Arne Bigsten (my advisor at the time) as co-author. The second ("communities and social goods") is the present incarnation of what I've basically been working on ever since, and is still in process, expected to be submitted for journal publication soon, after some further revisions.

The *substantive* connection between the two papers -- such as there is -- might lie in the fact that the primary *objection* to the point of view that Arne and I took in the used-clothes paper relied on something called the "solidarity motive". The communities-and-social-goods paper could be thought of as exploring that motive further.

There might also be a "methodological" similarity between the two papers, in that both seek to develop alternatives viewed as previously not sufficiently explored. In the used-clothes paper, it appeared to us that too much reliance on the solidarity motive had blinded advocates (of Sida subsidies for used-clothes exports) to alternative uses (of both the clothes and the subsidy funds). In the communities-and-social-goods paper, I argue that neoclassical economic theory, as developed over the last century-plus, has neglected to explore, and to take account of market effects upon, alternate sources of "utility" -- social goods, derived from communities.

Thus in the first paper I took a position that might be construed as "pro-market", and in the second I took a position that might be construed (albeit erroneously, in my opinion) as "anti-market". In both cases the point is that there is more than one side to consider. In both cases I have not hesitated to ask questions and to explore what appeared to be overlooked alternatives.

Another similarity is that both papers should be readily accessible to non-specialists - especially the first, which was really addressed directly to the various constituencies for Sida used-clothes subsidies, in an attempt to explain why those subsidies might not be warranted. But most if not all of the second paper should also be readily understandable to the educated non-specialist.



## Acknowledgements

Because the two papers are so different in time and substance, acknowledgements for each must be handled separately.

First with respect to the used-clothes paper, of course, I must acknowledge Arne Bigsten, my advisor at the time who also arranged for me to do the project. I very much appreciate Arne's willingness to take a chance on me, an unknown aging foreigner who showed up at his door virtually unannounced. And of course I owe a great debt to Sida for providing me with the inspiration to do my first serious work in economics, not to mention much-appreciated income. (Other acknowledgements regarding the used-clothes paper are included in the paper itself, p. xii.)

With respect to the communities-and-social-goods paper, the acknowledgements needed are almost too many and too widespread even to begin, and many I will perhaps delay acknowledging individually until the hoped-for completion of my doctoral dissertation. But of course my current advisor, Prof. Bo Sandelin, deserves great thanks at this point for seeing some merit in and supporting my current explorations. Olof Johansson-Stenman has also been of inestimable help in many ways over the years. Many others among the faculty and student-body, and among the staff not only of the Department but of Handelshögskolan more broadly, deserve great thanks.

I have also been fortunate in finding a number of advisors outside the Department. First I am grateful for brief but encouraging conversations about my research interests with both Bruno Frey and Kenneth Arrow when they were each in Göteborg some years ago. Prof. E.J. Mishan (LSE emeritus) has also been very supportive, reading and commenting on complete drafts on two separate occasions, and even inviting me into his home for dinner with his family when I was in London for a conference. Others who have been gracious enough to correspond about my interests include Deirdre McCloskey, Amitai Etzioni, Graeme Snooks, and especially Ed O'Boyle.

I am also grateful for opportunities to present earlier approaches to the issue of communities and social goods, first in a seminar here in the Department in June 2000; then at the 10<sup>th</sup> World Congress of Social Economics, organized by the Association for Social Economics at Emmanuel College, Cambridge University, August 2000; at the Nordic Workshop on Social Capital and Development, in Copenhagen June 2001; and at the 4<sup>th</sup> Annual Conference of the Association for Heterodox Economics, in Dublin, July 2002.

Besides funding received through the Department, I would like to acknowledge grants received from Stiftelsen Siamon, the Paul and Marie Berghaus Donationsfund, and the Adlerbertska Stipendiefonden, which, in addition to general research support, have made attendance at various conferences possible. The Nordic Workshop on Social Capital (mentioned above) and the Oslo Summer School in Comparative Social Science Studies have also provided funding for very interesting and enjoyable educational experiences.

Finally, I would like to thank my family for their patience and understanding with what must seem like an interminable project. And in closing I would like to dedicate this work to the memory of one of my first mentors, long-time Professor of (Community) Psychology at the University of Alaska-Anchorage, Dr. Marie Doyle.

**Used Clothes As Development Aid:  
The political economy of rags**

*Report of a study for Sida  
(the Swedish International  
Development Cooperation Agency)*

by  
Rick Wicks  
and  
Arne Bigsten

Department of Economics  
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Göteborg, Sweden

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1997-1998

Bigsten and Wicks are grateful to Sida for the support they have received during the last few years. For more information on the project, please contact Rick Wicks.

For information on the use of the data, please contact Rick Wicks. The data are available to all researchers who are interested in the project. A very high priority is to make the data available to all researchers who are interested in the project. The data are available to all researchers who are interested in the project. The data are available to all researchers who are interested in the project.

With respect to the management of the data, the data are available to all researchers who are interested in the project. The data are available to all researchers who are interested in the project. The data are available to all researchers who are interested in the project. The data are available to all researchers who are interested in the project.

I have also been fortunate in finding a number of advisors inside the Department. First I am grateful for help and advice from my research interests with both David Foray and I. I have also been very supportive, making me comfortable in my work and providing me with his own research. I have also been very supportive, making me comfortable in my work and providing me with his own research.

I am also grateful for opportunities to attend the 10th World Congress of Social Scientists, organized by the Association for Social Economics at Cambridge University, August 2002, at the Nordic Africa Centre and Development, in Stockholm on June 2001.

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Finally, I would like to thank my former colleagues and understanding with what must seem like an interminable project. I would like to dedicate this work to the memory of one of my best friends, Gunnar Eriksson (Community) Psychology at the University of Aberdeen, Aberdeen, UK.

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## Introduction

What is the nature of used clothes? Are they cheap goods being dumped unfairly, disrupting local markets and destroying local production and jobs? Or are they resources, like fish from the sea or oil from the ground, that can be used to improve people's lives?

These questions bring up some of the most fundamental issues in aid and development. Should we send used clothes to be given to people in the Third (or Second) Worlds, or should we help people there to make or buy their own clothes? The latter might seem preferable in many ways, but is it possible that giving people used clothes might also enable them to increase their productive power?

We have been asked to consider the economic effects of the commercial and charitable import of used clothes, and other used goods,<sup>a</sup> from industrial countries to less-developed countries (LDCs), and specifically whether, in the light of those effects, we would recommend that the Swedish International Development Cooperation Agency (Sida) should, or should not, continue subsidizing freight and related costs for used-clothes exports by Swedish non-governmental organizations (NGOs).

Expressing our terms of reference<sup>b</sup> schematically, we are asked to consider the following questions:

1. What is happening in world used-clothes trade?
2. What are the economic effects:
  - a. of used-clothes imports in less-developed countries?
  - b. of subsidizing used-clothes exports from industrial countries?
3. Should Sida subsidize such exports?

---

<sup>a</sup>Other used goods and materials that are sometimes *traded* internationally include cars, engines, busses and airplanes, etc.; tires and tire cases [625.9]; waste and scrap iron, steel and other metals [282]; scrap unhardened rubber [233.2]; waste paper and paperboard [251.1]; rags [269.02]; and waste and scrap photographic film. [The numbers in brackets refer to the Standard International Trade Classification, Revision 3; used clothes are 269.01; other used goods are not distinguished from new goods in international trade statistics.]

Besides food [9802.1] and used clothing [9802.3], other goods that are sometimes *donated* internationally include surplus (out-dated) pharmaceuticals [9802.2] and school supplies including books, used sporting equipment, used bicycles, used computers, and used agricultural or medical equipment. [These numbers in brackets refer to the U.S. Census Schedule B classifications for U.S. charitable shipments only; international data does not distinguish charitable from other shipments.]

*Still other* used items traded internationally include production machinery and occasionally even entire industrial plants. Other second-hand goods traded primarily in domestic markets include old phonograph records and all kinds of household articles.

There is much more literature extant regarding second-hand machinery in development (such as used agricultural or medical equipment, that Sida might also consider subsidizing), than there is literature regarding second-hand clothing, but as the issues raised seem quite different from those relating to second-hand clothing, we have not explored this channel. Clothes generally can be produced in the recipient country, whereas there may be no industry producing similar agricultural or medical equipment at present, and no likelihood of one developing in the near future. Thus the issues raised by such exports are quite different—emphasizing, for example, appropriateness of technology, maintenance, and spare parts—and they should probably be dealt with in a separate study, if interest warrants. For this reason, we will neglect them for the remainder of this report.

<sup>b</sup>An English translation of the terms of reference is attached as Appendix 1.

We will answer question 1 in Part I, including a look at the general context of the used-clothes trade: producer, labor union, media, and government reactions to it—regardless of the basis of those reactions in economic analysis—as well as NGO attitudes towards and participation in it. We will answer the two parts of question 2 in Parts II-A and II-B, respectively. We will discuss question 3 in Part III.

**Four possible positions**

The two parts of question 2 above (what are the economic effects of used-clothes imports in general, and of subsidizing exports in particular?) can evoke analysis and response in various ways. A table of four possible sets of simple answers might look like this:

**Table 0: Qualitative effects of used-clothes imports, and of subsidies thereon**

effects of:	1	2	3	4
used-clothes imports	good	good	bad	bad
subsidies thereon	better	bad (not the best)	good (in catastrophes)	worse

The two extreme columns in the table (columns 1 and 4) might be thought of as representing two diametrically opposed positions:

- one position (column 1: used-clothes imports are good, and subsidizing exports is better) might advocate re-use of used clothes as a simple and direct development strategy;
- another position (column 4: used-clothes imports are bad, and subsidizing exports is worse) might seek to ban used-clothes imports (or exports)—or to impose high tariffs on them—and certainly not to subsidize them!<sup>a</sup>

Sida and the organizations currently receiving subsidies are perhaps more familiar with the first position, which we will review briefly in Part I while exploring more extensively the other “extreme” position, which may be less familiar. The following quote may give a sense of the feelings attached to the position represented in column 4:

*“It is a scavenging trade, where companies get their product practically free before converting it into cash.”*—Neil Kearney, general secretary of the Brussels-based International Textile, Garment and Leather Workers’ Federation<sup>1</sup>

Between the extremes are two possible middle positions:

- One position (column 2: used-clothes trade is good, but subsidizing such trade is bad or, at least, not best) could represent the most common point of view of classical economics (assuming simple, “ideal” conditions); while
- the other position (column 3: the used-clothes trade might be bad—if it increases unemployment and hinders development, for instance; but subsidizing it—in the case of catastrophes, for instance—might be good) could represent a realistic economic analysis under more complex conditions.

<sup>a</sup>Of course, generalizations are difficult; for instance, some who would propose to ban the commercial used-clothes trade might be willing to allow charitable imports of used clothes, to be given away only to those who are too poor to enter the market. But then what is to keep the recipients from selling on the market the clothes they received for free? In that case, there would be the same (or similar) disincentive effect on local production as if the used clothes were imported and sold commercially in the first place, so it seems that a more logically consistent position would be to ban all imports.

The following quote may give a sense of the feelings attached to at least the first part of the position represented in columns 1 and 2:

*“We are the only way that poor people, legitimately, can get anything to put on their backs in most of the Third World. It beats dumping it into the landfill.”*—Ed Stubin, president of Trans-Americas FSO Inc. (a commercial used-clothes exporter), Brooklyn, New York<sup>2</sup>

Part I explores all these positions: as adopted by producer organizations and labor unions; as depicted in the media; as represented by government trade policies and practices; and as expressed by various Swedish and international NGOs. Parts II-A and II-B are devoted to economic analysis as a basis for taking one of these positions.

### ***Our plan of analysis***

To discover where on the table above we believe the correct answers lie, we break the two parts of question 2 above into the following four questions:

1. Is there overall net economic benefit, or damage, from used-clothes imports in general?
2. If there is no evidence of overall net damage from imports in general, we must still consider the particular effects of subsidizing used-clothes exports—that is, do subsidies introduce damaging distortions, either in general, or in any special situations?
3. On the other hand, even if there is evidence of overall net damage from imports in general, might there still be special situations in which subsidizing used-clothes exports would be beneficial?
4. Finally, even if we find no overall net damage, or only minimal or uncertain damage, from subsidizing used-clothes exports, either in general or in any special situations, we must still ask, are such subsidies the most efficient use of scarce development aid resources (both the funds used for subsidies, and the clothes themselves)?

### ***Possible empirical questions***

To analyze fully just the first of these questions, regarding the degree of economic benefits or damages resulting from used-clothes imports, we would probably need extensive empirical work to answer all the following questions:

1. In the absence of used-clothes imports, to what extent would demand for clothing be met from domestic production of new clothes, and to what extent would it be met from production of new clothes in industrial or new industrial economies?
2. To what extent would demand for clothes not be met at all? That is, to what extent are people “too poor to enter the market”? (In such cases, do they literally go naked, or what do they wear?)
3. To what extent is domestic production exported? What are the prospects for exporting domestic production in the future?
4. Is there unemployment? How well are factor markets working, and how easy is it for resources (including labor and physical capital) to shift to other occupations or other products?
5. To what extent are imported used clothes, domestically-produced new clothes, and imported new clothes, substitutes for one another? That is, what are the cross-price elasticities between these three sectors?
6. Do used-clothes imports reduce demand for locally produced clothes, thus reducing employment and incomes directly?

7. Do used-clothes imports hurt the prospects for future local clothes production by reducing demand that would otherwise be an incentive for local production?
8. Do used-clothes imports affect growth—and thus employment and national income—via the loss of any positive externalities associated with such production? That is, for instance, do textile and garment production teach skills that are especially useful for further development?
9. How much do used-clothes imports increase employment, income, and growth, both in the used-clothes sector and in other unrelated sectors, and how do they affect income distribution?

Incidentally, to the extent that new clothes may be imported from one less-developed country to another, used-clothes imports to the latter may not damage production in that latter country—if there is no production there to damage—but they may damage production in the former country. In either case, less-developed country production is damaged. This consideration must be understood to apply, not only to clothes production itself, but also to the fiber and textile production which preceded it. Thus, in the questions above:

- “Production” must be understood to include not only garment production as such, but also the prior fiber and textile production; and
- “Local production” or “domestic production” must be understood to include production not only in the particular less-developed country under consideration, but also in any other less-developed countries. “Imported”, on the other hand, must be understood to mean from industrial or new industrial economies.

Thus, to begin with, we would need a thorough empirical study of the effects of importing used clothes generally. Then, in order to answer, the second and third questions in our plan of analysis above, we would need answers to a further set of empirical questions regarding the specific circumstances in which subsidized used clothes were being distributed or sold, including the specific operational methods of all relevant projects, etc. Possibilities we would have to study in detail range from free distribution in disaster situations, or free distribution to the poor generally (or perhaps only to those too poor to enter the clothes market at all), to selling cheaply to the poor, or selling at maximum profit to maximize funds for other development purposes.

However, we are not engaged in an empirical study; we have not been asked to conduct a field study ourselves.<sup>a</sup> The terms of reference for the project do ask questions about the details of Swedish NGO involvement in the overseas distribution of used clothes, but we have not found it feasible to pursue these questions very far. We have not been encouraged to seek current information about specific projects or NGOs receiving such subsidies. Rather, we have been asked primarily to review existing economic literature, and to present a broad theoretical analysis.

We do include some data on Swedish NGO collections of used clothes and resulting exports, however. We also include extensive analysis of several Scandinavian studies on used-clothes exporting organizations. Further, we have discussed this report and its conclusions, in draft form, with several of the relevant organizations. But we have not attempted an exhaustive look at the project methodologies of all the Swedish NGOs exporting used clothes, which would take us far afield.

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<sup>a</sup>Which, incidentally, we do not believe is necessary for the present purpose.

### ***Theoretical questions***

Anyway, looked at theoretically rather than empirically, the problem actually becomes much simpler. Although we will explore theoretical (and to some extent, empirical) analyses of the first three questions in our plan of analysis above—regarding the economic effects of imports in general, and of subsidies in particular—in fact it will turn out that it is only the last question that matters, concerning efficient use of scarce development aid resources. We can state that concern more explicitly in the following questions:

1. What are the alternative uses of the development funds available for freight aid? What is the best use of the development funds?
2. What are the alternative uses of the used clothes available for export? What is the best use of the used clothes?
3. In summary, would the intended beneficiaries rather receive subsidized used clothes or, using the available resources, is some greater benefit possible?

To elaborate a bit, the most important effect of subsidizing used-clothes imports—and the effect most often neglected—is that it preempts whatever alternative uses of the aid funds and of the clothes there might have been. If the intended beneficiaries would rather have cash or something else, rather than whatever used clothes they might receive via subsidized imports, then it might not matter if there are no negative effects from used-clothes imports in general, or from subsidizing them in particular; even if there were demonstrable overall positive effects from subsidizing used-clothes imports, still greater alternative benefits might be possible, and would thus be desirable.

### ***The organization of the report***

We will start in Part I by looking at the facts of used-clothes exports (Chapter 1) and imports (Chapter 2), both worldwide, and in and out of Sweden in particular. We will note the relative importance of textiles and clothes from less-developed countries in industrial country imports, and the relative importance of used clothes in total world textile trade. We will examine the nature of imported and exported used clothes (in the same country), and note that they are usually quite different markets. Finally, we will see where most exports originate, and where most of them go, and we will note which countries export or import the most per capita, and which ones receive or pay the highest and lowest prices for their exports or imports.

Once we have an understanding of what is actually happening in world used-clothes trade, it will be helpful to understand how powerful forces in the world are already responding to that trade. Thus in the last two chapters of Part I we will look at some of the social and political factors which might lead individuals, organizations, and governments to take the extreme positions we have already discussed, while reviewing more fully all four positions expressed in the table above. In Chapter 3 we will look at some producer-organization damage estimates and at some labor union documents; at some extreme and more moderate media descriptions of the used-clothes trade; and at government trade policies and practices around the world. In Chapter 4 we will look at some Swedish and international NGO attitudes and practices—including some possible alternative policies, and controversies regarding them.

Then we begin our own analysis. Part II-A—which focuses on commercial used-clothes imports in general (not on subsidies)—is divided into three chapters: Chapter 5 is totally theoretical; Chapter 6 is based on an empirical study in Rwanda, which unfortunately is a very special case; and Chapter 7 is a brief but wide-ranging sociological and historical



review of the re-use of used clothes. Though somewhat ambiguous, the conclusions tentatively reached in the first (theoretical) chapter are basically corroborated in the second (empirical) one, and in the final sociological and historical review as well.

Part II-B consists of two theoretical chapters: In Chapter 8 we look at the direct impact of subsidies, without regard to their cost, or to any possible alternative uses of the aid funds. Then in Chapter 9 we consider alternative uses of the aid funds, and of the clothes.

Part III summarizes the previous sections briefly and then outlines our policy recommendations. Various Appendices are also attached, including statistical tables and fuller explorations of issues too lengthy for the main text, as well as References and numbered Source Notes.

Any of the chapters can be read independently of any or all others. Except for the general point that the commercial market for used clothes seems to be working quite well both internationally and within most LDCs, none of the parts or chapters is really crucial to our argument, except for the last chapter of Part II-B (Chapter 9). Nevertheless, because the larger context is both fraught with emotion and little dealt with in serious economic literature, we believe it is worthwhile to take this opportunity to explore the full context of the used-clothes trade somewhat thoroughly. Those who wish to focus only on the most specific question we have been asked—whether Sida should continue to subsidize used-clothes exports—should feel free to skip straight to Chapter 9.

### ***Our conclusions***

Based mostly on economic theory, and thus having abstracted from most (but not all) of the messy details, we will come to rather clear conclusions:

1. In a simple ideal world, used-clothes imports would result in net welfare gains.
2. In the real world, where there may be positive externalities associated with clothes production, and where markets may be less than fully functioning so that there may be chronic high unemployment, then used-clothes imports may result in net welfare losses.<sup>a</sup>
3. The exceptions, where used-clothes imports would not result in net welfare losses (or perhaps in any welfare losses at all), would be if there is no supply, or if there is no effective demand.
4. Even if there is no effective demand (so that people are too poor to buy clothes), there are probably more effective uses of scarce development aid resources, and thus more effective ways of helping the poor, than subsidizing used-clothes exports.
5. If there is no supply, subsidies may be justified on humanitarian grounds.

Thus we will ultimately come to the conclusion that possible damage from imports, and probable better uses of aid funds, militate against freight subsidies in almost all situations; we believe that there are generally—but perhaps not always—better uses for scarce development aid funds than subsidizing used-clothes exports.

But we want to be clear about several points:

1. While economic theory is fairly clear, empirical studies tend to be somewhat murkier; we acknowledge that, in many cases, the situation may be far from clear in practice.

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<sup>a</sup>At least in the short run, and unless countered by increased exports of domestically-produced new clothes, and/or possible production subsidies.

2. While we believe in recycling and re-use wherever and whenever feasible, and we empathize with individuals and NGOs in Sweden who have used clothes available and who want to assist development processes in Second and Third World countries, we believe it is important to understand both the real and the perceived potential for damage from used-clothes imports. Consequently, we will spend some time exploring union and media images of the used-clothes trade.
3. But we want to be clear that we have no sympathy for the view that valuable goods such as used clothes, and the labor and materials embodied in them, should be wasted, with garments burned, for instance, or reduced to raw fibers, in order to increase possibilities for employment. Far better employment-generating solutions exist. While we empathize with those in less-developed countries who believe that their industries are being harmed by cheap used-clothes imports, we do not generally believe in protection against imports, and we would not want to be misinterpreted as advocating such protection. (Making factor markets work better, so that capital and labor can find alternative employment, and producing for export, are better responses.) Consequently, we will spend some time exploring the general pattern and recent history of trade regulations worldwide, which will demonstrate that there is no trend towards increased protection in this area.
4. Finally, while we empathize with those who might desire that the very clothes which they have donated, collected, or sorted, might be given (with the help of freight subsidies) directly into the hands of the people in greatest need, we want to point out that there may well be greater benefits possible for those people, derivable from alternative uses of both the used clothes and the development funds available. Consequently, we will spend some time exploring some of the problems inherent in direct subsidized delivery, and some alternatives.

So, in summary, we shall conduct a largely theoretical exploration of the effects of used-clothes imports in general and of subsidies in particular, with concern not only for market effects, but also for social and political ones. We shall not look much at the specifics of Sida-funded projects, but we shall describe the used-clothes trade in general (including its broad context), which is how we will begin.

## Acknowledgments

Arne Bigsten wrote the basic theoretical argument in Chapters 5, 8, and 9, while Rick Wicks elaborated and embellished it, and wrote the rest. We would like to especially acknowledge the following people for their support and assistance in the conduct of this study:

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- Steven Haggblade, author of a major previous economic study,
- Karen Tranberg Hansen, author of a major sociological study, and
- Robert Thompson, who found some of our sources as part of a preliminary investigation for Sida.

We also gratefully acknowledge the assistance of many others who took an interest in the study, including all who are identified as sources herein. Magnus Lindell of Sida gave excellent guidance. Ellinor Garbring translated sources from Swedish, read successive drafts very carefully, and offered many helpful suggestions.

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Cause and effect, chain of events,  
all of the chaos makes perfect sense.

When you're spinning round, things come undone —  
welcome to Earth, third rock from the Sun!<sup>3</sup>

We are not sure that everything makes perfect sense, but it is clear that, especially in this complicated world, things can come undone, and the chains of cause and effect bear close scrutiny.

## Part I: The Used-Clothes Trade

### Chapter 1: Used-Clothes Exports

#### *Worldwide textile and clothing trade, including Third World exports*

To begin with, in order to understand the context for world trade in used clothes, it will be helpful to have some sense of total trade in new textiles and clothing, including production trends.<sup>3</sup> Table 1 (below) shows that the total 1993 trade of just the top six exporters and importers was in the range of US\$50-100 billion in both textiles and clothing.

**Table 1: Leading traders in textiles and clothing, 1993 (US\$billions)**

textile exporters	value	textile importers	value	clothing exporters	value	clothing importers	value
Germany	11.9	Hong Kong	12.8	Hong Kong	21.0	United States	35.6
Hong Kong	11.2	Germany	10.4	China	18.4	Germany	22.5
Italy	10.0	United States	8.9	Italy	11.8	Japan	12.6
South Korea	9.0	China	7.6	Germany	6.7	Hong Kong	11.8
China	8.7	United Kingdom	6.1	South Korea	6.2	France	8.6
Taiwan	8.2	France	6.0	United States	5.0	United Kingdom	7.4
total	59.0	total	51.8	total	69.1	total	98.5

Source: WTO Focus, No. 1 (Jan.-Feb. 1995), p. 2.

As we will soon see (Table 4, below), total world used-clothes trade in 1993 amounted to only US\$0.78 billion, or less than 1% of just these top six textile and clothing exporters and importers; thus it was clearly a much lower percentage of total worldwide textile and clothing trade, when all countries are considered.

Several of the leading exporters of textiles and clothing shown in the table above are new industrial or less-developed economies (Hong Kong, South Korea, China, and Taiwan—Hong Kong and China are also major textile importers). There are also many other major textile and clothing exporters among the less-developed countries (LDCs) of the world, including Turkey, Thailand, Indonesia, and India, among others.<sup>4</sup> By contrast, none of the top fifteen importers of new clothing in 1992 were LDCs.

Table 2 (below) shows that, by 1984, LDCs were already exporting far more textiles and clothing to industrial countries (US\$27.4 billion) than they were importing in return (US\$11.9 billion). Even if we were to add used clothes to the industrial country exports, the LDCs as a group would still have a large trade surplus in textiles and clothing.

The trend in the last several decades has generally been for a decreasing share of production of textiles and clothing in industrial countries, and for an increasing share of production in, and exports from, LDCs. These trends are vividly illustrated in Table 3 (below), for the period from 1973 to 1985, with 1980 as the base year, with index value

<sup>3</sup>We do not have figures on total world production of new textiles and clothing, nor on total world re-use of second-hand textiles and clothing, both of which types of data would probably be almost impossible to obtain accurately in any event. But we do have international trade data, which is collected at borders for various reasons, and is generally considered to be fairly accurate for most purposes.

**Table 2: 1984 world textile and clothing exports, including those to and from LDCs (US\$billions)**

	exports of industrial market economies	exports of LDC market economies	exports of centrally planned economies	total world exports	industrial country exports to LDCs	LDC exports to industrial countries
textile fibers	10.8	4.4	2.5	17.7	2.7	2.1
yarns and fabrics	33.9	14.5	5.5	53.9	7.3	6.3
clothing	18.7	21.8	5.3	45.8	1.9	19.0
<b>totals to and from LDCs</b>					<b>11.9</b>	<b>27.4</b>

Source: UN Centre on Transnational Corporations, p. 2.

of 100. While industrial country production of textiles declined dramatically and then recovered only partially, LDC production increased consistently throughout the period; and while industrial country production of wearing apparel generally declined, LDC production increased not only consistently, but spectacularly.

**Table 3: Index numbers of textile and clothing production, 1973-'85 (1980=100)**

	1973	1975	1982	1983	1984	1985
<b>textile production of:</b>						
industrial market economies	103.3	91.4	93.0	94.8	96.1	97.0
LDC market economies	83.7	87.5	100.9	104.4	108.4	112.1
<b>wearing apparel production of:</b>						
industrial market economies	101.3	96.6	94.5	94.2	95.5	94.5
LDC market economies	76.5	84.3	104.9	107.4	114.9	116.3

Source: UN Centre on Transnational Corporations, p. 3.

Note: Wearing apparel includes footwear and leather goods, in addition to clothing.

There is no indication that these trends have done anything other than continue and accelerate in the decade since 1985: Indeed, from 1986 to 1989, while industrial country clothing exports went up 37%, LDC exports went up nearly 64%; and from 1986 to 1992, while the industrial countries' share of world clothing exports fell from 28% to 22%, the LDC share went up from 62% to 74%.<sup>5</sup>

With the Uruguay Round of GATT negotiations and the resulting elimination of the Multi-Fiber Agreement, the incorporation of textile trade into GATT and the World Trade Organization, and further liberalization of trade rules, one can only expect the trends to continue. As industrial countries increasingly open their markets to clothes exports from the Third World, it almost seems fair that LDCs open their markets in return—and in fact this is what is generally expected under the recently concluded Uruguay Round agreements of the GATT/WTO.<sup>a</sup>

### **Worldwide gross and net used-clothes exports, 1984-'93**

International trade in used clothes has also been consistently growing over the last several decades, with dramatic increases in the early 1990s (see Table 4, below). Total weight rose to at least 722,722 metric tons in 1993, and total value to over US\$782,834,000.

<sup>a</sup>WTO Focus No. 1, January-February 1995, reports that the WTO agreements provide for "the eventual elimination of the Multi-Fiber Arrangement", with "progressive liberalization of trade in textiles and clothing over ten years", while "export restraints on textiles and clothing will be dismantled." Used clothes are specifically included in the Annex (List of Products Covered) to the Agreement on Textiles and Clothing. While this may mean that it is expected that restrictions on used-clothes imports will be relaxed over the next ten years, it also means that "safeguards" can be imposed for a time if excessive damage is caused by such imports.

**Table 4: Worldwide gross and net used-clothes exports, 1984-'93**

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<b># of exporters</b>	39	44	51	52	51	55	55	60	59	50
value (US\$1000s)	229,735	241,651	286,211	322,088	360,905	375,370	477,642	532,325	713,186	782,834
reported weight (1000 kgs)	343,623	350,193	364,413	381,856	442,886	454,622	385,609	439,635	702,479	722,722
average export price (US\$/kg)	\$0.67	\$0.69	\$0.79	\$0.84	\$0.79	\$0.80	\$0.89	\$0.86	\$0.99	\$1.05
<b># of net exporters</b>	19	20	19	25	24	20	20	20	26	26
net export value (US\$1000s)	169,085	178,808	207,823	240,952	268,936	274,726	344,560	379,436	505,852	574,446

Source: Derived from SITC2 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: All values for all years are nominal, not corrected for inflation. In addition, some countries still using SITC1 at the beginning of the period may have begun reporting under SITC2 during the period, so that later figures (both value and weight) may be inflated for this reason as well. Neither effect should be large on total values or weights, first because inflation of the U.S. dollar during the period was not especially high, and secondly because countries initially reporting on SITC1 were not major exporters. Data was obtained in June 1995; data for 1993 may still have been incomplete.

While this trade is quite substantial, it is of course a very small part of total world trade in fabric and garments.<sup>a</sup> Haggblade (1990) reported that in 1980, when total world used-clothes exports were 244,000 tons, worth US\$207 million,<sup>b</sup> used clothes represented about 7% by weight of total garment-equivalents (fabric plus garments) traded internationally.<sup>c</sup> By value, used clothes accounted for far less, about 0.4%.<sup>d</sup> As we noted in discussion of Table 1 (above), the 1993 percentage was probably not much different.

#### **Twenty-four net used-clothes exporting countries, 1984-'93**

Twenty-four net exporting countries over the period 1984-'93 are shown in Table A1 (in Appendix 2). The U.S. alone provided 38% of total net exports during the period, followed by Germany, Belgium-Luxembourg, Netherlands, Japan, United Kingdom, Italy, Australia, Canada, Mexico, Denmark, and then Sweden, in 12<sup>th</sup> place, with 0.9% of total net exports.

Annual data for 1984 (only) is provided in Table A2 (also in Appendix 2), showing gross exports and imports for the 19 net exporters reporting under SITC2<sup>e</sup> in that year (and for the 51 net importers).<sup>f</sup> Net weights and values are also shown, as are average prices.

<sup>a</sup>Fabric (textiles) is included because its most usual purpose is for garment production (clothes).

<sup>b</sup>For an average export value of \$0.39 per pound, or \$0.85 per kilogram.

<sup>c</sup>This was the most recent data available for Haggblade's study; we have not thought it necessary to update Haggblade's data in every detail, as we have no reason to expect any radical changes.

<sup>d</sup>Because, of course, weight-for-weight, new clothes or even textiles are worth much more than used clothes.

<sup>e</sup>SITC refers to the Standard International Trade Classification, a system of product codes which has now gone through two revisions (SITC2 and SITC3). Data reported to the UN under SITC2 can be converted into SITC1, but not vice-versa. Thus SITC1 data can pick up some countries which SITC2 data misses. Unfortunately, we were first given SITC2 data, and invested a great deal of work in it; rather than reworking new data for the entire decade, we consider it adequate for the purposes of Tables 4, A1, A2, and A10. But because countries reporting under SITC1 are missed in SITC2 data, as well as because some countries' data is considered of poor quality and thus is not reported by the UN at all, these tables under-represent total exports (and imports) and the number of exporters (and importers). To correct these problems, SITC1 data (including partner data, to pick up countries not reporting at all) is used in most other tables.

<sup>f</sup>At the bottom of the table we note that virtually all (99.96%) of exports by value also had weights reported, and that nearly as much of imports (91%) had weights reported. Missing weights cause problems in calculating average prices, but were not an especially big problem in this particular year. A bigger problem is that, of course, all exports should show up somewhere as imports, but in 1984 only 67% by weight, and 74% by value, did so (using SITC2 data). The problem, as discussed in an earlier note, is

This table clearly illustrates the fact that most net used-clothes exporters are also importers, and many net importers are also exporters: Of 19 net exporting countries, 18 had imports as well; and of 51 net importing countries, 20 had exports. Thus, in that particular year, although Denmark exported more used-clothes by weight (both gross, and net) than did Sweden, Sweden ranked 8<sup>th</sup> by net export value, above Denmark, due to having a higher average export price than Denmark. A more anomalous case is Austria, which ranked 32<sup>nd</sup> among net importers by value, but was a next exporter by weight, exporting almost twice as much as it imported. This was made possible because Austria's average import price was almost three times its average export price.<sup>a</sup>

Used clothes are in fact a mixed bag (so to speak), and cannot be treated as a uniform commodity: It appears that, in very many net-exporting countries, imports are not re-exported, but are quite a different commodity from exports, with quite a different niche in the market. This is most obvious when one considers the many cases where import prices are far higher than export prices, such as Iceland, Austria, Japan, and Ethiopia (at the bottom of Table A15 in Appendix 3). But it seems equally unlikely that Mexico, Mali, India, or China (at the top of the same table) were adding sufficient value to imported used clothes to account for their recorded export prices.

Thus, in attempting to get an overall sense of the worldwide trade in used clothes, in addition to using SITC1 data and partner data (as discussed in footnotes above), it is probably more useful to also retain data on both imports and exports for each country, rather than just netting them out. Gross export tables in Appendix 2 (to be discussed next) do just that. Similar import tables will be discussed in Chapter 2.

### **Gross exports of 127 countries or trading territories in 1990<sup>b</sup>**

Gross (not net) export figures for the single year 1990, for all countries either reporting themselves under SITC1, or reported by their partner countries, are shown in Tables A3-A5 in Appendix 2.<sup>c</sup> In 1990 there were actually 127 countries or separate trading territories with exports recorded by the UN (and 181 countries or trading territories with imports).<sup>d</sup> Thus the re-use of used clothes is clearly a worldwide phenomenon, not a one-sided export from industrial to less-developed countries.

Comparing Table A3 (1990 gross exports) with the previously discussed Table A1 (net exports for the whole period 1984-'93), we see that, although a few of the other countries have changed places, Sweden was in 12<sup>th</sup> place of gross exports in 1990

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that many importing countries were not reporting on SITC2, but rather on SITC1, or not reporting at all. We will address this problem shortly, using SITC1 data—including trading partners, to pick up those not reporting at all.

<sup>a</sup>This in itself is nothing unusual: The related problem of netting imports and exports is discussed at some length in Appendix 3.

<sup>b</sup>No 1990 data was found for the following countries or territories: Anguilla, Bhutan, British Virgin Islands, Christmas Island, Cook Islands, Falkland Islands, Iraq, Maldives, Marshall Islands, Micronesia, Mongolia, North Mariana Islands, Palau, St. Kitts-Nevis, Taiwan, Tokelau, Turks & Caicos, and Western Sahara; the absence of a listing does not necessarily mean that no trade occurred.

<sup>c</sup>Partner data is necessary in the case where, say, an importer does not report at all, or does not report in a form satisfactory to the UN, but exporters may report exporting to that country (as trade partner). Interesting differences can arise in cases where a country reports its own imports and exports, but partner countries also report exports to and imports from that country; our universal solution was to assume that the one reporting the higher total value was correct, although in retrospect, this solution was problematic, because of unrecognized differences in f.o.b. and c.i.f. values.

<sup>d</sup>Nevertheless, the increase in 1990 total export value from Table 4 above (SITC2 data) to Tables A3-A5 (SITC1 data) is not great, about 3%; the increase in (imputed) weight is greater, about 45%.

(with 1.1% of total exports), just as it was for the decade as a whole. The U.S. was also in first place, but with only 25.4% of total gross exports.<sup>a</sup>

In terms of weight per capita exported in 1990 (see Table A4), Belgium-Luxembourg was in first place with 6.6 kgs, followed distantly by the Netherlands with 3.6 kgs, and then (among others) by West Germany with 1.9 kgs, Denmark with 1.5 kgs, and Austria with 1.3 kgs. Presumably at least the first two figures reflect the presence of major re-exports, which is rather rare in the used-clothes trade, as discussed further in Appendix 3.<sup>b</sup> The U.S. was in 11<sup>th</sup> place with 0.55 kgs in 1990, and Sweden was in 13<sup>th</sup> place with 0.43 kgs.<sup>c</sup>

Despite the minor statistical problems discussed in Appendix 3, the gross export and import tables (Tables A3-A5 and A11-A13 in Appendix 2) should give somewhat more accurate prices than those reported in Table A2 (in Appendix 2) and Table A15 (in Appendix 3). Still, the variation is quite astounding: Export prices in 1990 (Table A5) ranged from highs of US\$22.67 (Burma), \$15.29 (Israel), \$12.53 (Yugoslavia), \$10.20 (El Salvador), \$9.00 (Madagascar), and \$8.86 (Niger), to lows of US\$0.27 (Austria), \$0.26 (Nauru), and \$0.04 (Mali)! Sweden was in 54<sup>th</sup> place (US\$1.42), and the U.S. was in 82<sup>nd</sup> place (\$0.91).

### ***Commercial used-clothes exporters: the “rag merchants”***

It is clear that there are large international transfers of used clothes occurring, but we have not yet explored how this is happening. As reported by Haggblade (1990) and Hansen (1994) and corroborated by many reports in the mass media, most used clothes traded internationally are initially donated by individuals to charity organizations in the industrial countries of North America, Europe and Japan. Most donated articles of clothing are initially sorted into one of at least three possible categories: those suitable for domestic resale in local “thrift shops”; those with no value other than recycling the fiber, for instance into “wiper cloths”; and those suitable for export.

The actual collection and sorting operations may be run by the charities themselves, or they may contract out these operations to professional management companies. In the U.S. at least, many thrift shops themselves—as well as the collection and sorting operations which supply them—are run by professional management companies, and there is some controversy as to whether the charities in whose names they act are getting a fair deal, or not.<sup>6</sup> But in any case, clothes which are judged not suitable for

<sup>a</sup>This probably does not indicate a decline in the relative size of U.S. exports, but rather the fact that worldwide total gross exports are much larger than total net exports, so that the U.S. portion of the former is a smaller share of a much bigger pile.

<sup>b</sup>Data in Table A15 in Appendix 3 is consistent with this hypothesis: Both Belgium-Luxembourg and the Netherlands show import prices substantially below export prices, in contrast to Sweden and many other industrial countries, which are presumably importing rather specialized used clothes for use, not for re-export.

<sup>c</sup>Haggblade (1990) noted that net exports from Belgium and the Netherlands peaked at about 0.9 kgs per capita in the late 1970s (which he took as a sort of empirical hypothetical maximum), and he noted that in 1984 the U.S. exported 0.4 kgs per capita. The figures in the text are gross exports, not net, but neither the U.S. nor Sweden is a major used-clothes importer, so there is not much difference. U.S. exports (and Swedish exports also) have continued to climb gradually, and in 1990 were still far from the hypothetical peak noted by Haggblade. However, rough estimates for more recent years (based on data in Tables 5 and 9, below) show the U.S. exporting over that hypothetical peak level in 1993 (0.99 kgs per capita), while Sweden in 1994 was far over that level (1.39 kgs per capita).



resale locally, but which are still judged to have remaining value as clothing, are generally sold, even by the biggest charities,<sup>a</sup> to “the rag merchants”.<sup>b</sup>

The rag merchants, as the name suggests, are “the domestic rag industry—a network of recyclers, rag makers, wholesalers, and used clothing exporters”.<sup>7</sup> The U.S. Council for Textile Recycling estimates that there are more than 100 commercial used-clothes exporters from the U.S. alone.<sup>8</sup> The appellation “rag merchants”, and even the subtitle of this paper,<sup>c</sup> may be a bit misleading, however: Although rags are clearly related to used clothes, used clothes are actually quite a different commodity,<sup>d</sup> and at least in U.S. exports, they are a much bigger (and growing) share of the business than rags, as illustrated by the statistics in Table 5 (below). The value of U.S. used-clothes exports has almost tripled in ten years, while rag exports have stayed virtually constant. Thus the used-clothes share of the total has grown steadily, as it has for imports as well.

**Table 5: U.S. exports and imports of used clothes and rags, 1984-'93 (US\$1000s)**

<b>exports</b>	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
used clothes	76,714	72,891	84,330	96,457	98,305	98,772	124,774	140,623	197,196	227,977
rags	65,052	60,621	58,658	60,898	65,192	55,356	49,495	47,979	61,381	64,310
total	141,766	133,512	142,988	157,355	163,497	154,128	174,269	188,602	258,577	292,287
used-clothes share	54%	55%	59%	61%	60%	64%	72%	75%	76%	78%
<b>imports</b>										
used clothes	-	-	-	-	-	3,404	4,057	3,647	4,718	5,194
rags	8,564	9,844	8,486	8,040	8,669	10,145	7,470	8,289	6,944	6,166
total	8,564	9,844	8,486	8,040	8,669	13,549	11,527	11,936	11,662	11,360
used-clothes share	?	?	?	?	?	25%	35%	31%	40%	46%

Source: U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, Commodity Analysis Branch.

Note: The lack of data for 1984-'88 used-clothes imports may not mean that no used clothes were imported; it may simply indicate missing data.

We have just seen evidence of the same discrimination of quality and potential use *within* the category of used-clothes itself. Observing the great differences in the prices of used-clothes exports and imports of different countries, we must assume that there are corresponding differences in quality, and in suitability for different purposes. Undoubtedly, such differences also exist within the exports (and imports) of any given country.<sup>e</sup>

Items of clothing which are donated to charities may be reclassified as rags if they are too worn out, but we will note (in Appendix 5) much anecdotal evidence that many donated items of clothing are of very fine quality indeed. It is just these differences that the “sieve-like action” of the commercial rag industry is designed to discover and exploit. It exploits these differences by directing particular types of clothes to particular countries at particular seasons, so that those who will value those clothes the most, and will get

<sup>a</sup>Like the Salvation Army and Goodwill Industries in the U.S., both of which operate their own chains of thrift shops and often provide vocational training as project aid in those operations; funds raised from the sale for export of locally unsalable used clothes also generally go to support the charities' projects.

<sup>b</sup>Some used clothing may also be given away as project aid to needy individuals locally, but according to Haggblade 1990 ( p. 510), 75% is estimated to find its way to the rag industry.

<sup>c</sup>“The political economy of rags”.

<sup>d</sup>Used clothes are SITC1 code 267.01, or SITC2 code 269.01, whereas rags are SITC1 code 267.02, or SITC2 code 269.02. Rags may be used to manufacture “wiper cloths” or may be used or recycled in other ways; used clothes, on the other hand, are mainly sold to be used again as clothes.

<sup>e</sup>We will shortly see evidence for this assertion with regard to Swedish exports and imports.

the most benefit from them, will in fact have the opportunity to do so. (We leave aside for now the question of ability to pay, to which we shall return much later in the paper.<sup>a</sup>) In the process, naturally, the “rag merchants”—including all the in-country handlers and dealers yet to be described—presumably maximize their profits. (We will explore in-country commercial distribution in-depth in the next chapter.)

In any event, the rag industry “sifts, sorts, shuffles, reshapes, bales and ultimately ships a portion of what it gets overseas as used clothing.<sup>b</sup> Emerging from the sieve-like action of the rag industry is second-hand clothing sorted by fabric, garment, and sometimes by size. Thus individual used clothing bales might contain men’s short-sleeved cotton shirts, or synthetic dresses, or boy’s shorts, or baby clothes, or blue jeans. The sorting allows exporters to target countries and seasons, thereby increasing both the value of their exports and their ability to coordinate demand and supply patterns. After binding like items together, most commonly in 45-kilogram (100 pound) bales, exporters ship them abroad by the ton.”<sup>9</sup> According to all available reports, they generally do not clean extensively, repair, or restyle clothes for export; these functions are performed in the destination country, and thus provide employment and income there.

### **Charitable used-clothes (and other) exports**

Although most used-clothes exports worldwide are handled through commercial channels similar to those described above, there are significant charitable shipments as well. Data on such shipments is not kept separately by the United Nations, nor by other international bodies, but data for the U.S. alone is given in Table 6 below, showing recent private charitable shipments of food, pharmaceuticals, and all other goods, in addition to wearing apparel. Wearing apparel seems to constitute 8-10% of total U.S. private charitable exports, while the charitable share of total U.S. used-clothes exports is 17-21%. Because the U.S. is the largest single exporter of used clothes, this data may give a rough indication of the relative share of charitable exports in total used-clothes exports worldwide.

**Table 6: U.S. private charitable exports, including food, wearing apparel, pharmaceuticals, and all other goods, 1990-'94 (US\$1000s)**

	1990 share		1991 share		1992 share		1993 share		1994 share	
food	13,518	6%	14,354	4%	74,780	17%	35,205	8%	25,455	5%
wearing apparel	21,824	10%	27,546	8%	38,186	8%	38,933	8%	41,589	9%
pharmaceuticals	87,405	39%	123,939	36%	134,461	30%	155,336	33%	181,246	38%
all other goods	100,874	45%	179,081	52%	203,743	45%	237,037	51%	228,003	48%
total private charitable exports	223,621		344,920		451,170		466,511		476,293	
total used-clothes exports	124,774		140,623		197,196		227,977		197,327	
charitable share	17%		20%		19%		17%		21%	

Source: U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, Commodity Analysis Branch.

Note: Only goods “donated for relief or charity by individuals or private agencies” are included here. Wearing apparel includes footwear and other wearable items, in addition to used clothes.

The definition of the term “charitable exports” is open to question, however: Many less-developed countries classify goods as charitable imports only if they are given away rather than sold; but we will see that much, and perhaps most, used-clothes imports, even on behalf of charitable organizations, are in fact sold when they arrive in-country.

<sup>a</sup>The question we have been asked to discuss is not *whether* we should help poor people (which we assume to be the case), but rather, whether subsidizing freight for used-clothes exports is the most efficient way to do so.

<sup>b</sup>What it *cannot* sell as used clothes, either domestically or overseas, it may sell as rags.

Thus, although goods may be “donated for relief or charity”, they may in fact be sold initially; it is also suggested by some that most of the used clothes that are, in fact, given away initially, nevertheless enter the market later.<sup>a</sup>

### **Sweden's used-clothes collections, exports, and imports**

In 1992, Sweden imported 77,000 metric tons of new clothing (see Table 7, below), and almost as much fiber, yarn, and fabric (combined).

**Table 7: Sweden's 1992 production, import, export, and net supply, of fiber, yarn, fabric, and clothing (1000 kgs)**

	wool fiber	cotton fiber	yarn	fabric	clothing	homemade fabric
production	-	-	9,030	9,470	?	?
imports	420	11,900	24,600	22,300	77,000	-
less exports	-	-	4,150	10,600	?	-
net supply	420	11,900	29,480	21,170	77,000	?

Source: Statens Naturvårdsverk (Swedish Environmental Protection Agency), 1995, p. 4 (from SCB).

The Swedish Environmental Protection Agency is concerned to know what happens to all the clothes, textiles, etc., after people in Sweden have finished using them. They state the following specific concerns:<sup>10</sup>

“Cotton is the most common raw material for textiles, and cotton is one of the most pesticide-intensive fibres in terms of its cultivation. Other environmental problems in traditional cotton growing include high water consumption, soil deterioration, and competition with food production.

“The textile industry itself is characterized by numerous different mechanical and chemical processes. A host of different chemicals are used in raw material preparation. The quantity of chemicals used is also great, in many cases several hundred grams per kilogram of textile. The processes give rise to a contaminated process water, which can have high environmental impact.”

The Swedish EPA reports estimates that, in the U.S. and Western Europe generally, 3-5% of household waste is textiles (including used clothes), which are typically burnt or buried, according to the normal method of trash-disposal in the various localities.<sup>11</sup> In Sweden, the association of sanitation departments estimated that, for 1993, household trash consisted of about 302 kgs per inhabitant, of which about 2% was textiles, which works out to about 51,000 metric tons of used textiles in the trash. Another estimate was in the range of 50-100,000 tons.<sup>12</sup>

In addition, significant amounts of used clothes are collected every year by various charitable organizations in Sweden, as elsewhere, partly for resale locally, and partly for export. According to collection estimates from the various organizations involved (shown in Table 8, below), about 10% is resold locally, roughly the same amount is considered waste, and about 80% is exported. The organizations also estimate 390 tons of shoes exported.

<sup>a</sup>Since, as we will see later, charitable shipments of used clothes are often not sorted as thoroughly and carefully as are most commercial shipments, we also cannot assume that they are being allocated to their “highest and best” use, as a functioning market would tend to do.

**Table 8: Sweden's 1994 used-clothes collections, resales, and exports (1000 kgs)**

	collected	resold	exported	waste
UFF (Development Aid from People to People)	4,805	720	3,322	763
Praktisk Solidaritet (Practical Solidarity) <sup>a</sup>	3,686	153	3,273	260
Myrorna/Frälsningsarmén (Salvation Army)	2,850	450	1,950	450
Röda Korset (Red Cross)	2,682	100	2,382	200
other	904	-	904	-
<b>total</b>	<b>14,927</b>	<b>1,423</b>	<b>11,831</b>	<b>1,673</b>

Source: Adapted from Statens Naturvårdsverk (Swedish Environmental Protection Agency), 1995, p. 22 and Appendix 4.

By far the most popular collection method among the organizations is in neighborhood containers (about 66% by weight overall);<sup>13</sup> other methods for some organizations include collections at their thrift shops, and pick-ups at home or at workplaces. Collection, sorting, and packing costs are estimated from SEK 3.80-5.50/kg, or in the neighborhood of US\$0.57-0.83.<sup>14</sup>

Adding weights of used clothes collected to estimates of textiles in household trash, we find that 65,000 tons or more of used clothes and textiles are disposed of each year in Sweden, or about 8 kgs per inhabitant. This estimate is consistent with estimates from Germany and the Netherlands of 8-10 kgs of clothes consumed per inhabitant per year, and is also consistent with the figure of 77,000 tons of new clothes imported into Sweden each year. Thus it appears that about 19% of the amount of new clothes imported into Sweden annually is collected by charitable organizations for re-use, and 80% of that amount (about 15% of total imports) is exported. The EPA's goal is that more used clothing and used textiles should be collected for re-use or recycling, and all of the collecting organizations indicate that they could increase their collections, although noting that financing for further investments in collection facilities would be required.

Table 9 (below) shows recent Swedish used-clothes exports, which have grown markedly during the last five years, especially in terms of total weight exported. Average prices, based on the values reported, vary considerably, but may reflect arbitrary valuation methods, rather than market values.

**Table 9: Sweden's used-clothes exports, 1984-'94**

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
reported value (US\$1000s)	2,505	2,160	2,346	2,080	2,093	2,846	5,210	5,599	9,568	5,812	6,233
reported weight (1000 kgs)	3,670	2,746	3,334	2,662	2,337	2,477	3,647	5,165	8,372	9,180	11,831
average price (US\$/kg)	\$0.68	\$0.79	\$0.70	\$0.78	\$0.90	\$1.15	\$1.43	\$1.08	\$1.14	\$0.63	\$0.53

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Swedish exports go to an amazing variety of destinations (89 in 1994), including many industrial countries, as well as many less-developed ones; 1994 exports ranked by weight, value, and price are shown in Tables A6, A7, and A8, respectively (in Appendix 2). Weights probably give a better indication of overall importance, because pricing (or valuation) methods of the various organizations involved may be somewhat arbitrary, since much of the goods may not have been handled with normal commercial procedures.

<sup>a</sup>Praktisk Solidaritet is an umbrella organization composed of Brödet & Fiskarna and the regional Emmaus organizations, as well as some smaller groups.

Africa remains an important destination for used clothes from Sweden: By weight (Table A6), Mozambique is in third place, and Angola in seventh. The other big recipients are now all in Europe, however: Estonia is in first place, followed by Latvia, Yugoslavia, Russia, Lithuania, Poland, Finland, and Croatia.

Nicaragua, which is first in reported value (Table A7), is eleventh by weight. By value, the U.S. is sixth, and Germany eighth; these are presumably not charitable exports arbitrarily priced, and thus may represent market values.

By price (Table A8), Australia ranks first at US\$49.00/kg, followed by Canada (\$21/kg), Cyprus, India, China, Hong Kong, Ethiopia, Honduras, El Salvador, Bolivia, the U.S., Norway, France, Japan, and Nicaragua.

Sweden's sources of used-clothes imports (16 in 1994) show a similar diversity, and considerable variation in price as well (see Table A9 in Appendix 2). Although there were exports to China, Ethiopia, and Poland in 1994, there were also imports from those countries. Similarly, there were both exports to and imports from Austria, Denmark, Finland, France, Germany, Hong Kong, the Netherlands, Norway, Saudi Arabia, Singapore, the United Kingdom, and the U.S. By weight, Sweden imported about 5% of the amount of used clothes that it exported; by value, about 10%. Import prices averaged US\$1.21, somewhat more than twice the average export price, and ranged from \$7.57 (U.S.) and \$5.00 (UK), to \$0.56 (Norway) and \$0.50 (Austria).

### **Summary and conclusions**

#### ***Well-functioning international commercial markets; stable and growing supply; Sweden plays a small role in worldwide exports***

Used-clothes exports are a small and fairly constant proportion of world trade in textiles and new clothing. The international market appears to be extremely competitive, with many players: many firms and organizations exporting used clothes from many countries. Supply has been growing steadily for decades, and there is no reason to think that it will decline; if anything, it will continue to grow. Thus as more and more new clothes are exported from less-developed countries to industrial ones, a fairly constant proportion of them find their way back as used clothes. However, trade in used-clothes is by no means uni-directional; used clothes are traded: between industrial countries; between less-developed countries; and from less-developed to industrial countries; as well as the other way around.

The Swedish role in total exports is rather small, as one would expect based on its relative population. Thus, on the one hand, Swedish freight subsidies, if continued, will have a relatively small direct economic effect in the overall scheme of things; but, on the other hand, there is an extremely active commercial market for used clothes throughout Europe, so that it should not be at all difficult for Swedish NGOs to change their mode of operation—in other words, selling into that commercial network, or learning from their methods—if they should wish to do so.

## Chapter 2: Used-Clothes Imports

Naturally, some countries and areas import far more used clothes than others, ranging in 1980 from a high of 33.8% (by weight, of all clothes and fabric imported) for Sub-Saharan Africa, to 10.8% for less-developed Asia, 7.3% for North Africa and the Middle East, and 1.8% for Latin America. Included in these averages were highs at that time over 50% for Bangladesh, Zaire, Mali and Tanzania. The value-shares of used-clothes imports (as percentages of all clothes and fabric imported) were of course much lower, ranging from a high of 5.0% for Sub-Saharan Africa, to 1.2% for less-developed Asia, 0.6% for North Africa and the Middle East, and 0.5% for Latin America.<sup>15</sup>

Including domestic production as well, Haggblade calculated that "in 1980 second-hand apparel accounted for roughly 10% of all garments acquired in Bangladesh, Pakistan and the Southern African Customs Union countries... [while] the used clothing share rose to 20-30% in Benin, Ghana, Togo and Zaire, and it exceeded 50% in Haiti and Rwanda."<sup>16</sup>

Although some countries and areas account for large proportions of total used-clothes imports, the trade is highly diversified, even moreso that exports. Worldwide, in the decade 1984-'93 there were 90 net used-clothes importing countries reporting on SITC2. But, as we have already seen, Sweden alone had 89 recipients for used-clothes exports in 1994. SITC1 and partner data shows that worldwide, in the single year 1990, there were actually twice that many gross importers.

### ***Ninety net used-clothes importing countries, 1984-'93***

Ninety net importing countries during the period 1984-'93 are shown in Table A10 (in Appendix 2).<sup>a</sup> In the period, Pakistan was by far the largest net importer, followed, perhaps surprisingly, by Hong Kong. African, Asian, and Latin American LDCs took up the next five places, followed by France and then Spain. The next ten places again were mostly African, Asian, and Latin American LDCs, but Poland and Hungary had also already moved into the top twenty.

### ***Gross imports of 181 countries or trading territories in 1990***

As discussed in the previous chapter, a much fuller understanding can be gained from seeing data on gross imports. We already looked briefly at 1984 SITC2 import data in Chapter 1 (Table A2 in Appendix 2). Tables A11-A13 show 1990 imports for all countries reporting using SITC1, plus their partner countries and territories: 181 in all.<sup>b</sup>

In 1990, France-Monaco was the biggest gross used-clothes importer by value (US\$33,646,000, see Table A11 in Appendix 2), followed by Belgium-Luxembourg, Pakistan, Netherlands, Tunisia, Hong Kong, Togo, Benin, Singapore, and Zaire. The

<sup>a</sup>Missing countries may have had net imports but may have reported data based on an earlier revision of the SITC code (SITC1), or may not have reported data up to the UN's standards, or may not have reported at all. There are also undoubtedly inaccuracies regarding the existing data in this and many of the other tables herein, due both to unreported, illegally-traded goods, and to under-valued goods; the magnitude of these inaccuracies would of course be difficult to measure.

<sup>b</sup>No 1990 data was found for the following countries or territories: Anguilla, Bhutan, British Virgin Islands, Christmas Island, Cook Islands, Falkland Islands, Iraq, Maldives, Marshall Islands, Micronesia, Mongolia, North Mariana Islands, Palau, St. Kitts-Nevis, Taiwan, Tokelau, Turks & Caicos, and Western Sahara; the absence of a listing does not necessarily mean that no trade occurred.

U.S. was in 30<sup>th</sup> place, and Sweden in 53<sup>rd</sup> place (US\$1,997,000). By weight (not ranked on a separate table), Pakistan was in first place, followed by the Netherlands, both with much lower average import prices than Belgium-Luxembourg or France, which came next; Tunisia was again in fifth place, but Italy and India had joined Singapore, Hong Kong and Zaire in rounding out the top ten.

Djibouti had the highest imports per capita with 11.1 kgs (see Table A12 in Appendix 2), followed by Singapore, Equatorial Guinea, Belgium-Luxembourg, Netherlands, St. Helena, Togo, Benin, Tunisia, São Tomé & Príncipe, Hong Kong, Jordan, Lebanon, Gabon, Belize, Macau, and Niue, all with at least one kilogram per person. De Valk (1992) reported that total annual textile "demand per capita [in Kenya] can be taken as approximately 0.9 kgs, corresponding with about 4.5 square meters." All of the countries listed immediately above imported more than that quantity of used clothes alone in 1990 (re-exports may account for some of the unexpectedly high figures, of course). Haggblade (1990) reported that "at 0.13 kilograms per capita in 1980, Sub-Saharan Africa imported approximately one used garment for every third citizen." In 1990, 78 of the 181 reported importing countries or territories imported at that level or higher. Sweden was in 101<sup>st</sup> place with 0.056 kgs, and the U.S. was 137<sup>th</sup> with 0.008 kgs.

In the previous chapter we noted the extreme variation in used-clothes import and export prices; in 1990, Bahrain had the highest import price (US\$30, see Table A13 in Appendix 2), twice as high as Oman (\$15) and three times as high as third place Gibraltar (\$10.50). Japan (\$9.43), Guadeloupe (\$9.09), Suriname (\$7.42), Bahamas, New Caledonia, Reunion, and Panama rounded out the top ten. Sweden was in 18<sup>th</sup> place (US\$4.14), while the U.S. was in 32<sup>nd</sup> place (\$2.84). At the low end were Bangladesh (US\$0.41), Netherlands (\$0.40), Pakistan (which imported the most weight) and Nepal (both at \$0.38), Morocco (\$0.35), and Macau (\$0.33).

How are all these used clothes distributed once they are imported into (mostly) less-developed countries? Both economist Haggblade (regarding Rwanda before its recent civil war) and anthropologist Karen Tranberg Hansen (regarding Zambia) provide fascinating glimpses of the process.

### ***Distribution of used clothes in Rwanda***

Haggblade (1990) reported<sup>17</sup> that in Rwanda the process "begins with the country's 14 used clothing importers, who order their merchandise in 45 kilogram bales, requesting the garments and fabric they believe will sell most readily at each time of year. They then sell the bales, unopened, to one of 40 wholesalers who stock them around the country. The wholesalers operate substantial businesses, commonly holding inventories on the order of 300 to 500 bales at any one time. They in turn sell their bales, still unbroken, to distributors."

Haggblade continued: "Distributors buy one to five bales at a time, immediately transporting the bales, by wheelbarrow or truck, to the outdoor public markets where used clothing is retailed. Shortly after daybreak, they break open the bales in one section of the market reserved for that purpose. They then referee a wild *mêlée* in which prospective retailers swarm over the merchandise to select the prime articles for resale. Requiring considerable time and vigilance, the sorting involves lengthy haggling between distributors and retailers. Distributors, about 700 nation-wide, often retail the unsold residual directly to consumers.

"Before displaying their wares, retailers must prepare the used clothing for sale. They contract with market tailors to effect any necessary repair work or fashion-induced

alterations that would improve the value of their merchandise. The retailers then clean and iron their new stock or hire others to perform these services. This activity attracts a phalanx of push-pedal sewing machines, coal-fired clothes irons and washing basins which align the perimeter of the large used clothing markets.

“When their merchandise is presentable, retailers display it in outdoor markets run by local authorities. In the largest markets, used clothing retailers often specialize—in shirts, pants or dresses—which they peddle from cement booths shaded by corrugated metal roofs. While middle-sized markets offer raised wooden platforms on which clothing can be displayed up off the ground, retailers in the smallest markets display their used clothing stock on the ground on top of the heavy canvas bale covers. In the medium and small markets, individual vendors offer a department-store range of garments which they bundle in canvas bale covers and haul by bicycle or public transport from one market to another. In all settings, retailing demands assiduous attention because of the potential for theft and because of customers’ propensity to sift carefully through merchandise at many establishments before committing to a purchase. Approximately 4,700 enterprises retail used clothing in Rwanda’s public markets.”

### ***Distribution of used clothes in Zambia***

With reference to Zambia, Hansen (1994) reported<sup>18</sup> that “most of the used clothing currently sold in local markets is imported by fifteen to twenty trading firms and their up-country outlets. Charitable organizations also import used clothing and are exempt from customs and duties if their goods are not sold for profit. The volume of second-hand clothing imported by charitable organizations, and the extent to which donated clothing is sold for profit, are difficult to estimate.”

Referring to the importers, Hansen said that “some have established links with the textile manufacturing, dry goods, and transport businesses. These importers purchase used apparel from dealers in the U.S., Canada, the United Kingdom and several countries in Europe which includes not only garments but also shoes, handbags, towels, sheets, blankets and draperies. A small proportion is new, mostly factory overruns and canceled orders, but most of it is used clothing, bought by textile salvagers at bulk rates from charities in the West. A good deal of clothing that does not sell in charity shops is purchased cheaply by dealers, fumigated, sorted, packed into bales and shipped to Third World destinations.

“Used clothing is exported in standard containers which hold 200 or 400 bales weighing 45 kgs. Most dealers used 45 kg bales, but some prefer 150 kg or 300 kg bales. The containers are shipped to Zambia via Dar es Salaam [Tanzania], Durban [South Africa] and Beira [Mozambique]. Importers and clearing agents complain of pilferage at Dar, the red tape involved in port clearance, and port storage charges. In 1992, Durban was the preferred port of entry. Used clothing is competitively priced. The figures vary from US\$0.44 per pound<sup>a</sup> c.i.f. (cost, insurance, freight) to a designated port from a Canadian dealer (May 1991) to US\$2.77 per kg c.i.f. to a designated port from an Australian dealer (July 1992). Port clearance fees, port storage, transportation charges, a variety of fees, sales tax, and customs duties considerably increase the cost.

“Although importers of used clothing complain of rising costs and uneven quality of merchandise, they recognize that demand and competition are increasing. Several

<sup>a</sup>At 2.2 pounds per kilogram, \$0.44 per pound equals \$0.97/kg.



importers hope to find new suppliers of quality goods and complain about uneven quality, especially of the U.S. merchandise—particularly faded, torn, and cut jeans. They also noted that the West's cold-weather clothing only sells well during June and July, the cold months in Zambia. Some considered Australia a potential source of clothing suitable for a warm climate.

"Importers pass their risks on to local buyers, who have no guarantee of the quality of the bale's contents. When purchasing a bale from an importer's warehouse outlet, the buyer selects the type of fabric (cotton, polyester, or 'wool')<sup>a</sup> and clothing: for example, *changa changa* (mixed children's wear); girl's or women's dresses, skirts, jackets, or trousers. There are also bales with mixed fabrics, as well as bales with assorted items, e.g., women's wear. The bales are sold unopened, but some dealers allow buyers to inspect the plastic wrap and the metal straps to determine if the bale has been tampered with. Looking through the plastic wrap at the variety of colors and prints, the buyer makes a selection. After the buyer has decided, some dealers open the plastic cover to allow the buyer a closer look and feel. Of course this does not guarantee quality, and buyers complain of the many damaged, torn, faded and worn clothes in the bales.

"The price of a 45 kg bale in 1992 ranged between K15,000 (jerseys), K30,000 (blouses) and K45,000 (jackets), depending on the type of garment and fabric.<sup>b</sup> Prices increase steadily as importers adjust their prices in response to higher costs and Zambia's rapid inflation. Toward the end of June, for instance, a 45 kg bale of women's 'silk' (polyester) blouses cost K34,000. It soon increased to K36,000 and then to K40,000, and by mid-August the same importer charged K42,000 for a 45 kg bale of women's 'silk' blouses.

"Trade in used clothing is large and growing in local markets, village shops, and with itinerant traders on bicycles. The *salaula* section<sup>c</sup> in markets is many times larger than the food section in Lusaka and provincial towns. Every township in Lusaka has its *salaula* market; the busiest are at Kamwala and Soweto. Each of these markets has an inside and an outside *salaula* section. The inside section consists of covered stalls or small shops; the outside section consists of demarcated plots on which traders build intricate displays for their goods, or sell them from a pile on the ground. The outside section is the larger and busier place.

"*Salaula* traders are young and old, women and men, with different educational and employment histories and from many ethnic groups. Women slightly outnumber men...<sup>da</sup>

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<sup>a</sup>Hansen footnotes as follows: "'Wool', 'silk', and 'crimplene' are among the categories into which textile salvagers sort used clothing. 'Wool' includes garments with a mixture of wool and artificial fiber. Garments of pure wool are sorted for export to Italy, a chief recycler of wool products in today's textile world economy. 'Silk' refers to garments made mainly of polyester and other man-made fibers, and 'crimplene' refers to polyester knits."

<sup>b</sup>Hansen footnotes that "the *kwacha* equivalents of one U.S. dollar changed during the duration of this research from K155 in June of 1992, to K174 in July, and K186 in September." Using an average of 170 *kwacha* per dollar, jerseys thus cost \$1.96 per kg, blouses \$3.92, and jackets \$5.88, at this stage of the distribution process.

<sup>c</sup>*Salaula* "means 'to select from a pile' in Bemba"; another term used is "*kaunjika*, which means 'to pick' in Nyanja"—Hansen 1994, p. 506.

<sup>d</sup>Hansen continues here with a detailed description of individual traders and trader categories.

“Earnings from salaula sales differ widely and depend on factors such as location, volume, type of clothing, business practices and competing demands on the trader’s time and labor...<sup>b</sup>

“People from all walks of life explore salaula markets. Some come with a view to buy in order to resell; others are on the lookout for that special item to complement their wardrobe. But the majority come to purchase the bulk of their household’s clothing. Buying for the purpose of reselling occurs in at least two ways. The method of ‘one-one’ involves selecting individual items that are priced separately, usually after a bale has been opened. At that point a crowd of customers fight for the best items, and some select particular garments to resell.

“Buying with a view to reselling is also done ‘on order’, especially by rural visitors who subsequently sell their goods in the villages. Buying ‘on-order’ means buying several garments at a reduced rate. Often these are items that do not sell well in town. During the winter season Zimbabwean women and men travel to Lusaka to purchase cold-weather clothing—coats, jackets, ‘wool’ skirts, and jerseys. To finance their trips and obtain Zambian currency, they bring Zimbabwean products that are of better quality or scarce in Zambia, such as blankets, bath soap, tennis shoes, and fashion knitwear. They sell their Zimbabwean goods to traders in Kamwala and Soweto markets and purchase salaula with the Zambian currency earned by these sales. Or they exchange their goods directly for salaula without any cash transaction.

“Items that do not sell well in the city are brought by rural people or taken to the countryside by urban traders for sale or exchange. Such items include crimplene (polyester knit) garments, men’s trousers in bright colors like red, green, and yellow, men’s trousers and jackets of fabrics with large checks, and faded, torn and damaged items. Some traders make occasional rural trips and bring back chickens, fish, or produce... [while] villagers go to town particularly to purchase salaula for resale in rural areas...

“Customers evaluate their merchandise when purchasing a bale from a dealer by scrutinizing the plastic wrap and the metal straps to ensure that the bale has not been tampered with. Dealers who import bales larger than the standard ones open, sort and rebale items into 45 kg bales. Some Indian dealers are said to remove choice items in the process of rebaling; clothing presorted in this way is said to end up in shops. The customer’s scrutiny in the dealer’s warehouse reflects the preference for bales whose contents are fresh from their western source, untouched by dealer interference, and thus offering a range of ‘new’ items.

“The concern with ‘newness’ is particularly evident on ‘opening day’, when a bale is broken up for resale. At this point, it is important that garments have not been meddled with, and traders and customers prefer to open a bale publicly, enabling customers to select on the spot. A bale that is opened in the market is considered to contain new

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<sup>a</sup>Rona Alexander of Oxfam notes: “Employment is created by the second-hand clothes industry as well as damaged by it—so who are the winners and losers? Preliminary indications are that in some countries the trade creates employment opportunities for women”—personal communication, May 1995.

<sup>b</sup>Here Hansen describes why it is difficult to make “profits” in this business, because, among other things, “other claims on the earnings make it difficult...” There seems to be a confusion of the lack of profits (or the lack of retained earnings for investment) with the fact that the profits—or, indeed, returns to labor—have been spent for other purposes—which she also recognizes: “Many explained that there is ‘no use in keeping books because we don’t see the money,’ which is to say that earnings from salaula readily disappear into the daily consumption budget.”

clothes. If it is opened privately, the trader might put aside choice items, causing customers to suspect that they are being presented with a second cut, and not new clothing.

“Both traders and customers are concerned with quality and style. These concerns prompt extensive recycling. Items made of fabrics that do not sell easily, for example crimplene, are turned into a variety of new garments. Crimplene trousers are remade into boys’ shorts and girls’ dresses. Sweaters are unraveled and the yarn re-used to crochet or knit baby blankets, jerseys, and rugs. Curtain material with colorful prints is made into women’s dresses and suits, draperies with metallic sheen become men’s trousers, and curtain lace ends up as trains of wedding gowns. The small-scale tailors who used to sew everyday garments have recouped lost business by repairing and altering salaula. Traders and customers bring men’s trousers in large sizes to the tailor to alter and restyle with pleats at the waist, back pockets, and pegged bottoms. Tailors also sew up vents on men’s jackets and turn single-breasted jackets into double-breasted *chilubas*...<sup>a</sup>

“Some salaula is sold in more exclusive shops, such as the Carroussel Botique [sic]... [which] advertises its line of ‘imported cloths’ in styles of ‘London Wise’... Their shop features cleaned, pressed and restyled clothing at prices slightly higher than elsewhere in the market. According to the owners, everyone knows this shop, and customers come from all over town to buy ‘the latest’, especially nicely restyled *chilubas*. Emblematic of changes following president Frederick Chiluba’s take-over from Kenneth Kaunda, the *chiluba* suit’s replacement of Kaunda’s rigid Mao-inspired uniform tells a story of the opening up of society, of new opportunities, and above all, of the common man’s access. ‘The common man’ was the previous regime’s term for the masses. In short, salaula implies choice and possibility, of better lives being with reach...”

### **Summary and conclusions**

#### ***Imports primarily to LDCs; well-functioning domestic used-clothes markets; lots of employment generated***

Although most used-clothes exports go to LDCs (in 1990, about 70% by value, much more by weight), and perhaps most tend to go to the poorest countries among them, still the trade is extremely diverse, with many major importers among the industrial nations. That most exports go to LDCs is no surprise; it is totally consistent with micro-data reported in Haggblade’s study<sup>19</sup>—which we will review shortly—supporting the notion of used clothes as a generally inferior good: That is, as incomes go up (beyond a rather low threshold), people tend to buy less used clothes, rather than more. But it is somewhat surprising that there are such voluminous used-clothes imports into industrial countries, though the major instances may be accounted for largely by re-exporting and recycling. Nevertheless, as we noted in the previous chapter, there is great variation of

<sup>a</sup>The extent of “restyling” in less-developed countries is also attested to by Tom De Herdt of the University of Antwerp, based on his research on the textile sector in Bukavu-Zaire: “Used clothes’ are not necessarily used as clothes in the third world; many used clothes coming from abroad are ‘deconstructed’ by local artisans, in order to use the components in ‘new’ clothes... These [small] enterprises appear to be the most efficient in the sector...” And Ben Blevins-Salic says regarding Guatemala: “[Used clothing] creates a cottage industry for many Guatemalans, like [his] wife’s family. They make alterations in the clothes and sell them on the local market, or cut up used clothes for material, which is much less expensive than buying new material for making new clothes. The trade in used clothes is to-scale for the locals, and they can raise sufficient capital to fund such an operation. To produce clothes from new materials and put together a distribution network is only for the very small elite with access to much more capital.”—personal communications, April 1995.

quality and purpose (and price) within the general category of “used clothes”, and it is apparent that they are not *just* an inferior good, but can also be a fashion statement, for instance—and this is just as true in LDCs as in industrial countries.

According to widespread evidence, there seem to be very well-functioning domestic used-clothes markets in most LDCs, and lots of employment generated. The sorting which is first carried out by NGOs or commercial exporters in industrial countries is carried many steps further in less-developed countries, and in the process used clothes are cleaned, repaired, restyled, and distributed hither and yon, according to highest market value and, presumably, best purpose.



### Chapter 3: The General Context of the Used-Clothes Trade

This chapter deals with popular (producer, labor union and mass media) and governmental attitudes to the voluminous used-clothes trade we have just looked at, pointing out that there are some very strong negative feelings towards used-clothes markets in some parts of the Third World (and elsewhere); but also showing that national governments have not generally succumbed to pressure to restrict imports in any extraordinary way, and in fact the trend seems to be the other way, towards opening markets. While we believe it is important to understand this context for world used-clothes trade, none of this chapter is essential for understanding our specific conclusions regarding subsidies for used-clothes exports. (The parts describing producer, labor union and mass media attitudes should certainly put up a warning flag about such subsidies, however.) The next chapter deals with NGO attitudes towards and involvement in the used-clothes trade, and may thus be the most directly relevant to our final conclusions.

We noted in the Introduction that there are four possible sets of answers to the questions whether used-clothes imports generally, and subsidies thereon specifically, were good or bad (Table 0 from the Introduction is repeated as Table 10, below). There are strong intuitive arguments for both extreme positions (columns 1 and 4). On the one hand, sending surplus used clothes to less-developed countries may provide a low-cost income-transfer which actually contributes to building productive capacity, by increasing the stock of human capital in the form of better-clothed workers (this might be the position represented by column 1, especially the bottom half). Other used goods which may be donated, such as used agricultural or medical equipment, bicycles, computers or books, may even more obviously contribute to capital accumulation, and thus to the development of productive capacity.

**Table 10: Qualitative effects of used-clothes imports, and of subsidies thereon**

effects of:	1	2	3	4
used-clothes imports	good	good	bad	bad
subsidies thereon	better	bad (not the best)	good (in catastrophes)	worse

If supplies are consistent and not wildly fluctuating (especially for any necessary goods), so that dependence does not lead to disruption and further hardship, then one could consider used clothes like any other goods, assuming that countries should produce their products of comparative advantage, and import the rest (this position is represented by the top of columns 1 and 2). Of course there may be social costs as established industries adjust to cheaper imports, but in the long-run these costs should be more than compensated for by increased productivity and income. And, assuming that freight and transaction costs are properly accounted for, there would certainly seem to be some environmental benefits from using still-serviceable goods (including surplus used clothes), rather than disposing of them, and manufacturing more elsewhere on our ecologically-strained planet.<sup>a</sup>

<sup>a</sup>Indeed, this goes to the heart of our understanding of economics itself: Is it better to produce and consume more, or to have wealth? For instance, would it be better to have clothes which wore out daily, thus requiring more production and consumption, or to have wealth in the form of clothes which lasted

However, others point out the disincentive effects on production, in which workers lose jobs and income when cheap imports suddenly become widely available. Thus they would argue against subsidization of exports, and perhaps in favor of tariffs or outright bans on imports (this would be column 4). Still others might argue that, although there may currently be no local textile or clothing industry to protect, development of such industries is a necessary first step in industrial development—or is one of the most convenient and beneficial industries to begin with, given that it requires relatively little capital to enter, and that clothing may claim a major share of the household budget in economies where incomes are low—and that there may be extra advantages in the form of skills and experience gained. Thus they might argue that imports must be banned (and certainly not subsidized), in order to promote the development of “infant industries”.

A further range of controversy concerns the commercial export of used clothes which have been initially donated to charities in industrial countries. Donors may not realize that their donated clothes are being sold on the market, rather than being given away free to the poorest of the poor. To state it simply, the question is whether there is a place for market-based, profit-motivated businesses in the distribution of donated used clothes, or whether all steps in the process should be on a nonprofit basis. Although this question does not seem very closely related to the most specific question we have been asked to address, whether exports of used clothes directly by charitable NGOs should be subsidized by Sida, the issues it raises may prove enlightening as well, and we will investigate them further below. A philosophical note on the origin of markets, and their social and political context, is included in Appendix 4.

Because used-clothes exports arouse such strong feelings and contradictory arguments, this report may be of interest not only to Sida, but perhaps to Swedish NGOs, and possibly even to LDC governments and textile and clothing producers (including labor unions) as well. Consequently, within the basic framework of our terms of reference, we will attempt a fairly full exploration of the broad context of used-clothes exports and, throughout, will attempt to explain economic terms, theory and methodology somewhat thoroughly.

This is an economic study but, although we have specifically been asked to consider “effects on income distribution, employment, institutional structure, environment, etc.”, including “effects on supply and demand, growth effects, and other long-term effects on production and the production structure”, we have also been asked to consider “other questions that might come up during the course of the work and that might seem relevant.”<sup>20</sup>

Thus we will also try to identify and categorize some of the more important non-market factors—such as social and political factors—which should also concern us. For instance, one motivation for NGO and Sida involvement in used-clothes exports may be a feeling of solidarity (social bonds or identity), on the part of the Swedish people, with people in less-developed countries. On the other hand, particular countries may choose to ban used-clothes imports (legally and politically; or to impose high tariffs on used-clothes imports), possibly because of their effects on particular power groups in those countries, regardless of any overall economic benefits that might be possible from imports. Or, although not limiting used-clothes imports, powerful groups in some

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longer and were consumed more slowly, thus allowing effort to be expended on other goods and services? Upon reflection, the answer to this question, at least, seems clear.

countries might be offended by them for various cultural reasons, especially if they were to be subsidized as part of “development assistance”.

We have just seen (in Chapters 1 and 2, above) that there are very substantial worldwide flows of used clothes, and that lots of them are ending up in less-developed countries. Although over time those flows seem to constitute a fairly constant share of total worldwide trade in textiles and clothing, they nevertheless have been increasing dramatically in absolute terms, more than doubling over the past decade, for instance. Flows of new textiles and clothing in the opposite direction, from LDCs to industrial countries, have been increasing equally dramatically over the same period. Still, we can understand that there might be protectionist sentiment aimed against used-clothes imports in less-developed countries, just as there is a history of protectionist sentiment aimed against new-clothes imports in industrial countries (witness the history of the Multi-Fiber Arrangement<sup>21</sup>).

Whether based on thorough, accurate, in-depth economic analysis or not, it is important that we understand these protectionist sentiments: They constitute one of the most important ingredients in the overall context of used-clothes imports into less-developed countries. Naturally enough, it is textile and clothing producers in LDCs, primarily represented by their producer organizations and labor unions, who believe that there is net economic damage from used-clothes imports. Consequently, we will begin this chapter with a review of some producer-organization damage estimates and some union and labor organization documents. This point of view (which we have associated with column 4 of Table 10, above) has occasionally been strongly represented in the mass media as well, and we will take a look at some Western examples, as well as looking briefly at an example of what may be a more balanced, African media view.

Protectionist sentiment focuses primarily on getting LDC governments to impose high tariffs on used-clothes imports, or to ban such imports altogether. Consequently, in the second half of this chapter we will review the recent history and current state of trade regulations regarding used-clothes imports. We will see that there seems to be no current trend in favor of increased protection against used-clothes imports, but rather a trend towards increased openness, as part of general global trade liberalization. Thus, leaving aside the more specific question of subsidies, we will find that most LDC governments take positions associated with the top half of the first two columns in Table 10, which we characterized simply as “trade is good”.

The other major players in the used-clothes business (besides the commercial exporters and importers, whom we might expect to favor free trade) are the non-governmental organizations (NGOs) which collect used-clothes in industrial countries and which are involved in humanitarian and development work worldwide. In the next chapter we will examine the attitudes and practices of a number of NGOs, both international organizations, and specifically Swedish ones. We will see that some of the NGOs recently espoused the position represented by column 1 (used-clothes as a development tool directly), but that, partly for reasons represented in the top halves of columns 3 and 4 (the concern that commercial trade is damaging to local producers), many of them now essentially agree with the conclusions to which this report comes (represented by a combination of columns 2 and 3: the effects of trade are not totally clear; but subsidies are generally not the best, although necessary in catastrophes).

To begin with, we want to look at and be aware of some popular images (especially negative images) of the used-clothes trade. Because several labor union and mass media documents we wish to review are rather lengthy, they are found in Appendix 5.



While we will note (both here and in Appendix 5) some weaknesses in the arguments and rhetoric presented, our main point is that many people in Third World countries, and some of their sympathizers elsewhere, have very strong negative feelings about the used-clothes trade. Given that Sida and the various Swedish NGOs have no desire to offend those people, it would be well to be aware of their feelings.

### **Popular images: producer organizations, labor unions, and the mass media**

The Zimbabwe Clothing Council—a producer organization—is very aware of the increasing level of used-clothes imports in that country, and believes that there has been very significant damage to their industry because of it.<sup>a</sup> Assuming garment-for-garment displacement,<sup>b</sup> the Council concludes that the 55 twenty-foot-long containers of used clothes which were imported illegally or by charitable organizations in 1994, each containing roughly 40,000 garments, resulted in at least 5,300 lost jobs in textile and garment production,<sup>c</sup> or, considering families, a loss of subsistence for 34,450 people.<sup>22</sup> This is not insignificant, and when generalized across the Third World, one can imagine widespread hardship and permanent damage resulting from what used-clothes donors in industrial countries take to be charitable giving.

Naturally, labor unions representing Third World clothing-industry workers also feel strongly about the issue, and have lobbied for international action against the used-clothes trade. In 1992 the International Textile, Garment, and Leather Workers' Federation (ITGLWF) adopted the following resolution against the used-clothes trade:

“NOTING that massive imports of used clothing have created unemployment for textile and clothing workers in many countries of the world;

“CONCERNED at the fraud practised by unscrupulous companies trading in used clothing, who import it as illegal contraband by mixing it with new clothing...<sup>d</sup>

“DEPLORES the trade in charitable contributions of used clothing which results in the export of used clothing at such low prices that the wages and conditions of textile and clothing workers are undermined and many jobs are lost;

“DEPLORES the attitude of governments who close their eyes to this deplorable situation, thus creating unemployment and health risks for consumers, given that the origin of the clothing and the physical health of the previous owner are not known;<sup>e</sup>

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<sup>a</sup>In Chapter 4 we will review a study (Denconsult 1993) which came to a different conclusion, namely, that recent damage to the Zimbabwean clothing industry was primarily caused by trade problems with South Africa and low domestic demand due to drought, combined with competition by low-cost new garments from Asian producers.

<sup>b</sup>This means that, if cheap used-clothes had not been available, an equal number of much more expensive domestically-produced new clothes would have been purchased, which is a highly unrealistic assumption, leaving aside completely, as it does, the question of ability to pay. A more realistic assumption might have been that roughly one-fourth that number of new garments would have been purchased, since they probably cost (on average) about four times as much.

<sup>c</sup>A more thorough analysis would also consider both employment generated in the used-clothes sector and possible employment generated in other sectors, due to growth made possible by the increased real income provided by cheap imports—in other words, if people would have spent money on new clothes but now did not do so, what did they spend their money on instead?

<sup>d</sup>Some countries levy a higher rate of duty on used clothes than on new clothes, apparently providing an incentive for importers to disguise used clothes by mixing them in with new clothes.

<sup>e</sup>We have not studied the health risks of used-clothes imports, but we will see in the next chapter that only a very few countries require such health certifications—even including the industrial countries, many of which, as we have already seen, are very active used-clothes importers themselves.

“AWARE that most of this used clothing is donated by people in the United States and other countries to charities such as Goodwill and the Salvation Army,<sup>a</sup> with the intention that it will be used to assist people in need when in reality it is sold for profit;<sup>b</sup>

“URGES that used clothing donated for the poor should be used for that purpose and distributed free of charge, thus avoiding the trade in used clothing which has been occurring; ...”<sup>c</sup>

The position above was further elaborated in a draft resolution submitted by the Workers’ Group to the February 1995 International Labour Organization (ILO) Technical Meeting for the Clothing Industry, and reproduced in Appendix 5 (with some perhaps contradictory passages italicized for emphasis).

Given such strong producer organization and labor union opposition to the used-clothes trade, it is not surprising that similar themes occasionally have been picked up in the mass media. Our first example (also found in Appendix 5), much more rhetorical than the somewhat dry resolutions above, is actually from a union newspaper, *Free Labour World*, dated June 1993, and the author is Neil Kearney, general secretary of the ITGLWF, whom we also quoted briefly in the Introduction. Other examples (in Appendix 5) come from the Canadian media (*Ottawa Citizen*, 1993). We will reproduce here only one short example, from the Latin American media:<sup>23</sup>

“The used-goods merchants are netting huge profits... Earnings on used shirts and dresses are high, with intermediaries averaging profits of 200%... Used car dealers earn up to 600% profit...<sup>d</sup> Economists say Latin America has entered an era of backdoor imports and they describe this as a spinoff of recession and neoliberalism... Experts such as [a sociologist]... said it is no longer a question of importing goods and technology but of making do with obsolete, discarded material and garbage...<sup>e</sup> [A] political scientist... said Latin Americans ‘can no longer dream of wealth, but only of the crumbs of opulence. The most we can hope for is to be secondhand rich’.”

### ***A possibly more balanced, African media view***

Under intense pressure from local producers (and presumably from the workers’ union as well), the government of Zimbabwe has just recently (summer 1995) introduced a very substantial (perhaps, theoretically, prohibitive) import-duty on used clothes. But *The Financial Gazette*, published in Harare, reported<sup>24</sup> that:

“Last week’s introduction of import duty on second-hand clothing will not change the fortunes of the clothing and textile industry, which is currently in the doldrums due to an

<sup>a</sup>Why the U.S. and its two chief used-clothes collecting charities are singled out for attention is unclear; it is true that the U.S. provides almost 40% of world net exports of used clothes (see Table 5, above), but Europe provides over 50%.

<sup>b</sup>This overlooks what is done with the funds gained from “selling for profit”, which may in fact be used “to assist people in need”. “Selling for profit” which provides consumers with cheap but usable goods may also “assist people in need”, namely, the poor people who mostly buy used clothes.

<sup>c</sup>For further discussion of this issue, see the second “philosophical note” in Appendix 4.

<sup>d</sup>In much of this literature there seems to be a fundamental misunderstanding of business accounting (let alone economic accounting) and of commerce, of the function and activities of “middlemen”: Quite apart from the question of distinguishing between business profits and economic profits, a business is normally allowed to deduct its costs—including, for instance, the reasonable labor cost of the owner—before declaring the remainder “profits”. As for “middlemen”, if they were serving no real distributional function, would they not have been circumvented long ago, to increase the “profits” of all the other parties?

<sup>e</sup>Or good quality stuff, hardly worn—the image seems to change at will.

assortment of problems, sources within the industry have said. There is general consensus within the sector that the introduction of import duty on second-hand clothing is a short-term measure, likely to benefit clothing and textile retailers who service the domestic market, more than manufacturers who need to export... [One major textile company executive said the measure] would not in any way help resuscitate the sector, which needs exports to break even. He said large quantities of textile and clothing products would continue to be smuggled into the country, willy nilly, despite the new import duty... [T]he only permanent solution to the industry's woes was the signing of a trade agreement with South Africa and the reduction of interest rates, which currently stand at over 30%... High interest rates, withdrawal of tariff protection, coupled with the scrapping of the 9% export incentive scheme last year, contributed to the poor performance of the local industry..."

### ***National government used-clothes trade policies and practices***

Given the horror stories that we have just reviewed (including those in Appendix 5), it would not be surprising if many other countries besides Zimbabwe had recently clamped down on used-clothes imports, with high tariffs or outright bans. In fact a few do ban used-clothes imports, or impose prohibitive tariffs or impossible licensing procedures. But most are relatively open to imports—that is, with tariffs in the same range as for other clothing and textile products—and the worldwide trend generally seems to be towards greater liberalization.

Spain and some former Spanish colonies seem to present a bit of an anomaly from this trend, so we will look at their import practices first, followed by those of other industrial, transitional, and new industrial economies, and finally those of other less-developed countries. Details are provided in Appendix 6; only a brief summary is provided here. Appendix 6 concludes with an illustrative look at the textile industry in Senegal, which is interesting in the context of the larger question in our Terms of Reference (regarding used clothes *and other used goods*), because of Senegal's current and historical reliance on second-hand textile factories. More to the immediate point, it illustrates the complex context in which the textile industry seems to operate in many African countries, under various forms of government protection and mismanagement, and now beset by the increasing tide of used-clothes imports.

As we saw in Chapter 2, most industrial countries have significant used-clothes imports as well as exports. Spain seems to be the only industrial country with unusual (virtually prohibitory) restrictions on used-clothes imports, but it nevertheless does import substantial amounts of used clothes, and is also a significant used-clothes exporter. Worldwide, several former Spanish colonies also either still have or have recently lifted unusual restrictions on used-clothes imports, including Mexico, Chile, Venezuela, Colombia, Ecuador, Peru, and the Philippines. Even those which maintain unusual restrictions still import substantial amounts of used clothes, and many are themselves significant used-clothes exporters as well. Several have recently relaxed unusual restrictions, or removed them entirely, and many other former Spanish colonies seem not to have ever imposed them, or at least not to have had them recently.

Among transitional economies, only Bulgaria and Hungary seem to have unusual restrictions on used-clothes imports, though Bulgaria's is not very severe, and Hungary's (a quota system) is directed at all consumer goods, not just at used clothes. Poland and Russia have both had large used-clothes imports recently.

None of the new industrial economies of East and Southeast Asia impose any unusual restrictions on used-clothes imports, although tariffs may be quite high on apparel and related products generally.

Egypt bans most textile and garment imports including used clothes, although partner data for 1990 indicates that Egypt imported a large amount (and also exported a small amount) of used clothes in that year. Despite the fact that Israel has free trade agreements with the EU, EFTA, and the U.S., it also bans used-clothes imports, but again, partner data shows both imports and exports.

Despite strongly growing used-clothes imports in Sub-Saharan Africa, there seems to be a trend towards greater liberalization of the trade. South Africa seems to allow imports only for charitable purposes (that is, to be given away, not sold). Nigeria bans import of all textiles and apparel, but nevertheless tolerates significant smuggling, of used-clothes in particular. Cameroon lifted a ban on used-clothes imports in 1991; Chad and Cote D'Ivoire in 1992; Tanzania liberalized in the 1980s. Other African countries seem to have normal tariffs on used clothes, in the range of 45-90%, and trade is brisk, as we have seen.

### **Summary and conclusions**

***Very strong negative feelings towards the used-clothes trade; images often seem exaggerated and arguments weak; nevertheless, caution may be advised; only a few countries worldwide have exceptional restrictions on used-clothes imports; they often allow imports in practice, and many are themselves used-clothes exporters***

Many of the arguments and much of the rhetoric used against the used-clothes trade seem wildly exaggerated and, upon analysis, many of the points made seem rather weak or fallacious. Nevertheless, the overriding impression must be of very strong negative feelings, attached to very strong perceptions of very severe damage being done. This is something that Sida and relevant Swedish NGOs should be aware of (and may in fact be the main reason why this study was requested).

If one believed that exports of used clothes to less-developed countries resulted mainly in jobs lost in those countries, one might consider that to be a strong argument against subsidizing such exports. But also, if one thought that many people in those countries *believed* there were such net losses—even if one did not believe it oneself—one might still consider that to be a strong argument against subsidizing such exports. Thus, given the extreme hostility of most of the images of the used-clothes trade we have just reviewed, one might want to be somewhat cautious about subsidizing used-clothes exports for that reason alone. Given the potential for contributing to a destructive or wasteful effect—or at least to the perception of a destructive effect by industries which lose sales and employees who lose jobs—it might not seem prudent for Sida to be seen as subsidizing used-clothes exports by NGOs.

While we have not attempted to do an exhaustive search of the popular media on the subject of used-clothes collection and redistribution, there seem to be two general themes in most of what we have just reviewed: One is that used-clothes exports to less-developed countries have a disincentive effect on local production, putting local garment-producers out of work; the other is that individual clothes-donors (and the general public) in industrial countries are sometimes shocked to discover that used clothes are being sold "for profit", rather than being given away free to "the poorest of the poor". An even broader expression of this issue is the question whether it is proper

for commercial “for-profit” companies to have any involvement at all in the redistribution of used clothes which were originally donated by individuals to charities—not just in selling surplus used clothes overseas, but even in running commercial for-profit second-hand shops in industrial countries, and actually conducting the used-clothes collections themselves. In the next chapter we will take a brief look at this issue.

Trying to solve the former problem (lost jobs) as the ITGLWF urges, by catering to the second concern (only giving clothes away free to the poorest of the poor) probably does not solve the disincentive problem, as we discuss at some length in the second part of Appendix 4. Given our own analysis in later chapters, it is encouraging to find that an influential African voice does not seem to share in the complete demonization of the used-clothes trade like most of the other examples above.

At least so far, most governments worldwide do not seem convinced by producer organization, labor union, and media images of—and arguments against—the used-clothes trade. Most seem to take the general view that trade is positive, not just when their producers can export to foreign markets, but also when their consumers can get cheaper goods from foreign sources. There are high tariffs on used-clothes in many countries, just as there are on textiles and garments generally, to protect domestic industries; but it is primarily some former Spanish colonies (and Spain itself), plus a scattering of other countries, that have exceptional restrictions on used-clothes. Even the countries which impose exceptional restrictions often seem to have substantial used-clothes imports anyway and, when we look at the trade data in Appendix 2, we see that they are usually exporters as well.

## Chapter 4: NGO Attitudes and Involvement in the Used-Clothes Trade

In the previous chapter we saw that there are very strong producer, union, and media pressures aiming to ban or severely restrict the used-clothes trade, and yet most national trade policies are as open to trade in used-clothes as they are to trade in textiles and new clothes. To conclude this section on the used-clothes trade and its general context, and before we begin our own analysis of the economic effects of that trade, we want to review Swedish and international NGO attitudes and practices towards used-clothes exports in general, and more specifically towards used clothes as emergency or development aid. We want to have some idea of how NGOs utilize used clothes, and we would like to know to what extent they effectively reach and help “the poorest of the poor” with clothes aid.

In Appendix 7 we review and discuss at greater length a recent study entitled *Promoting Development by Proxy: The Development Impact of Government Support to Swedish NGOs* (Riddell, 1994) which analyzes the development impact of Swedish NGOs in general. The spirit of the Riddell report is well expressed in the following quote: “To the extent that Swedish taxpayers’ money is not being put to its best use, it is ultimately the poor people in developing countries who are the losers. The recommendations given here are made with the express purpose of trying to ensure that these state funds, channelled through Swedish NGOs, are used to the maximum advantage of the poor. To the extent that efforts are not made to enhance efficiency, it is not the Swedish NGOs which will be the ultimate losers, it will be the poor themselves.”<sup>25</sup>

One of the most frequent claims made on behalf of NGO development activities is that NGOs are most innovative and know best how to target the very poor. It is also often asserted more specifically that subsidized used-clothes exports do not damage local textile or clothing production because they go only (or primarily) to the poorest of the poor. In Appendix 4 we discuss the likelihood that, even if used-clothes were actually distributed only to the very poor—who perhaps could not otherwise afford to enter the market for clothing—probably a large percentage of the used clothes would find their way onto the market anyway, so that the assertion of lack of damage is probably fallacious. Now, however, we want to look at the assumption that the clothes actually get to “the poorest of the poor” in the first place.

The Riddell report concludes that Swedish NGOs are not generally effective at reaching and helping the poorest of the poor, largely because they have an inadequate understanding of poverty, and lack an in-depth understanding of markets: “The staff and experience of Swedish NGOs do not equip them well, nor predispose them, to focus on analytic issues related to income and employment generation, or markets and market analysis... The challenge of generating income and employment in stagnant economies where markets are weak or absent surpasses the resources and capacities of many Swedish NGOs.”<sup>26</sup> Thus we will review not only the specific question of the extent to which used clothes exported by Swedish NGOs reach the very poor, but also the more general question of their understanding of poverty and markets, as revealed in recent studies of their activities with used clothes.

As we saw in Chapter 1, the four major Swedish organizations exporting used clothes are UFF (Utlandshjälp från Folk till Folk, or Development Aid from People to People<sup>a</sup>),

<sup>a</sup>Sometimes referred to in English as DAPP, but for consistency we will stick to the Swedish acronym UFF.

PS (Praktisk Solidaritet, or Practical Solidarity), Myrorna (an agency of Frälsningsarmén, the Salvation Army), and SRC (Svenska Röda Korset, the Swedish Red Cross). Individual studies have reviewed the used-clothes export practices of both UFF (Interconsult, 1990a; and Denconsult, 1993) and the Swedish Red Cross (SRC, April and May, 1992); and another earlier study reviewed used-clothes exports specifically to Mozambique of both UFF and PS (Abrahamsson, 1988). In addition, another Interconsult study (1990b) reviewed the dependence of PS on Sida funding for used-clothes collection and related activities in Sweden, after which PS cut costs and increased sales of used-clothes in Sweden to reduce that dependence.<sup>27</sup>

We have reviewed the above studies and have also discussed the issues involved in the current study with each of the organizations covered. The previous studies are almost all a little out of date now because of historical and organization changes since they were done, but they provide some glimpse of how the organizations have operated in the recent past. We will summarize and discuss them below, noting subsequent changes in policies and practices where we are aware of them.

We will also briefly review the attitudes and policies of some non-Swedish and international NGOs, and we will conclude with a review of some issues surrounding "for-profit" firms' involvement in NGO activities.

### ***The naked truth (1988): PS and UFF used-clothes exports to Mozambique***

The 1988 study Den Nakna Sanningen (The Naked Truth) recommended increased shipment of used clothes to Mozambique by Swedish charitable organizations (specifically PS and UFF), as well as development of increased sorting and handling capacity in Mozambique—and it recommended increased Sida aid for those purposes—for the following 10 reasons:<sup>28</sup>

1. Clothes are a basic need; if the need is met, significant economic effects can result. Swedish clothes aid to Mozambique is a good example: The clothes reach the target groups and, through their use, contribute to increased employment in the countryside and to improved production of food for sale.
2. Clothes are scarce in Mozambique, where domestic production can barely supply 10% of the need. Aid recipients will need support—at a much increased level—for the next 5-10 years.
3. Used clothes are a surplus item in Sweden, and thus resources will be wasted if they are not utilized.
4. The clothes which are sent are of high quality, with an average remaining life of 2/3 of the original. The cost for transporting the clothes (SEK 7/kg)<sup>a</sup> is low in relation to the clothes' value to the receivers.
5. In general, Swedish clothing aid has no negative effect on local textile production.
6. The alternative cost for import of new fabric or new clothes from competitive suppliers on the world market would be 4-5 times higher.
7. Swedish clothing aid constitutes a very important complement to other Swedish aid.
8. The sending organizations have a well-functioning relationship with the receiving organizations, and both have capacity to handle increased quantities of used clothes.
9. Clothes aid is very effective aid, and the receivers give a high priority to this aid.

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<sup>a</sup>SEK is the designation for Swedish kronor: Over the last decade, the exchange rate has generally fluctuated between SEK 5-8 per U.S. dollar.

10. Clothes aid strengthens the interest of the Swedish people in development issues, and thus their willingness to give aid.

The reasons given in this study for increased used-clothes exports, and subsidies thereon, can perhaps be summarized more briefly as follows: People need clothes to work. Used clothes have value and should not be wasted. The receivers like receiving subsidized used-clothes. People in Sweden like to help others by donating their used clothes. The sending and receiving organizations work well together. Because there is insufficient production in Mozambique, there is no effect on the market. To import new clothes would cost much more. Sending used clothes helps in a way that other Swedish aid does not.

We would not disagree with any of these reasons, except to point out that, even if there is insufficient production at any given time, subsidizing used-clothes imports might reduce the incentive to increase domestic production later, as we will discuss further in Chapter 8. But this view of the situation seems to rely exclusively on social and political remedies, and in analyzing alternatives, overlooks markets almost entirely. It overlooks alternative uses of the used clothes, as well as alternative sources of used clothes. In addition, it overlooks alternative uses of the funds used for subsidies, such as for employment- and income-generating projects. Thus, in the specific context of used-clothes exports, it seems to confirm the characterization of Swedish NGOs—as given in the Riddell report—as lacking an adequate conceptualization of poverty and understanding of markets.

A more detailed look at this study indicates that markets were in fact playing a big role in NGO thinking even in 1988. “The aim of clothing support is to motivate the rural population to increase surplus production for marketing purposes... Recipient [organizations] sell the major part of the... clothing to intended target groups, in exchange for either agricultural products or money... The income which results from these sales is in part used to create so-called development funds. The objective of these funds is to provide the means for locally-based development projects (for example, garment-sewing, road maintenance, warehouses, etc.).”<sup>29</sup>

Nevertheless, “it is true that the clothing support does not always match local consumption patterns. This is so mostly for women in rural areas. The traditional ‘capulanas’ are especially in great demand. Due to a lack of availability, women cut up dresses and skirts and turn them into capulanas. Even men partly adjust clothing to local requirements. This is especially true for trousers which are cut into shorts more suitable for agricultural work.”<sup>30</sup> While we have seen similar “restyling” behavior in descriptions of the commercial markets in Rwanda and Zambia, in the current case this may also indicate that markets have been by-passed at one or more stages in the distribution process, with resulting inefficiency.

It is asserted with apparent approval that “the [collecting] organizations have ‘eliminated’ competition from commercial enterprises which collect clothing for sale on the world market.”<sup>31</sup> There is also the following somewhat limited discussion of alternative sources: “Another alternative to Swedish clothing support is the importation of second-hand clothing from the USA on a commercial basis. This alternative is, however, more expensive. Commercially imported second-hand clothing is also of somewhat lower quality.”<sup>32</sup> But in fact, data reported to the UN (shown in Table 11, below) shows that, during the period in question, there were a great number of used-clothes suppliers to Mozambique, at a great range of prices. While it is true that reported values (and thus calculated prices) may have been assigned somewhat arbitrarily in some cases



(assuming that some of the clothes were donated, not sold), we nevertheless have to assume that there is a wide variety of actual market values indicated as well. It is not clear that equal value could not have been gotten for similar (or less) cost elsewhere.

**Table 11: 1986 and 1987 used-clothes exports to Mozambique, by price**

1986 exports to Mozambique ranked by price	reported value (US dollars)	reported weight (kilograms)	average price (US\$/kg)	1987 exports to Mozambique ranked by price	reported value (US dollars)	reported weight (kilograms)	average price (US\$/kg)
Finland	\$142,000	42,000	\$3.38	United Kingdom	\$295,000	57,000	\$5.18
W. Germany	\$164,000	65,000	\$2.52	Portugal	\$60,000	19,000	\$3.16
Netherlands	\$164,000	154,000	\$1.06	W. Germany	\$179,000	59,000	\$3.03
Zimbabwe	\$1,000	1,000	\$1.00	Denmark	\$662,000	261,000	\$2.54
Italy	\$18,000	21,000	\$0.86	Finland	\$252,000	106,000	\$2.38
USA	\$346,000	405,000	\$0.85	USA	\$2,145,000	1,020,000	\$2.10
Sweden	\$119,000	148,000	\$0.80	Austria	\$11,000	8,000	\$1.38
United Kingdom	\$6,000	11,000	\$0.55	Belgium-Luxembourg	\$48,000	36,000	\$1.33
Denmark	\$7,000	75,000	\$0.09	Netherlands	\$175,000	166,000	\$1.05
1986 total	\$967,000	922,000	\$1.05	Sweden	\$408,000	439,000	\$0.93
				Italy	\$36,000	68,000	\$0.53
				France, Monaco	\$2,000	7,000	\$0.29
				Norway	\$2,000	10,000	\$0.20
				Australia	\$1,000	8,000	\$0.13
				1987 total	\$4,276,000	2,264,000	\$1.89

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: This is partner data, which reports f.o.b. values not including freight and insurance. The weights reported here for Swedish exports do not correlate well with the data reported in the study under discussion, which reported 800 tons of used clothes exported to Mozambique from Sweden in 1985/86, 930 tons in 1986/87, and 1230 tons in 1987/88 (English version, p. 5).

It is recognized that "Women prefer traditional, brightly colored so-called capulanas. Another step must be... complementing the clothing support with purchase of capulanas. This would reduce the rural areas' need for dresses and skirts, which could advantageously be sold to urban populations. In order to improve sorting and to tailor it to each target group, the Swedish NGOs should... examine conditions for establishing local sorting centres in Mozambique... In order to avoid negative competition for domestic textile production in the cities, the recipient [organizations] should make the selling of second-hand clothing more selective and directly aimed at intended groups. This could be done by making sales at places of work and in residential areas... The recipients should generally make a thorough analysis of the current pricing system... [because] the very low prices of second-hand clothing can in the long run create expectations and patterns regarding consumption which would aggravate the future sales and development of domestic textile production. Despite low prices, profit margins for businessmen are currently also considerable, which may negatively influence the sound distribution of income."<sup>33</sup>

Thus there seems to have been a mix of methods called for—sometimes using markets, other times trying to distribute goods and income to the target groups more directly—and it is not clear that the choices were being made based on an adequate theory of poverty and a thorough understanding of markets.

Practical Solidarity's policy and practice have changed considerably in the years since this study (we will consider UFF further separately, below). Apart from refugee aid such as continues to be needed in Angola, "the clothes themselves are no longer the means for fulfilling our goals (in Mozambique and Nicaragua), but [rather] the cash that they can give to the projects we are supporting there."<sup>34</sup>

***Another slightly out-of-date example: the Swedish Red Cross (1992)***

Like PS, the Swedish Red Cross has also changed its used-clothes distribution methods considerably in the last few years.<sup>35</sup> In the late 1980s the Red Cross had a surplus of used clothes—in other words, more than were needed for refugee and other emergency needs—and on the other hand, it wanted to assist the organization-building processes of local Red Cross organizations in various LDCs. Consequently, the practice developed of allowing the local organizations to sell large quantities of used clothes, either in bulk to commercial distributors, or as individual garments in self-run thrift shops. However, after two studies commissioned by the SRC specifically to study used-clothes sales in LDCs (Swedish Red Cross, April and May 1992), the SRC decided that this was essentially a bad policy, and changed its practice. Some of the reasons for the change were:

- Introducing western clothing styles via subsidized sales was not the SRC's intention or desire.
- It was costly, as there was a risk of corruption (many bales of used clothes had simply disappeared), and much better monitoring was required.
- There was often a bigger benefit if the clothes were sold in Sweden, and the proceeds used to support Red Cross activities in LDCs.
- Thus, if used-clothes sales were to be a viable income-generating project for local organizations, it would be better if they initiated the projects themselves without being dependent on the SRC for supplies.
- With the rising tide of refugee needs due to regional conflicts after the end of the Cold War, the SRC's used-clothes collections have been required elsewhere.

Only about 10% of the SRC's assistance for LDCs is in the form of used clothes, and nowadays only about 5% of the clothes exported are for sale. The latter amounts are only in fulfillment of old contracts with local organizations, which are being allowed to expire without renewal. Other than those contracts, all used clothes currently exported are in response to emergency appeals, for disaster relief, by either the International Committee of the Red Cross (ICRC) or the International Federation of the Red Cross (IFRC).

In 1992, 30-50 countries were receiving used clothes primarily for distribution to refugees, but the two studies focused on Uganda, Zimbabwe, Mozambique, Sierra Leone, Vietnam, and Poland, which were the countries involved in selling used clothes. Although the reports are now somewhat out of date because policies and practices have changed, we have reviewed and discussed them a bit more fully in Appendix 7, because it may still be instructive, especially in view of some of the generalizations about NGO attitudes and behavior made in the Riddell report, to understand some of the situations and problems that were encountered with SRC used-clothes distribution activities at that time.<sup>a</sup>

The report on second-hand clothing for Uganda, Zimbabwe, Mozambique, Sierra Leone and Vietnam pointed out that: "Clothing consignments are not used primarily for disaster relief or disaster preparedness... Experience from disaster areas in other countries has shown that clothes are not a priority in the event of disasters [and may even get in the way], but... can be valuable... for relief assistance [for instance, after disaster areas have become 'normalized']." The report goes on to say that: "The guidelines treat the

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<sup>a</sup>The Swedish Red Cross has been exceedingly helpful in the preparation of this report, and is to be commended for commissioning and distributing the studies which brought the following problems to light.

sale of clothes as marginal in comparison with other use. In reality, the sale of clothes has perhaps become the most important activity. Between 25-80% of the clothes are sold” in those particular countries.

Thus in some countries almost all of the used clothes were being sold, but proper monitoring and reporting was often lacking. Many entire bales of used clothes—each worth perhaps two months’ local salary or more—were simply missing. There was rather arbitrary pricing of and arbitrary access to used clothes, including by local Red Cross employees, who were sometimes known to misuse the privilege of buying under-priced used clothes on credit, including for resale. There was also organizational tax avoidance, since clothes which were allowed to be imported without customs duty—on condition that they be given away free—were in fact sold. Thus in apparent confirmation of two major aspects of the Riddell study, many of the imported used clothes were not going to the very poor, but were being sold on the market, although sound business practices and market understanding were not much in evidence.

Whereas the Abrahamsson study reviewed above recommended increased sorting activities to be done in the LDC (in that case, Mozambique), the SRC studies repeatedly pointed out<sup>36</sup> that “sorting and choice of clothes can be better suited to the needs of the recipients... [if] the Swedish Red Cross is able to gain a proper insight into the special needs, the climate and the culture prevailing in the various countries.<sup>a</sup> Systematic and regular monitoring of the clothing consignments make it possible to increase the degree to which the clothes are suited to the recipients and ultimately to establish an ‘experience register’ for each country.”

Given that this was basically a commercial operation in the LDCs and showed so many problems which had almost nothing to do directly with disaster preparedness or response, and even relatively little to do with relief assistance or development, the SRC was doubtful about getting further involved. It read these reports in 1992 and decided to change policies. It prefers now to stick more closely to its core mission, which may include selling used clothes in Sweden (possibly including bulk sales to export wholesalers) in order to fund its activities, and sending used clothes abroad if requested for emergency purposes by the International Red Cross, but probably not selling used clothes in LDCs itself, nor trying to use them for development purposes directly.

### ***Combining commercial used-clothes sales with development projects (UFF)***

UFF (known in English as Development Aid from People to People), a private development organization associated with Humana organizations throughout much of Europe, seems to have evolved a somewhat similar strategy, at least insofar as it primarily does not attempt to do development work via used clothes directly,<sup>b</sup> but rather usually sells the clothes for the maximum price obtainable on the market, and then uses the funds for development purposes. A big difference, however, is that UFF has gone

<sup>a</sup>For instance: “Some of the clothes sent are too warm (coats and winter jackets); some bales contain torn and worn-out clothes which are unusable and have to be discarded; some bales contain underwear and thick long johns, which are unsuitable; high-heeled shoes or winter boots are not required.”—p. 14, regarding Uganda. Regarding Zimbabwe, the same comments, plus “trousers for women cannot be used.”—p. 19. Regarding Sierra Leone, similar comments, plus “do not send clogs or the like, it is impossible to sell them.”—p. 30. Regarding Mozambique and Vietnam, similar comments, but for the latter: “Long trousers for women are appreciated;” many clothes and shoes were also too large for Vietnamese to wear.—p. 35.

<sup>b</sup>Except insofar as Africans may be trained in sales and other aspects of the business in UFF’s used-clothes sales operations in Africa.

into commercial selling of used clothes in LDCs in a big way; it has taken a lot of criticism for not giving the clothes away for free, as well as for other reasons. We have reviewed two studies of UFF's used-clothes activities, which came to rather different conclusions.

The first study (Interconsult 1990) came to the conclusion that UFF did not need Sida freight subsidies for used clothes because it was selling the clothes commercially in any case,<sup>a</sup> and the commercial proceeds would cover the freight costs. Consequently, Sida freight subsidies amounted to indirect funding of other UFF activities, which Sida had already chosen not to fund, at least partly because UFF chose not to open its books regarding all its international activities to Sida scrutiny, and perhaps partly to do with management style and expense.<sup>b</sup>

The second study (Denconsult 1993), addressed the effects of UFF's used-clothes sales. With regard to Zambia, the report says: "The total effect of [UFF's] work—clothes sales as well as development aid work—is actually very positive."<sup>37</sup> It goes on:<sup>38</sup> "The positive effects of [UFF's] total activities in Zimbabwe at present exceed by far the few negative effects of the trade in second-hand clothes... The actual analysis of [UFF's] trade in second-hand clothes in Africa shows that the present positive effects by far surpass the negative ones. This tendency is naturally strengthened by the fact that the profit from [UFF's] trade in second-hand clothes finances a large part of [UFF's] development aid activities in the countries..."

"In spite of [UFF's] being a rather new private development aid organization, impressive results have already been obtained... After a learning period of about 20 years where experiments, mistakes, and a number of corrections were made, [UFF] in Zambia and Zimbabwe appears today as a relatively effective private aid organization capable of reaching the poor part of the population with relatively cost-effective and viable projects within the fields of education, health, water and sanitation, agro-forestry and tree-planting. This assessment is shared by a number of international development aid organizations such as the European Development Fund, the World Bank and UNICEF, and can be derived from the fact that these organizations use [UFF] as an implementation tool for their emergency aid and poverty programmes in Zambia as well as in Angola.

"It is worth noting that this result has mainly been obtained through efforts of voluntary labor from [UFF's] permanent staff—among them a large number of young African [UFF] employees, and a large group of solidarity workers who have spent six months each on a development project. Unlike the main part of the other Scandinavian private development aid organizations, [UFF] has not received large contributions financed by the public tax-payers for its development aid work. Second-hand clothes are [UFF's] most important source for financing the development aid work in Africa."

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<sup>a</sup>Based on 1994 figures for Angola, and confirmed by Merete Schjøler of the UFF federation, UFF seems to give away approximately 1% of the clothes it exports, and sells the rest.

<sup>b</sup>Those criticisms—and the extent to which they may or may not be valid—do not concern us here (and we know nothing substantive about them), except to point out that the distinction between for-profit and not-for-profit organizations can be a slim one, given that there are often no legal limits on the allowable management costs of non-profit organizations. "For-profit" organizations exist because human beings tend to operate a good portion of the time on a "for-profit" basis. Calling an organization "non-profit" does not eliminate that motivation or that behavior, although it can at times contribute to less clear and efficient operations.

Thus this study came to the emphatic conclusion that, on the whole, there would be negative consequences for the African economies studied if UFF were prohibited from collecting or exporting used clothes. And apparently large segments of the public agree: Despite negative publicity attached, among other things, to the fact that UFF sells almost all of its collected clothes either here in Sweden or in African LDCs, it continues to be the single biggest collector and exporter in the Swedish used-clothes market.

The importance of involving the Swedish people in development work is frequently cited as an important reason for subsidizing used-clothes exports, but UFF shows that it is possible to successfully combine charitable used-clothes collection and commercial sales with useful development projects. UFF's Annual Report<sup>39</sup> is of course a public relations document, so it shows how UFF would like the public to understand these issues:

"Some of the collected clothes are sold in the UFF shops [in Denmark (and Sweden)]. The proceeds from the sale are used in full for people to people projects in Africa. After sorting, about 60% of the collected clothes are shipped to people to people projects in Africa. The clothes are sold in local [UFF]-shops and in market places in rural areas. There is a great shortage of clothes in Africa. Thus the second-hand clothes meet an important need for many poor people, who cannot afford, nor have the opportunity to buy, new clothes. African market economy is often characterized by a scarcity of merchandise. In this situation, the second-hand clothes function as a generator on the market and help induce production and trade. Importing, transporting, sorting, packing and selling second-hand clothes create many jobs in Africa... The proceeds from selling clothes in Africa are used to start and/or operate schools, enterprises, health programmes, AIDS-campaigns, child aid and environmental programs. The second-hand clothes are an important source for funding the work in Africa."<sup>40</sup>

In both Europe and Africa, the UFF second-hand shops aim to produce "a good surplus for development aid".<sup>41</sup> Some used-clothes are also distributed free—in Angola, less than 1% in 1994 (which was still over 11 tons).<sup>42</sup>

The purposes of the "fund-raising" (used-clothes sales) activities in Africa are very clear: "The first is to generate funds for [UFF] projects...; the second is to provide good quality second-hand clothes, at a reasonable price [note: *not* a subsidized price], to the population... particularly in the rural areas... It means a lot to these poor people to be able to buy cheap, second-hand clothes and perhaps save some of their meager income to buy other needed commodities... The selling of second-hand clothes also stimulates the local market economy in these countries... [People] are encouraged to produce something and/or to sell something in the market in order to make money to buy the clothes...<sup>a</sup> The small dealers benefit from the project because, by buying and then selling the clothes, they are able to run a small business, thereby making a living for their families."<sup>43</sup>

In Mozambique, "By initiating a credit system, the project made it possible for many new vendors to start selling second-hand clothing. The credits are given with preference to those from remote areas... Many of the clients do not have the basic business knowledge necessary to run a small business. In order to help the growth of their enterprises, the project has started giving courses in 'Small Business Management'."<sup>44</sup>

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<sup>a</sup>This point was also made strongly in Abrahamsson's report on Mozambique; we see here that it seems to apply equally well when the clothes are not subsidized.

“To be a customer in an [UFF] shop means more than just buying an item of second-hand clothing. It is an experience in how clothing, donated by people in Europe, is transformed into a well-liked commodity and into development aid, helping children...”<sup>45</sup>

“UFF and HUMANA have contributed to emergency aid programmes in various ways. [They] have developed an emergency aid package... containing *new clothes* suited for one person. All is packed into a bag with the size and sex marked on it. There is a pair of solid shoes, underwear, other clothes needed and a blanket. [They] have distributed thousands of emergency packages, in particular to refugees in war-stricken areas.”<sup>46</sup> There is a note that UFF “also distributes packages with second-hand clothing in areas with a particular need of emergency aid”, but as we have noted, it seems to be a quite insignificant share of total used clothes exported.

Thus UFF, a non-profit NGO, is very actively involved in commercial sale of used clothes. We will shortly examine a slightly opposite possibility, which is that for-profit companies can be directly involved in the collection of used clothes for NGOs. But first we will finish our review of NGOs themselves by taking a quick look at the attitudes of some of the major non-Swedish and international NGOs.

### ***Non-Swedish and international NGO attitudes towards used-clothes exports***

The Salvation Army in the U.S. and Canada, and Oxfam in Britain, have expressed concern about the subsequent effects on LDC producers when they sell surplus used clothes to wholesalers on the world market. A number of international NGOs also express rather strong reservations even about utilizing second-hand clothes in emergency situations.<sup>a</sup>

The International Federation of Red Cross and Red Crescent Societies states that “all used clothing distributed through Federation programs is destined for victims of natural or man-made disasters... [and even then] only on an exceptional basis.”<sup>47</sup> As we have just noted, the Swedish Red Cross now exports used clothes almost solely in response to requests from the International Red Cross.

Oxfam America cautions:<sup>48</sup> “As with emergency food... it is [generally] more appropriate for international agencies to provide funding so that products can be bought locally, or at least within the region—[unless] local supplies are not adequate or accessible, and imports are [thus] warranted.” (Food aid has a forty-year history and has been debated thoroughly in the economic literature; a sampling of that debate, illustrating the issues involved, is included as Appendix 8.<sup>b</sup>)

The British Overseas Development Administration also believes:<sup>49</sup> “In emergency situations, available funds are more effectively used in support of international coordinating agencies, such as UNHCR<sup>c</sup>, the UN Department of Humanitarian Affairs, and the International Committee of the Red Cross. It is essential to respond in disaster

<sup>a</sup>In addition to those quoted here, the Südwind Institut of Siegburg, Germany, which is itself strongly opposed to used-clothes exports, notes that “Brot für die Welt (Bread for the World) and Caritas International do not collect clothes at all. They say that even in the case of emergencies it is better to buy clothes in the region than to pay all the money for transport: It is often cheaper, faster, and helps the local economy.”

<sup>b</sup>Steve Juniper also notes that “Food First and others have considered the [effects] of food aid shipments. In the real world, how it is handled is at least as important as what is handled. Food (or clothing) aid can be disruptive, with long-term net negative results. Sensitively and wisely administered, either can be very helpful. ‘The devil is in the details.’” Personal communication, April 1995.

<sup>c</sup>The UN High Commission for Refugees.

situations to the precise, and sometimes changing, needs of the victims, which is done through close coordination with these international agencies and... charities, to ensure that the right items are supplied to the right people at the right time. There have been instances in the past where donated goods were not suitable for the people for whom they were directed.<sup>a</sup> There is also the danger that the recipients will resent the donation of second-hand clothes (a practice banned in some countries)."

### **Commercial "for-profit" involvement in used-clothes collection and distribution**

We have noted the involvement of several NGOs (specifically PS, the SRC, and UFF) in commercial sales of used clothes in LDCs, and have discussed both problems and opportunities occasioned by such practices. Another interesting possibility, which has provoked controversy in the U.S., is the involvement of commercial "for-profit" companies in used-clothes redistribution activities within the source (industrial) country, including collection, sorting, and operation of second-hand "thrift shops". It works like this:<sup>50</sup>

"A key element in the formula is the relationship between local charities and ['for-profit'] thrift store chains. [For the chain], this means finding a local charity, supplying it with trucks and teaching it how to phone bank<sup>b</sup> and collect donated items. [The chain] then contracts to buy truckloads of merchandise that the charity collects locally... The charities say they like the thrift store partnership because it enables them to raise a lot of money..."

The Council of Better Business Bureaus' Philanthropic Advisory Service (in the U.S.) clarifies the field by distinguishing three types of charity thrift shops:<sup>51</sup>

1. "One is self-contained and program-related. The charity fully controls all aspects of the operation of the shop. Running the shop is actually part of the mission of the organization. The shop's secondary purpose is to raise money to pump back into the charity's program fund.
2. The second type of shop is controlled entirely by a nonprofit organization, but exists strictly as a fund raiser, not as a program service.
3. The third type is a charity thrift shop with a for-profit connection. Solicitations for second-hand goods are made on behalf of the charity, but typically a for-profit business owns and operates the shop itself. Some of the value of the donated goods goes to the charity, and the rest goes to the owner-operator."

There are obvious reasons why an NGO might want to run a shop in either of the first two modes, but why would they choose the third? They can perhaps "raise a lot of

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<sup>a</sup>In this regard, Mike Conroy of the Ford Foundation recalls his experience with the donation of surplus pharmaceuticals to Nicaragua in the 1980s: "Ultimately the Ministry of Health began to discourage the practice, for several reasons: a) The medicines were often unknown to the clinic personnel; b) they never came with Spanish language instructions, warnings, or explanations of side effects; c) they were almost always in lots and batches too small to manage efficiently; d) they were less valuable to a fundamentally preventive health system than the very simple medicines more frequently prescribed, which were also in short supply, but which did not generally come [in the] loads of medicines brought in by well-meaning 'brigades' from the U.S., Europe and Latin America." Film-maker David Springbett of Asterisk Productions, who specializes in Third World issues, also says: "The problems with imported technologies are legion, they often do not do the job the donors intend; often the technology is inappropriate, or it is obsolete—but the key problem is invariably maintenance. Where do the spare parts come from?"—personal communications, April 1995.

<sup>b</sup>"To phone bank" refers to the practice of having a "bank" of volunteer or paid staff make systematic phone calls to private residences soliciting used clothes, to be picked up by appointment.

money”,<sup>a</sup> but cannot they do that in the first two ways also? Maybe, but maybe not. If they are well organized and have lots of volunteers, then presumably they can make money in those modes, but even then, besides the drain on the volunteers and on the NGO’s organizational capacity, there may also be a substantial capital investment to set up the operation.

The Council of Better Business Bureaus notes: “Many of the charities raising money through these arrangements argue that they are getting great returns for the use of their name. First, they do not have to put up the capital (US\$100,000-300,000, by one charity representative’s estimation) to open the shop. ‘If you tie up that \$150,000 in a thrift shop, you will not have it for the programs you are trying to run.’” Another charity agreed, saying: “What people do not understand is the tremendous infusion of capital that these (for-profit) operators put into the thrift shops.” Thus, “for no financial risks and for very few headaches, the charity can earn a sizable portion of its total yearly budget by signing on the dotted line...”

Some people feel that the percentage that is given to the charity—often in the range of 7-10% of gross revenues—is too small. But “as a financial manager of a veterans’ organization said, even if you own and operate your own shop, ‘there is no guarantee you can make 8% (profit or surplus) your first year. There is better return on your own thrift shop if you own it and operate it efficiently, but that is *if* you can operate it efficiently. It is not easy to do that.’” One organization “has approximately 200 thrift stores across the country, half run by the charity and half managed by for-profit entrepreneurs... [An executive] said that the professionally-run stores are a better deal for his charity. [The] wholly owned and operated stores ‘do a lot worse’ financially than the professionally managed ones...”

### **Summary and conclusions**

***Many used clothes sold on the market, not given to the very poor; NGOs may lack poverty understanding and market analysis; some doubt about utilizing second-hand clothes even for emergency relief; “for-profit” involvement may be beneficial in some situations***

The studies we have reviewed of Swedish NGO used-clothes distribution activities in LDCs are a little out of date, because historical conditions and organizational practices have both changed since the studies were done. Nevertheless, they seem to bear out many of the points made in the Riddell study of Swedish NGOs in general: For instance, at least at the time of the studies, there often seemed to be an arbitrary mix of market and non-market methods employed; understanding of markets and of market analysis seemed limited; and there seemed to be a tendency for concentration of power, with resultant possibilities for corruption. Often the used clothes exported did not seem to benefit the poorest of the poor.

However, the problems seem to have been recognized and practices changed. PS and the SRC report rationalizing their sales operations in order to concentrate on development or relief projects, and UFF continues to do the same.

Many non-Swedish and international NGOs seem quite cautious even about utilizing second-hand clothes for emergency relief, and seem quite concerned about contributing

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<sup>a</sup>“Perhaps”, because it depends, among other things, on the nature of the specific contract agreed between the charity and the operator.



to the international used-clothes trade via bulk sales of surplus used clothes to commercial wholesalers, although many of them do it.

UFF demonstrates an apparently successful model of an NGO heavily involved in direct commercial selling of used clothes in LDCs, while a controversial model of for-profit involvement in the collection process has been demonstrated in the U.S. The fact that UFF seems to continue to enjoy widespread public support, despite heavy negative publicity, may indicate that the people of Sweden do not insist upon direct subsidized distribution of used clothes to the very poor, but perhaps understand to some extent the intermediating power of markets to increase the benefit provided by the clothes to the poor.

## Part II-A: Analysis of the Effects of the Used-Clothes Trade in General

### Chapter 5: Theoretical Welfare Effects of Unsubsidized Imports

In Part I we saw that there is a large worldwide trade in used clothes, and that there are strong negative feelings towards this trade, especially on the part of LDC clothing producers and workers; that national governments for the most part are fairly tolerant of the trade; and that many NGOs have reservations about it but also participate in it in various ways. Now we will analyze the theoretical impact of used-clothes imports on economic welfare in a small LDC. The theoretical analysis we will present is rather simple, but it is important to notice carefully exactly how we do it.

To begin with, we might imagine what we take to be a fairly realistic situation in a small less-developed country. There might be:

- a) masses of people too poor to buy domestically-produced clothes; or even
- b) no domestic textile production; or
- c) no legal commercial import of used clothes.

There might also be:

- d) poorly functioning factor markets resulting in massive unemployment;
- e) and an uncompetitive industry that is unable to export domestically-produced clothes;
- f) but there might also be positive external benefits associated with actual or potential industrial production in the early stages of industrialization—the infant industry argument.

Basically, we want to know:

1. What would be the effects on such an economy of allowing used-clothes imports?
2. What would be the effects of subsidizing (and thus presumably increasing) those imports?

But this is not the situation we will begin by analyzing; this is far too complex to start with. We will start with a simple, “ideal” model, and then we will consider the implications of changing various assumptions to make the situation more realistic (and complex).

#### ***Initial assumptions: Perfect markets (full employment of resources), free trade***

For instance, we initially assume perfectly functioning markets, so that there are no unemployed resources (including labor), and there are no distortions (including externalities). We assume that the country does have a domestic clothing industry, but that there is no clothes export. We assume that the country allows free importation of both new and used clothes, and we assume that the economy is in external balance.

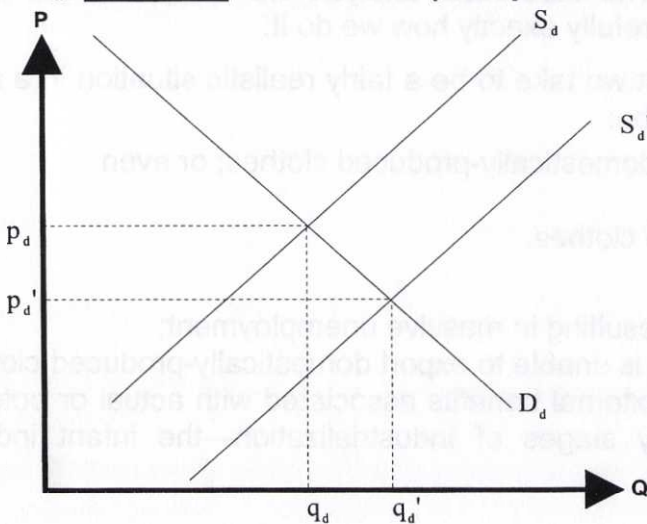
Thus we initially explicitly contradict four of our six “realistic” conditions above (b, c, d, and f). We will simply ignore one point for awhile (a: poor people), and we will actually accept (initially) only one of the conditions above (e: no exports).

We assume of course that domestic and imported new clothes and used clothes are all substitutes for each other, but not perfect substitutes. We consider these three markets separately: domestic new clothes will be designated with subscript  $d$ , imported new clothes with subscript  $i$ , and imported used clothes with subscript  $u$ ; while all other goods

and services are aggregated into a single sector (subscript  $o$ ). We do not try to show the impact on the latter sector (all other goods and services) in our diagrams.

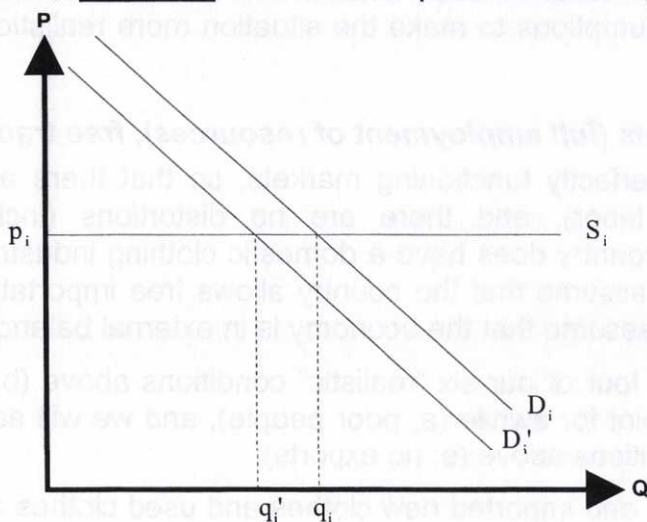
The first set of diagrams (Diagrams 1<sub>d</sub>, 1<sub>i</sub>, and 1<sub>u</sub>) show the situations in our three separate but interrelated clothes markets when the economy is in initial equilibrium. In Diagram 1<sub>d</sub>, the demand curve for domestic new clothes ( $D_d$ ) is downward sloping, as it is for the corresponding goods in the following diagrams. Domestic supply of new clothes ( $S_d$ ) increases with price. The market has price  $p_d$  and quantity  $q_d$ . (For the moment, ignore the shifted supply and demand curves in the diagrams, and the corresponding prices and quantities, all of which are indicated by prime (')); we will come back to them several pages further on.)

**Diagram 1<sub>d</sub>: Domestic new clothes (with production subsidy)**



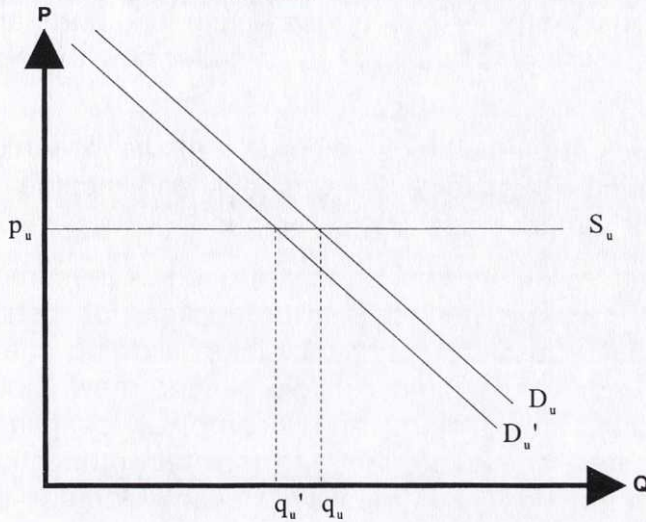
The next diagram (1<sub>i</sub>) represents the market for imported new clothes. Since we assume that the country in question is small, the price of imports ( $p_i$ ) is independent of the level of domestic demand. We thus get a horizontal supply curve ( $S_i$ ).

**Diagram 1<sub>i</sub>: Imported new clothes (with domestic production subsidy)**



The third market is for imported used clothes (Diagram 1<sub>u</sub>). It has essentially the same characteristics as the previous one, that is, a given world market price ( $p_u$ ) and a horizontal supply curve ( $S_u$ ).

**Diagram 1<sub>u</sub>: Imported used clothes (with domestic production subsidy)**



The rest of the economy (the all other goods and services sector) consists of a mixture of non-tradables and tradables: The market for non-tradables clears domestically by definition, while the price in the tradables sector is set on the world market, adjusted for trade taxes; we do not need to go into details about this sector for the analysis undertaken here.

As we have assumed initially that there are no distortions in the markets (including in factor markets such as labor), the allocation reflected in the diagrams above—including the presence of used-clothes imports—can be shown to be welfare-maximizing.

***Why are used-clothes imports welfare-maximizing? (Real goods are real income)***

In these simple “ideal” conditions, importing used clothes is welfare-maximizing because, on the one hand (as indicated by the downward-sloping demand curve for used clothes), some people would have been willing to pay considerably more for the used clothes they got, so that there is “consumer surplus” when they are able to buy used clothes for less; and, on the other hand (as indicated by the upward-sloping supply curve for domestic new clothes), producing more new clothes domestically instead would have cost relatively more.

Another way to look at it is that, since clothes, even used clothes, clearly have value in the marketplace, they constitute real wealth, or real income to those who receive them. Simply discarding this wealth must therefore result in a net worldwide loss, while re-using it must result in net worldwide gains. The land otherwise engaged in fiber production, the labor and capital otherwise involved in textile production, can all be put to higher and better uses than re-creating clothes which already exist, thus generating increased real income. And this is true even before considering any possible gains to the environment from having less overall production required to produce the same level of income and wealth.

### ***Our analytic strategy***

However, two types of realistic conditions which we noted above (d and f) might cause less than optimal resource allocation, and would thus imply less than maximum welfare. One of these is unemployment due to poorly functioning factor markets—which also make resource reallocation difficult—and the other is positive externalities associated with clothes production. We want to consider the effects of used-clothes imports under these two conditions. If there are negative effects, we want to consider how to counter them.

But it is not really the direct effects of used-clothes imports that we are mostly concerned with. The used-clothes imports themselves create jobs and income, and provide consumers with usable goods at cheap prices. So far, so good.

But what we are mostly concerned with are the indirect effects of used-clothes imports on other sectors of the economy—on domestic new clothes production, for instance. Since used clothes are at least a partial substitute for new clothes, allowing cheaper used-clothes imports will reduce demand for domestically-produced new clothes, causing decreased domestic production, employment, and income, at least in that sector. If we should want to counter these negative effects, to maintain production of domestic new clothes in the face of imports of competitive (used) clothes—or to increase production, or to reduce the decrease in production—we could do so either directly, with a production subsidy, or indirectly, by restricting the competing imports.

The natural order might seem to be to consider the economy with no used-clothes imports—due perhaps to a prohibitive tariff, or to an outright ban, or even to a simple lack of supply—and then to consider the change in welfare when imports come in. However, we will do the opposite. We have already constructed a hypothetical welfare-maximizing situation with open borders. We can now imagine closing the borders (restricting imports) in order to support domestic production. We can compare this indirect method of supporting domestic production with the more direct method of a production subsidy. Because the more direct production subsidy results in a cleaner, simpler analysis, we will actually do that first.

As for the reasons why we might wish to support domestic clothes production, while the first distorting condition (poorly-functioning factor markets resulting in unemployment) is the more obvious and perhaps the bigger problem, it is also the more complicated and perhaps the more intractable one, so we will look at the second condition (positive externalities) first.

Thus, to summarize our strategy, we will first analyze the results of a hypothetical production subsidy to capture a positive externality associated with clothes production, and then we will examine the effects of such a subsidy if there is unemployment. Then we will analyze the results of the alternative support mechanism—an import restriction (tariff or ban) intended to capture the same externality—and then we will again examine its effects if there is unemployment. Finally (in Chapter 8), once we understand the effects of used-clothes imports in general, we will consider the effects if we not only allow, but subsidize, used-clothes imports.

### ***Government support via production subsidy to capture positive externality***

It is often argued that there is a positive externality associated with industrial production in the early stages of industrialization—the basic infant industry argument. This implies that there are grounds for supporting the domestic clothes industry to increase production. The direct avenue to deal with this distortion would be to give production

subsidies to the domestic clothing industry directly. If we do this, we shift  $S_d$  to  $S_d'$  in Diagram 1<sub>d</sub>, giving us a lower domestic market price ( $p_d'$ ) for domestically-produced new clothes, and increased output as desired ( $q_d'$ ). This causes increased employment in the domestic clothing industry, and more learning by doing. If such a positive externality really exists, then this intervention is welfare enhancing.

The magnitude of the impact of such a production subsidy on the other sectors will vary with the relevant elasticities. There should be some reduction in demand for imported new clothes, reducing clothes imports to  $q_i'$ . Since we assume perfect markets, this is not going to lead to a trade balance surplus, but the different effects of changing relative prices will balance external trade.

Demand for used clothes should decline somewhat, although one may assume that the degree of substitutability between new clothes and used clothes is less than that between domestic new clothes and imported new clothes. The shift in  $D_u$  should be downwards, but not so much.

Finally, what happens to the rest of the economy is hard to tell: Supply should be reduced somewhat if the domestic textile sector attracts more resources. On the other hand, the used-clothes handling and distribution sector, and the imported new-clothes sector, should both shed some labor. We cannot tell *a priori* which effect would dominate. Still, there is going to be a restructuring of the economy under the impact of the production subsidy. Since we assume full employment of resources initially, employment levels would not change, but since the production subsidy eliminates a distortion, real income would increase over time, due to productivity increases resulting from increased industrial experience.

### ***Other arguments for protection of infant industries***

We have seen that a large share of clothing imports into industrial countries themselves originate in LDCs, but it may be difficult for new LDCs to enter the export market unless they have a secure domestic base on which to build. Given the differences required in style, and perhaps in quality as well, this does not seem absolutely necessary, as the example of multi-national manufacturing for export demonstrates.

Still, it may be that certain countries or regions, which would be capable of supporting textile and clothes production once they got started, and which might have comparative advantages in such production, nevertheless have not developed those industries due to accidents of history and perhaps the incidence of power, and may not be able to do so now or in the future without temporary protection or support.<sup>52</sup> This could be the case, for example, if there are scale advantages which an entrant in the field could not take sufficient advantage of soon enough to be able to compete with lower-cost imports, and would thus be forced out of business before establishing itself. This is essentially a strategic trade argument, which might call for some form of government support to develop a new industry.

### ***Production subsidy effects on exporting, and benefits***

If the domestic industry were producing already for foreign markets, then a production subsidy would also stimulate exports. Much recent research suggests that exporting by itself has a positive externality effect on growth, by exposing the economy to an

international and more competitive environment. Thus such a subsidy could have a doubly-positive effect.<sup>a</sup>

### ***Less than fully functioning markets: Unemployment***

If there were unemployment, the results of a production subsidy would be less clear-cut. The employment effect would depend on the combined price and income effects. Employment would obviously increase in the domestic new clothes sector. However, despite existing unemployment, it might be that the increased competition for labor due to subsidized production would have some increasing effect on wages, which would tend to reduce employment outside the subsidized sector. It might also be the case that the shrinking used-clothes sector is more labor intensive than the expanding clothing industry, which in itself would tend to depress employment. In the end, the employment effect of a production subsidy would be uncertain, and might depend on whether a positive income effect (due to capturing positive externalities in clothing production) could compensate for other losses.

### ***Government support via import tariffs***

What about a tariff on imported clothes to support the domestic clothing industry, instead of a production subsidy? A tariff on used clothes would shift the used-clothes supply curve ( $S_u$ , in Diagram 1<sub>u</sub> above) up. Exactly what would happen to the demand curve would depend on the general equilibrium effects of this price change, but the end result would be a reduced quantity of imported used clothes at a higher price than before.<sup>b</sup>

This would lead to some increase in the demand for domestic new clothes, giving us a higher domestic price, and a larger quantity, as desired. There would also perhaps be some increase in the demand for imported new clothes, unless it were also controlled via trade policy intervention, such as a tariff.

### ***The negative side-effect of tariffs***

What type of welfare effect would we have in this case? There would be increased production in the domestic clothing sector, beyond the original market-determined equilibrium level. This would draw resources from the rest of the economy, where they were more productively employed at the original relative prices. But would this not be welfare improving, when there is a positive externality associated with this production?

If the positive externality is sufficiently large, this would be the case, but here, differently from the subsidy case, we cannot be sure that the overall welfare effect would be positive. The difference between the previous case and the present one is that we now not only correct the production distortion, but we also introduce a consumption distortion. This is a negative side-effect. Now consumers are optimizing against a price

<sup>a</sup>However, it is possible that importing gives the same effect of exposing the economy to a more competitive environment. If so, and if government support to increase production also reduced imports, then the net effect would be less than it would have been, and could even be negative rather than positive. But if government production support which increased exports were coupled with liberalization of imports, there might be a *triple* benefit, by capturing the externalities of production, exporting, and importing. One might also imagine that the experience and training of relatively poor people in operating repair, restyling and distribution businesses—in short, the development of small-scale entrepreneurs—might be an added benefit of the used-clothes redistribution process.

<sup>b</sup>In the extreme, of course, there could be a prohibitive tariff or an outright ban, such that no used clothes came in legally, at any price.

for imported clothes (the world market price plus the tariff) that is different from the alternative cost to the economy to import them (the world market price). Therefore, this is not an optimal intervention, although we cannot say for sure that it is welfare-reducing.

A tariff on imported new clothes would give the same consumption distortion. The positive effect on domestic clothes production might be larger, but this would be an empirical matter.

Tariffs such as these are a common result of efforts to implement a strategic trade policy in support of infant industries. But as Paul Krugman (1994) points out:<sup>53</sup> "Concepts such as strategic trade policy can all too easily be used to rationalize good old-fashioned protectionism." And as the head of the new World Trade Organization, Renato Ruggiero, says: "Governments may try to preserve some jobs in uncompetitive industries by using trade barriers, but they will do so at the cost of jobs in the efficient export sectors. Studies... indicate that the annual cost of protecting a job by import barriers is typically anywhere from three to eight times the annual wage of that job... Protection... costs jobs in unprotected industries, although we never see these job losses directly reported. It is a fallacy to believe that the only effects of protection are the visible effects—jobs apparently saved in protected industries. The jobs *lost* in other industries are just as real. Protection increases costs, reduces sales (because it taxes consumers), and leads to fewer jobs in unprotected industries."<sup>54</sup>

It has also been argued by some that, in some rural areas where markets barely exist at all, reducing the availability to consumers of a major category of important and affordable goods (used clothes) would reduce their willingness to produce goods for the market themselves, as producers—or vice versa, that encouraging availability of such consumer goods can increase their willingness to produce for the market (whereby they can earn the income to buy the consumer goods)—thus having a major impact on economic development.<sup>55</sup>

### ***Less than fully functioning markets: Unemployment again***

What if there are distortions in factor markets, so that it is not so easy for resources to shift, and there is unemployment? And what if we pose the question the other way, as whether to remove an existing tariff or ban? In this case, although removing the import restriction would decrease one distortion, so that consumers were now facing the world market price in the used-clothes market, it would possibly increase unemployment, at least in the short run. The net short-run effect might well be welfare-reducing, although gains would be possible in the longer run through improving the functioning of factor markets.

Our conclusions here are thus the standard ones: If there are distortions (such as a positive externality, factor-market rigidities causing unemployment, or an import tariff or ban), one should try to remove them without creating new distortions. (We will discover a similar result when we turn to the issue of whether one should subsidize the import of used clothes.)

### ***Conclusions***

***Given positive externalities and/or unemployment, imports can be damaging at least in the short run; any protective measures should be limited and temporary***

The case for outright banning of used-clothes imports seems rather slim, but it is not clear that there are no negative consequences of such imports at all. Indeed, like any



other import-substituting industries, textile and clothes production may be hard hit when import rules are liberalized. There may be a difficult period of restructuring, perhaps aggravated if such changes are made quickly, and national governments may want to make special efforts to help displaced workers find new employment. As we have seen, they may also come under intense pressure from domestic industries seeking protection, and they may find themselves politically required to accommodate those pressures with tariffs for awhile. Protective measures should be temporary, however, and every reasonable effort should be made to help factor markets function more smoothly and affected industries restructure towards increased productivity, perhaps for the export market directly.<sup>a</sup> Such a strategy takes advantage of the increased real income which used-clothes imports can undoubtedly allow in the long run.

<sup>a</sup>Chris Adam of the Centre for the Study of African Economies at Oxford suggests that countries like Zambia and Zimbabwe have a comparative advantage in high quality yarn and other unfinished goods, rather than in garment-production (which, at world prices, may actually be value-reducing), and thus it is possible that they could benefit from combining greater imports of used clothes with greater exports of unfinished goods. There would presumably be smaller externalities to capture with a production subsidy in such a case, however.

## Chapter 6: Empirical Welfare Effects of Unsubsidized Imports

What are the actual, practical effects of all these imports in reality? Do used-clothes imports in fact disrupt or depress markets in Third World countries to such an extent, with resultant losses of jobs and income, that protection for domestic industry against cheap imports is necessary? Or, even if there are direct disincentive effects, are those effects outweighed by income gains to consumers, by distributional gains to the poor, by employment gains in related or unrelated industries, by productivity gains in restructured industries, by revenue gains to the government, by environmental gains worldwide, or by any combination of these?

In terms of empirical market analysis, these questions are at the heart of the matter. If imports cause overall damage, clearly their negative effects should not be increased via subsidies. However, we will see that, at least in the case of Rwanda, the damage is not so obvious; in fact, a case can be made that there are net benefits from used-clothes imports. It is true that Rwanda is a special case, but it is nevertheless a very interesting one. It is also the only one for which we have a good prior empirical study of economic effects.

### *Hagglblade's analysis of the economic effects of used-clothes imports in Rwanda*

Unfortunately, there is almost no literature thoroughly researching the true economic effects of used-clothes imports. The best study which exists is economist Steven Hagglblade's 1990 article "The Flip Side of Fashion: Used Clothing Exports to the Third World", based primarily on his research in Rwanda before its recent civil war.<sup>a</sup>

Hagglblade found that, at least in a country like Rwanda<sup>b</sup> with no domestic textile or ready-made apparel industries, employment gains in handling, cleaning, repairing, restyling, and distributing used clothes came very close to offsetting the related employment losses in tailoring and/or distributing new clothes. Further, comparing equal values purchased of used clothes, ready-made clothes, and tailored clothes, national income was highest with used clothes, due to higher value added domestically. Still further, these income gains meant that the relatively poor handlers, cleaners, repairers, restylers, and distributors of used clothes could earn roughly equal incomes in less time than the tailors who were (partly) displaced by used-clothing sales—in other words, there were "higher returns to labor in used-clothing distribution".<sup>56</sup>

At the same time, the government reaped higher revenues (due to higher tariffs on used clothes than on imported cloth),<sup>c</sup> while the relatively rich used-clothes wholesalers also benefited. Low-income consumers also gained from the availability of cheaper, used clothes, as they were able to purchase more clothes for the same expenditure, or to buy the same quantity of clothes plus something else. Since it is mostly the rural poor who buy used clothes, it was mostly they who benefited as consumers. In short, it was found that "used clothing generates maximum income per unit of sales, supplies consumers at

<sup>a</sup>Another study that makes a serious attempt to calculate all the gains and losses related to the used-clothes trade is Densonsult (1993).

<sup>b</sup>"A small, land-locked country in the hilly highlands of Central Africa... [at that time] the world's fifth largest net importer of used clothing, by value, and by quantity, the eleventh"—Hagglblade, p. 511.

<sup>c</sup>Hagglblade points out that if these tariffs were reduced, the other beneficiaries of used clothing sales would benefit still more.

the lowest cost, benefits the poorest consumers most directly, and generates nearly as much employment as small-scale tailoring.”<sup>57</sup>

As Haggblade pointed out, all of his meticulous calculations concerned only first-round effects; “they do not take into account the multiplier effects of increased real income among used-clothes consumers and suppliers.”<sup>58</sup> In other words, income gains may lead to better-clothed, better-fed, even better-housed and better-educated families, resulting in productivity gains for the future. How is all of this possible? Can we understand these results intuitively, in real terms?

Used clothes are real goods. If they were received for free, they would constitute real income without labor, which would not be a totally unenviable state, especially if one’s time and labor were left free for other pursuits, whether income-generating or not. In the case of Rwanda in Haggblade’s study, there is certainly some cost to the nation as a whole, in terms of the purchase price of used-clothes bales imported from industrial countries by wholesale importers, and the corresponding potential transfer of real goods or services out of the country to finance the purchases. But there is no domestic textile industry in Rwanda, and thus no textile production displaced. The costs of importing used clothes are apparently less than the cost of equivalent textile imports, and thus there is a net saving with the import of used clothes. Wearable clothes are produced at less cost, and in fact are largely produced by poor people, as well. Thus poor people can better afford to clothe themselves, while retaining part of their erstwhile clothing expenditure for other purposes.

### ***Global extensions of Haggblade’s analysis, including a multi-market model***

However, we are not, and cannot be, simply concerned with any single country. It is possible that the fiber or textile production displaced by used-clothes exports to Rwanda is displaced in fiber- or textile-producing LDCs, either elsewhere in Africa, or elsewhere in the world. And, what is essentially the same thing, we must also consider used-clothes exports from industrial countries directly to those fiber- or textile-producing less-developed countries.<sup>a</sup> If employment losses in manufacturing and distribution of new clothes in Rwanda were barely offset by employment generated with used clothes, it is clear that the overall global employment losses, including those in fiber and textile production, must be larger than the employment generated by redistributing used clothes. Unfortunately, we have found little information which would enable us to accurately estimate these losses. Empirical work might be required to rectify this lack.

A related question concerns the fact that Haggblade’s estimates are based on equal values of used clothes, tailored clothes, and ready-made clothes. But the price ratios he reports for these categories are roughly 1:4:10. In other words, a used article of clothing

<sup>a</sup>Peter de Valk (1992, p. 259) reports about Tanzania, for instance, “the inability of domestic textile manufacturers to compete with imported second-hand textile products has meant the erosion of the domestic market base for domestic producers. Given the small market size (effective demand), increases in prices (e.g. to accommodate rising costs of production) are certainly going to shrink the market further. Given the availability of cheap alternatives, domestic manufacturing is likely to collapse... [I]mported textile products (especially second-hand clothes) are offered at prices far below the price of locally manufactured textile products for the following reasons:

- (a) Under-declaration of value or complete evasion of import duties reduce duties paid.
- (b) The cost of producing second-hand clothes is almost nil, as most of these have been worn and discarded. The price charged domestically corresponds only to freight cost and the trader’s margin.
- (c) Products channelled through charity organizations are exempted from duties... These goods enter the country at zero cost (except for shipping costs, which are cheap and may even be subsidized).”

could generally be purchased in Rwanda for roughly one-fourth the cost of a newly tailored article, or for one-tenth the cost of an imported ready-made article.<sup>a</sup> Presumably, with the introduction of cheaper used-clothes imports, the entire budget previously devoted to tailored and ready-made clothes would not continue to be devoted to clothing. The fall in the average price of clothing and the increased purchasing power available would probably lead to more of all categories of clothing being purchased,<sup>b</sup> but the income effect of cheaper clothes would also lead to increased purchase of other goods and services. Some of the previous clothing budget would now be shifted to those other goods and services. How much employment and income would be generated in those other industries?<sup>c</sup>

This is the type of analysis we have already undertaken in the previous chapter, in a totally abstract, theoretical way. In order to properly evaluate these effects in practice, we would need to construct a multi-market model, with price and income elasticities for used clothes, for new clothes, and for all other goods and services on the consumption side, and with employment and value-added in each of these categories on the production side. If such a social accounting matrix could be constructed with relevant weighted global average values, we could evaluate the net global changes in income and employment from recycling used clothes. As we saw in our previous theoretical discussion, we should also consider externalities and the degree to which markets are functioning, the flexibility of resources. This is theoretically possible, but it would be a daunting task in practice, and we certainly do not have the data available to attempt it now.<sup>d</sup>

## **Conclusion**

### ***Net positive or negative effects are not clear empirically***

If we had a clear and strong case for damage resulting from imports, we could rule out subsidizing imports in any situation which would likely add to that damage. But in the case of Rwanda, it is not obvious that there is damage from imported used clothes—perhaps there are rather small employment losses—while in fact it appears that there are actual gains in productivity, income, and distribution, and this is only on the first round, without considering multiplier effects.

But Rwanda is a special case, without domestic textile or ready-made garment production, and empirical analysis has not considered potential losses from the loss of positive externalities possibly associated with such production. On a global scale, while ideally we believe that there must be gains from re-using still serviceable goods, in fact the results might depend on the level of externalities and the degree to which markets are functioning, or not. Thus we cannot conclude positively that there is or is not overall damage from importing used clothes.

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<sup>a</sup>In 1995, an imported used shirt cost about \$5 in Uganda, while an imported new one cost about \$60. The domestically-produced models usually use simpler materials than what is used in imported (new or used), which reduces their comparability. The textile industry is lobbying for higher protection against both new and used imports—personal observations by Arne Bigsten.

<sup>b</sup>Including ready-made and tailored clothing, and thus generating some additional employment there.

<sup>c</sup>Thus, for example, because the Zimbabwe Clothing Council job-loss estimate discussed in Chapter 3 does not take into account additional employment generated in the used-clothes sector (mostly the price effect) or by additional purchases of other goods and services (most of the income effect), we cannot consider it accurate, but only a very rough first approximation.

<sup>d</sup>In the Introduction we listed nine questions which would provide a good start for empirical work.

could generally be expected to be a positive one. The main reason for this is that the introduction of a new technology will lead to a reduction in the number of people employed in the sector. This is because the new technology will be able to do the work of a larger number of people. However, it is also possible that the introduction of a new technology will lead to a reduction in the number of people employed in the sector. This is because the new technology will be able to do the work of a larger number of people.

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## Chapter 7: A Brief History and Sociology of the Used-Clothes Trade

We have discussed the theoretical possibility that used-clothes imports (in the presence of poorly-functioning factor markets and/or positive externalities) may cause net damage at least in the short run, but we have not been able to document that damage from the only careful, thorough empirical study available. We now take a look more broadly at the effects of re-using second-hand clothes, historically and sociologically.

### *LDCs: Hansen's study of used clothes in modern Zambia*

Anthropologist Karen Tranberg Hansen, who has studied the distribution and re-use of second-hand clothes extensively in Africa (in Chapter 2 we quoted her description of the distribution of used clothes in Zambia), believes that "the master narrative that regards Lusaka's booming secondhand clothes markets as just another example of exchange relations that continue to link countries like Zambia to the West in dependency terms is inadequate. It reduces all that is African, and in this case Zambian and local, to mass capitulation to western-type consumption and trivializes the active engagement between people and clothing into a warped imitation of the West... Recommodified at the point of resale, the transformation of the West's cast-off clothes into 'new' garments in Zambia involves distribution and sales practices in local markets and subsequent incorporations into clothing practices that reflect and engage everyday experiences in spite of the recognizable western imprint of the garments."<sup>59</sup>

Hansen goes on<sup>60</sup> to report that "this trade is not new but its present scale is unprecedented. By the inter-war years [~1920-40], if not before, the used clothing trade reached Zambia from Zaire... The name of Mokambo, a busy Zambia-Zaire crossing point, became a common term for the clothes and the traders. It had a negative connotation [at that time] and people did their best to hide that they were wearing *mokambo*... Today, Zambians have no qualms about buying *salaula*,<sup>a</sup> they will stop you on the street to ask if your skirt is 'from *salaula* or from the shops'."

Hansen continues later:<sup>61</sup> "Customers demand a wide selection of new *salaula* items...<sup>b</sup> The desire to be smartly turned out, even if the garments are shabby, makes clothes-conscious Zambians insist on immaculate ensembles whose elements are laundered and ironed. Thus, detailed care for clothing helps to transform old clothes into new ensembles.

"Customers, traders, and tailors work hard to make *salaula* into their own creation... The overall combination of the ensemble's elements is always in process. In the very act of appropriating them into 'the latest', Zambians undercut their western imprint...

"The rapid increase of *salaula* since the late 1980s has made affordable clothing available to a broad spectrum of people. This contributes toward satisfying the need for clothing and the desire for style. The wide range of *salaula* gives shoppers a welcome opportunity to browse and choose...

"Throughout the 1980s, urban and rural Zambians increasingly relied on *salaula*... The growing availability and acceptability of used clothing was the theme of a 1988 record,

<sup>a</sup>*Salaula* "means 'to select from a pile' in Bemba"; another term used is "*kaunjika*, which means 'to pick' in Nyanja"—Hansen 1994, p. 506.

<sup>b</sup>Here Hansen gives a description of the current style preferences of various categories of consumers.

'Salaula', by popular singer Teddy Chilambe. The lyrics told of the time now past when the salaula market was only for the household servant and maid. Now even the most fashionable office workers wear secondhand suits. The song praised Zaireans for bringing salaula to Zambia, and blamed those who shunned it for wasting money they should use to feed their children. Zambians no longer look down on salaula or hide the fact that they wear it. Few traders or shoppers... had questions or concerns about why or how the West's discarded clothing ends up as a desirable commodity in Zambia... What they most cared about was the availability of affordable clothing."

Hansen concludes that: "A world-systems, dependency-thesis interpretation of unilineal transfer and blame is clearly out of tune with popular Zambian sensibilities and reactions. These reactions... celebrate salaula. *Chokako Weka* means 'move yourself' in Nyanja. Written on the sign of the Caroussel Botique,<sup>a</sup> it captures some of the popular attractions of salaula in Zambia. Salaula implies progress; the ability to dress tells of improvement. In the popular view, after years of standing in queues and ending up empty handed, when people had little money, and clothing was not piled up waiting to be bought, salaula means that ordinary people can now afford to wear clothes rather than rags. It also means that more consumers than ever before can make choices in a booming clothing market. The salaula trade offers work and therefore hope about new opportunities to young women and men who might not find formal jobs.

"Salaula is celebrated in urban and rural areas alike. Rural areas, which used to be characterized with statements like 'there is nothing there—they don't know sugar, tea, bread, clothes, what it is like,' were described in 1992 with some optimism: 'There is even salaula now.' After the long, hard years of the Kaunda regime's austerity programs and deteriorating terms of trade both between rural and urban areas and between Zambia and the world economy, commentaries on the recent rapid increase in salaula availability and consumption express not only disenchantment with the previous government and its state, but also the attainability of future hopes and aspirations."

### ***The re-use of second-hand goods in modern industrial countries***

The practice of re-using second-hand clothes (and other used goods) has by no means died out in industrial countries. The used clothes which are donated to charities in Sweden, in the U.S., and presumably in many other industrial countries, are first sorted for those suitable for resale locally. "Thrift shops" and "second-hand stores" selling used clothes at prices far below those for new clothes are by no means uncommon; some (as we discussed in Chapter 4) are even run by professional management companies operating on a for-profit basis. "Flea-markets" and other mechanisms for redistributing used clothes and other used goods are also rather common.<sup>b</sup> Many families acquire large portions of their wardrobes through such mechanisms, while children are known to pass clothes down as they grow older, thus reusing clothes within families as well.

### ***Lemire's study of the used-clothes trade in eighteenth century Britain***

Used clothes (and other used goods) have been re-used extensively in many societies over long periods of time, without any obvious psychological harm, and seemingly with

<sup>a</sup>Described in Chapter 2.

<sup>b</sup>There is an extensive popular literature referring also to rummage sales, backyard and garage sales, auctions, swap meets, vintage and consignment shops, surplus and salvage stores and the sale and purchase of "trash" and "junk" in order to "turn discards into dollars", "convert the clutter in your closets into cash in your pocket", and "buy more, spend less, live better".

economic benefit. Some fascinating examples come from Beverly Lemire's 1991 book "Fashion's Favourite: The Cotton Trade and the Consumer in Britain, 1660-1800", which we quote extensively in Appendix 9. Lemire concludes:

"The trade in clothes and the movement of items of dress through society and through the market was a salient feature of pre-industrial and early industrial Britain, providing an element of choice to a greater portion of the population than has been recognized to date. Pawnbrokers, clothes salesmen, and dealers of a general sort worked in rural and urban settings, buying, trading, and selling clothes of all sorts, but looking in particular for the type of clothing they knew would be most in demand by their customers... The second-hand trade was a critical factor enabling a large portion of the population to buy more apparel. The percentage of income spent on clothing would be more flexible when a part of the cost of a suit of clothes, a gown, or accessories could be recouped from the resale of old clothes. Thus a proportionately greater access to relatively more-fashionable clothes was possible, modifying dress as the mood or the style demanded."

### ***Used clothes for disaster relief***

Clearly there are also circumstances in which the charitable provision of used clothes internationally is accepted and very much needed and appreciated. Even the well-known private development agency Oxfam, which has raised serious questions about the disincentive effects of food aid, for instance, and which almost never ships used clothes overseas, occasionally has special projects in which they do so, such as its current "'Cold Front' appeal for winter coats for Bosnia and the Transcaucasus, and T-shirts into Renamo controlled areas of Mozambique."<sup>62</sup> We saw in Chapter 4 that Swedish NGOs are also involved in relief efforts of this sort.

### ***Conclusions***

#### ***Re-use of second-hand goods is a widespread phenomenon; no historical or sociological basis is found for banning used-clothes imports***

Based on historical and sociological evidence, it seems clear that we cannot conclude that the export of used clothes to LDCs is categorically bad, and should perhaps be banned, but never subsidized. The re-use of second-hand clothes seem to have a variety of benefits in many times, places, and situations. To answer whether used-clothes imports should ever be subsidized, and if so, under what circumstances, we will have to consider the specific effects of subsidizing used-clothes imports.



Based on historical and sociological data, it is clear that the use of second-hand goods is a widespread phenomenon in historical and contemporary societies. This is particularly evident in the context of clothing, where the reuse of garments is a common practice across various cultures and time periods. The study highlights the economic and social factors that influence the use of second-hand goods, such as the need for affordable clothing and the desire for sustainability. The research also explores the role of second-hand goods in the development of the fashion industry and the impact of globalization on the market for used clothing. The findings suggest that the use of second-hand goods is a viable and beneficial alternative to the production of new clothing, contributing to a more sustainable and equitable fashion system.

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**Lemire's study of the used-clothes trade in eighteenth century Britain**

Used clothes remain a significant part of the economy and are sold for a profit over long periods, with high quality goods and second-hand goods.

There is a significant body of research on the history of second-hand goods, particularly in the context of clothing. This research has shed light on the economic and social factors that influence the use of second-hand goods, as well as the role of second-hand goods in the development of the fashion industry and the impact of globalization on the market for used clothing. The findings suggest that the use of second-hand goods is a viable and beneficial alternative to the production of new clothing, contributing to a more sustainable and equitable fashion system.

## Part II-B: Analysis of the Effects of Subsidizing Used-Clothes Imports

### Chapter 8: Theoretical Welfare Effects of Subsidized Imports

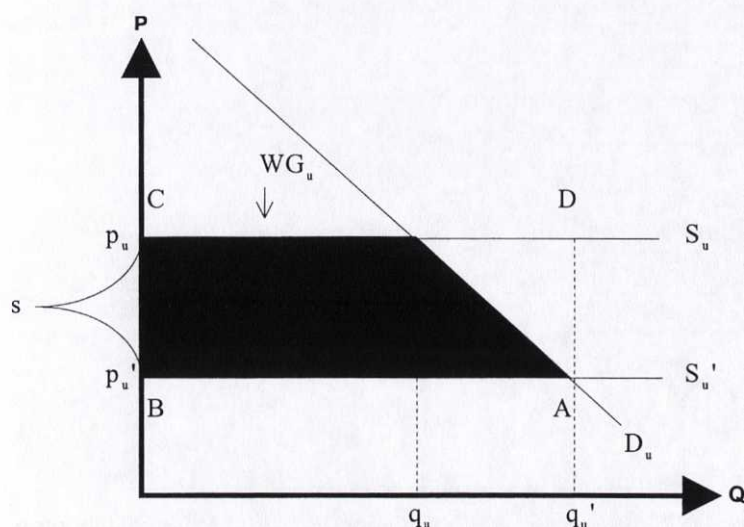
The usual case that can be made for a subsidy, other than simply to put cash in someone's pocket or to allow someone to do something that they like to do, is that there is some public good which is not being provided because of a market failure which can be remedied via the subsidy. For instance, one could argue regarding used clothes that there is a public good in having a better-clothed and more productive workforce, better-clothed and healthier mothers and children, etc., and that in LDCs the lack of adequate clothing may be particularly acute, thus justifying subsidized development projects to provide used clothes. It might also be thought that the incidence of power has created a very unequal income distribution, causing a market failure—in that particular groups of potential consumers have no access to the market—and thus requiring remediation by subsidy.

In Chapter 5 we analyzed theoretically the effects of used-clothes imports in general, first under simple "ideal" conditions, and then with a variety of more realistic complications. We will now consider the specific effects of subsidizing used-clothes imports. We will start with the same set of markets (domestic new clothes, imported new clothes, imported used clothes, and all other goods and services) and the same set of original conditions as before (perfect markets and free trade). Thus we assume that no production subsidies are in place, and that there are no import tariffs or bans. We start from the same assumed equilibrium as before.

#### *Introduction of a freight subsidy*

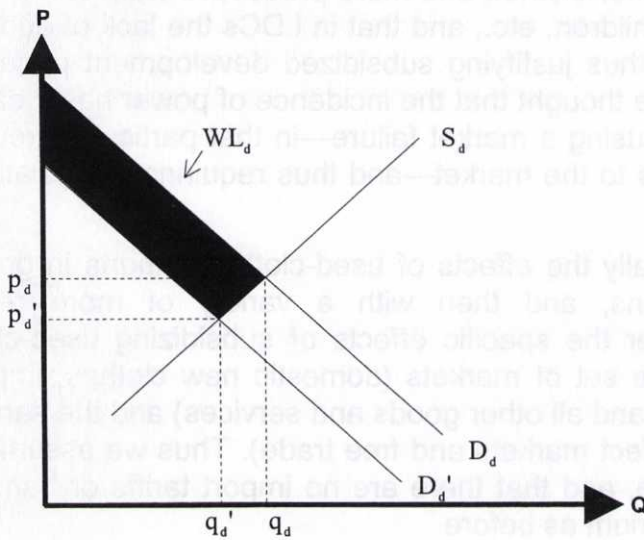
What happens if we introduce a freight subsidy for used clothes? As seen in Diagram 2<sub>u</sub>, this will lower the domestic price of used clothes by the amount of the subsidy ( $s$ ), from  $p_u$  to  $p_u'$ . Quantity will increase from  $q_u$  to  $q_u'$ .

**Diagram 2<sub>u</sub>: Imported used clothes (showing welfare gain with freight subsidy, and its cost)**

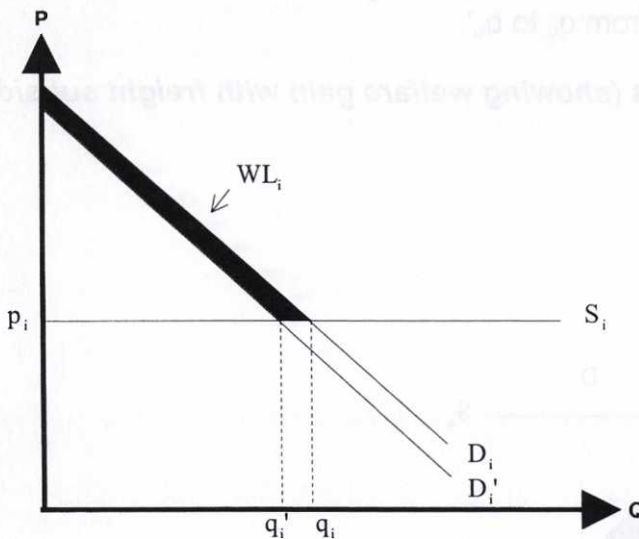


Because more used clothes are now available more cheaply than before, there should be a reduction in demand for both domestic and imported new clothes, although there will be a positive income effect that would tend to counteract this tendency.<sup>a</sup> The size of the negative demand shifts for domestic and imported new clothes (in Diagrams 2<sub>d</sub> and 2<sub>i</sub> below) will depend on the relevant elasticities—which describe how demand for new clothes changes when the price of used clothes changes—but the shifts will in any case be in the negative direction, downward and to the left, to D<sub>d</sub>' and D<sub>i</sub>'; and quantities sold will shift from q<sub>d</sub> to q<sub>d</sub>' and from q<sub>i</sub> to q<sub>i</sub>'.

**Diagram 2<sub>d</sub>: Domestic new clothes (showing welfare loss with used-clothes freight subsidy)**



**Diagram 2<sub>i</sub>: Imported new clothes (showing welfare loss with used-clothes freight subsidy)**



<sup>a</sup>Lower used-clothes prices mean higher purchasing power, or higher real income; with higher real income, there will be an increased tendency to purchase new clothes, or whatever.

What the effect would be on the rest of the economy is hard to work out: It depends on how much of the resources released from the new-clothes sectors is absorbed in the used-clothes sector; one may assume that the other goods and services sector will get some extra resources, when employment in the new-clothing sectors falls.

The welfare effect in the used-clothes market (Diagram 2<sub>u</sub> above) is clearly positive: Consumer surplus<sup>a</sup> increases by the shaded area, and there is thus a welfare gain labeled  $WG_u$ . The domestic clothing industry (Diagram 2<sub>d</sub> above) faces a fall in demand, which leads to a lowering of price from  $p_d$  to  $p_d'$ , and a smaller quantity sold,  $q_d'$  rather than  $q_d$ . This implies a reduction in consumer surplus, and a reduction in producer surplus as well,<sup>b</sup> for a net welfare loss equal to the shaded area labeled  $WL_d$ . In the imported new-clothes sector (Diagram 2<sub>i</sub> above), there is also a fall in demand, and therefore also a fall in consumer surplus of the shaded area, a welfare loss labeled  $WL_i$ . Finally, the other goods and services sector may absorb the production factors (labor, capital, etc.) released by the domestic clothing industry, thereby increasing production and generating some increase in consumer as well as producer surplus ( $WG_o$ , not shown).

What does this add up to then? Assuming (as we have done) that there are no distortions in the domestic economy, and that factor markets are fully functioning, then market prices would properly reflect social scarcities. The total welfare effect on the economy of the freight subsidy on used clothes is then equal to  $+WG_u - WL_d - WL_i + WG_o$ , which must be positive overall: The recipient economy gets goods coming in which are cheaper than before and, with working markets and in the absence of distortions, this must be good. That is, under these assumptions, although there is some restructuring required, a freight subsidy definitely helps the recipient.

### ***The positive externality (infant industry) argument again***

However, we have already noted that there may be a plausible infant industry argument based on possible positive externalities associated with clothes production. The negative welfare effect that is measured in our analysis for the domestically-produced clothes market ( $WL_d$  in Diagram 2<sub>d</sub>) would then understate the loss to society of out-competing part of the sector with second-hand imports. Instead of rectifying the distortion, we have aggravated it. If these externalities are significant, the overall effect on the economy of subsidized used-clothes imports might be negative.

### ***Less than fully functioning markets: Unemployment yet again***

Similarly, if factor markets are not functioning, so that it is difficult for resources (including labor) to find alternative employment, then the negative effect measured in

<sup>a</sup>Consumer surplus measures the difference between what the first person who buys something would have been willing to pay for it (how much they valued it), less the market price that they actually paid for it; plus the difference between what the next person who buys one would have been willing to pay for it, less the market price for it; etc. At the margin, the last person would not have been willing to pay any more, but those before would have been willing to pay more, which is why the demand curve slopes downwards to the right.

<sup>b</sup>If there are scale advantages in domestic clothing production, a subsidy on competing used-clothes imports that further reduces the scale of domestic production would obviously have further negative effects on productivity.

our analysis would again understate the true loss.<sup>a</sup> Once again, instead of rectifying the distortion, we have aggravated it.

### ***Distributional effects: Benefiting the poor***

But are there no other externalities that should be considered? Yes, it is often argued that there are positive distributional effects associated with the sale of used clothes—that it primarily benefits the poor. This could be the case, and it would strengthen the argument for subsidizing imports of used clothes. In fact, if used clothes are exclusively (or primarily) purchased by people who could not afford to enter the market for new clothes<sup>b</sup>—or if subsidized used clothes were given away exclusively to such people—then the last three terms of our welfare formula would drop out, so that  $+WG_u - WL_d - WL_i + WG_o$  would become just  $+WG_u$ , an obvious gain.<sup>c</sup> In addition, there might be positive externality (distributional) effects, in that, for instance, reducing income inequalities might reduce social tensions and the risk of political instability, or raising the incomes of the poorest population segments might significantly improve their productive capacity.

### ***Import subsidy effects on exporting, and benefits***

For simplicity in the discussion of subsidized imports of used-clothes, we have so far assumed that domestically-produced clothes are non-tradable, that is, that the domestic clothing industry does not export. How would the argument change if domestically-produced clothes were exported, and prices were thus set on the world market? Diagrams  $2_i$  and  $2_u$  (for imported new and used clothes, respectively) would be unchanged, of course, but Diagram  $2_d$  (domestic new clothes) would have to be replaced by Diagram  $3_d$ , below. Here, domestic demand for domestically-produced clothes is  $D_d$ , and the quantity purchased domestically at price  $p_d$  is  $q_d^d$ . However, we now assume that we have comparative advantages in this sector, and are able to produce a total of  $q_d^t$ , given the world market price  $p_w = p_d$ . The difference between domestic supply and domestic demand ( $q_d^t - q_d^d$ ) is then sold on the international market.<sup>d</sup>

In this case, a subsidy on used-clothes imports would still reduce demand for domestically-produced clothes from  $D_d$  to  $D_d'$ , but this would not affect production. Instead, exports would increase by the amount  $(q_d^d - q_d^{d'})$ . The negative effect of the subsidy would therefore be less. We have now assumed that international demand for the exported clothes is infinitely elastic—that is, that the international market can and will absorb whatever excess production remains after domestic demand is satisfied. This may be too extreme an assumption, so it may well be that there would be some negative effects on production even in the case where there are exports. But just as we saw in the analysis of used-clothes imports in general, exporting ameliorates any negative effects.

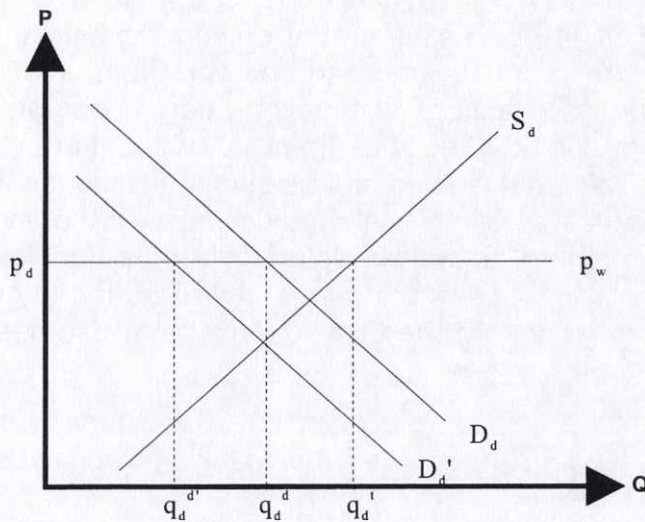
<sup>a</sup>Stated another way, if the resources involved in domestic clothes production become unemployed rather than shifting into production of other goods and services, then any potential welfare gain in that sector ( $WG_o$ ) disappears.

<sup>b</sup>The “separate markets” argument; see, for instance, Abrahamsson (1988) and Denconsult (1993).

<sup>c</sup> $WG_o$  drops out because it depended on a shift of resources from new-clothes production and import to other goods and services. If there is no impact on the new-clothes sectors, there is no shift of resources. Of course if there were unemployment to start with, there may be some shift of unemployed labor into production of other goods and services in response to the increased real income provided by subsidized used-clothes imports, and then our formula would become  $+WG_u + WG_o$ , a larger gain.

<sup>d</sup>We assume that domestic demand is satisfied first, and that the remainder can then be exported.

**Diagram 3<sub>d</sub>: Domestic new clothes (with exports, and used-clothes freight subsidy)**



### ***If there is no domestic clothes production***

If there does not exist any domestic clothes production at all,<sup>a</sup> we would obviously not see a cutback in the production of that sector due to imports of cheap used clothes, and the negative secondary effects would thus be less. However, the introduction of subsidized imported used clothes would still constitute a problem for potential future development of the sector. This sector is recognized as one where many LDCs may be competitive, and where relatively little capital is required to get started. For instance, Toyne (1984) notes<sup>63</sup> that “textiles is one of the first internationally competitive industries generally developed by developing countries.” Subsidizing used-clothes imports could therefore have negative long-term effects on development by precluding or limiting potential future development of domestic production.

### ***Dumping, and other cautions regarding who gets the subsidy, and how***

Subsidies can take a number of forms and operate in a number of ways, which we need to look at. Who is helped by freight subsidies for used-clothes imports? Is it clear who is getting the benefit, and are they getting the maximum benefit possible? And is the subsidy legal?

If the clothes are being provided to individuals below market cost, then of course those individuals benefit. The International Textiles and Clothing Bureau in Geneva points out that such subsidized sales constitute dumping, and that “a subsidy to exports of used clothing for commercial purposes [is probably not] consistent with the Agreement on Subsidies and Countervailing Measures of the Uruguay Round” of GATT, because it represents unfair competition.<sup>64</sup> Dumping itself (apart from the question of its legality) is not necessarily anything to be worried about: If someone wants to sell us goods at prices lower than costs, it is generally to our advantage, provided that we can use our resources fully in other activities, and provided that the dumping is not a temporary move to knock out our industries, to be followed later by higher prices. While the latter possibility is not so likely in the case we are considering here, it may be difficult—as we

<sup>a</sup>Or perhaps more realistically—since at least small-scale clothes production is almost universal in less-developed countries—if there is no domestic *textile* production, or no *large-scale* clothes production.

have discussed—for a typical LDC to find good alternative uses of resources, so that there may be substantial unemployment.

If the used clothes are sold on the market directly by the NGO, then that NGO's other projects or overhead get the benefit. If the clothes are sold on the market by some governmental, quasi-governmental, or local counterpart organization, then that organization gets the benefit. In any case, clarity of accounting and of understanding would be increased if the funds were allocated directly to the NGO or its other projects, or to the other organization involved. The used clothes can be shipped without subsidy, and the sales receipts will cover the costs. Given likely inefficiencies in sorting and handling, greater benefits may be possible if the used clothes are thus handled in a more business-like way. Providing them via subsidized freight may also lead to greater quantities being imported, and sold more cheaply, than would have otherwise been the case, which again constitutes dumping.

If the clothes are simply misappropriated somewhere along the way, then of course someone still benefits, but not the intended targets, and the resulting unbusiness-like environment is clearly not desirable either.

### **Conclusions**

#### ***Subsidies can provide benefits and cause harm; harm may be ameliorated if domestic production is exported; subsidies may be illegal nevertheless***

In ideal conditions, any subsidy which provides useful goods cheaper than before is a good thing in itself; but under more complex conditions—with positive externalities and/or unemployment, for instance—subsidies tend to aggravate rather than correct distortions. Cheap used clothes that primarily benefit the poor might give positive distributional effects, however. If domestic clothes production is being exported, any damages from used-clothes imports would be ameliorated. On the other hand, if there is no domestic clothes production, one cannot assume that there is no damage, because cheap competing imports may preclude future development. Practically speaking, subsidies which result in goods being sold below normal market price constitute dumping, which is illegal under international agreements. Subsidies may also constitute indirect funding support for various organizations or projects, or even for individuals who may misappropriate the goods. If the results are intended, it is probably better to effect them directly.

## Chapter 9: Alternative Costs and Best Use of Cash and Clothes

Even if there is extreme concern for poverty, and a freight subsidy for used clothes would have a tremendous impact on poverty, this would not necessarily imply that freight subsidies should be given: One must obviously consider the alternative uses of the money and, for that matter, of the clothes.

It may be helpful to reexamine our basic problem at this point. We have been asked whether used-clothes exports to less-developed countries should be subsidized. This question makes two basic assumptions, and thus we might separate the question into two more basic ones:

1. There is an assumption that used clothes exist in industrial countries and are available for subsidized export. One question we might ask is, what is the best use of these clothes?
2. There is also an assumption that development funds exist in industrial countries which might be available for subsidizing used-clothes exports, because industrial countries have a desire to help—and an interest in helping—less-developed countries develop. An obvious question we might ask is, what is the best use of these funds? What is the best way that industrial countries can help LDCs develop?

There is an obvious, simple complementarity to the two conditions (the existence of used clothes in industrial countries; and the existence of a desire on the part of people in industrial countries to help the development process in LDCs), which is to use available development funds to send available used clothes from industrial countries to LDCs. But is this the best use of the clothes, or of the development funds? These are two separate questions. Let us consider the use of the funds first.

### *The cost of the freight subsidy*

So far, we have looked at the effects of subsidized used-clothes imports only on the recipient country, without comparing these effects with the cost to the donor, or with the alternative cost to the recipient. In Diagram 2<sub>u</sub> (in the previous chapter) we showed the cost of the subsidy: If we subsidize the transport of each unit of used clothes by  $s = p_u - p_u'$ , and the total quantity is  $q_u'$ , then the total cost of the subsidy ( $s \cdot q_u'$ ) is equal to the rectangular area ABCD.<sup>a</sup>

### *The alternative cost of the freight subsidy: Cash*

The cost of the freight subsidy (ABCD) is clearly larger than the total increase in consumer surplus in the used-clothes market ( $+WG_u$ ), much (but perhaps not all) of which would accrue to the poor.<sup>b</sup> We also remember the two other directly negative welfare effects,  $-WL_d$  and  $-WL_i$  (in Diagrams 2<sub>d</sub> and 2<sub>i</sub>, respectively), and also the loss of the positive externality that might be associated with clothes production, and the likelihood of increased unemployment resulting from subsidized used-clothes imports.

<sup>a</sup>If we imagine a project which not only reduces the cost of used-clothes imports generally, but also targets particular groups of poor people and sorts the clothes very thoroughly for their individual needs, then the total project implementation cost would probably be very much larger.

<sup>b</sup>This is probably still true, even if there is also some small welfare gain due to a shift of unemployed resources into production of other goods and services in response to increased real income. Any other efficient use of the funds for development purposes would likely have the same or larger income effect on production of other goods and services.



### **Best use of the cash**

It would therefore be better to put the used-clothes subsidy funds directly in the hands of the poor, and then let them use the money as they see fit, rather than subsidizing used-clothes imports. Such transfers would have all of the distributional benefits of (or more than) subsidizing used-clothes imports, without the loss of efficiency implied by the fact that the cost exceeds the consumer surplus gain. If such cash transfers are not feasible, one could use the money for efficient projects that benefit the poor.<sup>a</sup>

A freight subsidy does not eliminate a market distortion, but rather introduces one, in the form of distorted prices for used clothes.<sup>b</sup> It should imply some benefit for the recipient country, but even without any possible negative secondary effects, it will not increase aggregate welfare as much as a direct transfer of money, which would allow the import of whatever is most wanted and needed. This conclusion does not change when distributional effects are considered. There are certainly better ways to help the poor directly, rather than doing it indirectly, via the used-clothes market.

### **Best use of the clothes**

If it is clear that available development funds can be put to better use than for freight subsidies for used clothes, then it follows that the used clothes themselves can also be put to better use. As we have seen, commercial markets worldwide are willing to convert used clothes into cash, and the cash can then be put to good use in development projects.

### **Situations where freight subsidies would be warranted: Catastrophes, no supply**

Are there any situations where freight subsidies would be warranted? What about a catastrophe situation, where there is no alternative local supply, either of domestically-produced new clothes, or of imported new or used clothes? In this case, the negative side effects of cheap used-clothes imports would not exist. Thus it is possible that there are in fact market failures which NGO projects could help to remedy with Sida-subsidized used-clothes exports.

Analytically, assume we have the situation as depicted in Diagram 4<sub>u</sub>, below: There is a demand curve for used clothes, but initially no supply.<sup>c</sup> However, assume now that we were to give such a large freight subsidy that prices in the market go to zero: Then the consumer surplus gain would equal the whole triangle ABE. The cost is again equal to the rectangle ABCD, but now this may be considerably less than the gain, though this, of course, depends on the costs of transporting the goods to the country in question. The difference between this and the former case (Diagram 2<sub>u</sub> in the previous chapter) is

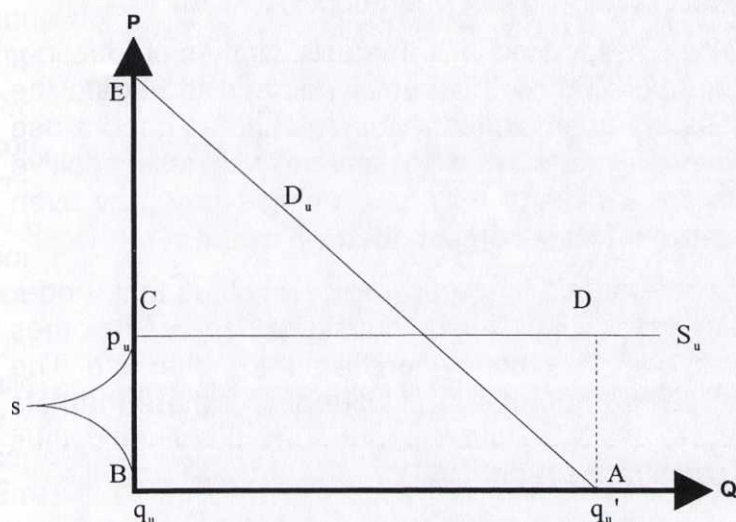
<sup>a</sup>We are not actually suggesting cash transfers as a practical alternative, but only note it as a theoretical possibility; income-generating projects, as suggested by the Riddell report, would seem more appropriate.

<sup>b</sup>This may be seen as the other side of the dual analysis suggested above: What is the best use of the clothes? Market economics suggests that the best use is to sell them to the people who value them the most, and commercial markets exist for doing so, as we have seen. To sell them at subsidized prices, or to give them away, suggests that someone will obtain each article of clothing who probably values that particular article less than the person who would have purchased it in the market. In the market, the clothes will tend to be thoroughly sifted until just the right shirt, dress or pair of pants finds just the right buyer. That kind of matching cannot be obtained without a market. If instead the clothes were "sold to the highest bidder" and *the funds* were distributed to the poor, they would be enabled to buy the clothes, or other items, which they themselves valued most.

<sup>c</sup>While world supply  $S_u$  exists at the price level  $p_u$ , actual supply within the country has been interrupted by a catastrophe.

that now there is no initial commercial supply of used clothes at all. Before, the subsidy only changed the *amount* of consumer surplus; now the subsidy accounts for all of it, because the existence of any supply at all is conditional upon it. Since we assume that this is a crisis situation where goods would not be available if they were not delivered by the donor, the money transfer option would not exist as an effective alternative. Thus, in such a case, the subsidy would be warranted, basically for humanitarian reasons.

**Diagram 4<sub>u</sub>: Imported used clothes (catastrophe = no supply—showing welfare gain, and its cost)**



The demand curve here is taken to show what people would be willing to pay for different quantities. In the case of a complete disaster, of course, people may be destitute, and there would not be any market demand in spite of great need. The conclusion that transfers in kind would be called for would still seem valid, although we would then have to assign some value to the utility to the population of the clothes transferred.

Disaster relief is thus an example in which people in desperate need of clothing may have no capacity to enter the market to satisfy those needs, not because they themselves are poor (although they may be destitute), but because the markets and the production supporting them have disappeared. However, we have noted that many major international NGOs generally prefer not to utilize second-hand clothes as part of emergency relief, and even the Swedish Red Cross notes that used clothes are not and should not be an important part of emergency planning. There can be a need for clothes as part of relief assistance, perhaps after a catastrophe situation has “normalized”, but in such situations it is noteworthy that UFF—which has been severely criticized in the media for selling used clothes commercially in Africa—nevertheless generally gives away *new* clothes when it comes to relief assistance. It seems that used clothes should be used if and when it can be demonstrated that the need is urgent and cannot reasonably be met from other sources, and that the supply is most appropriate to the need.

## **Conclusions**

### ***Subsidies generally help less than they cost, and may in fact cause harm, although they may be necessary in responding to catastrophes***

What do we conclude from this theoretical exercise with regard to freight subsidies? We conclude that subsidies help LDCs get imports at lower prices, which suggests that they are welfare-enhancing. Secondly, however, we note that the aggregate welfare gain is less than the cost of the freight subsidy. It would therefore be better to use the money for direct transfers, or for more efficient projects. This applies even in the case where there is no domestic clothing industry that is negatively affected. And it may actually be easier to target the impact of other types of interventions on the poor.

Moreover, if there are positive externalities associated with domestic clothes production, then the effect of a used-clothes freight subsidy on this sector will tend to negate the welfare gain of the transfer itself, unless the unemployed resources find as good a use in other industries. However, they may be transferred to sectors with less positive external effects, or—if factor markets are less than fully functioning—they may even remain unemployed, and then the negative effect is compounded.

The policy conclusion that can be drawn from this theoretical review is thus that, under normal circumstances, Sida should cease giving freight subsidies for used-clothes exports: This is a costly way to help the poor; the money can be put to better use. The only time where such subsidies might be warranted is in catastrophes, where markets collapse, and the population requires transfers in kind. Freight subsidies should thus only be used within the framework of catastrophe aid.

## Part III: Summary and Policy Recommendations

### Summary

World trade in used clothes is large and growing rapidly, but is still rather small (and constant) compared to overall trade in textiles and clothing (much of which originates in Third World countries). Used clothes are not a homogeneous good: Many industrial countries import as well as export used clothes, and many LDCs export as well as import, but the preponderance of exports winds up in Third World countries.

Producer organizations and labor unions are vociferous in protest against such “unfair” competition, but most countries have no exceptional restrictions against used-clothes imports. Swedish NGOs exporting used clothes have in the past sometimes attempted to target “the poorest of the poor”, and other times have allowed used clothes to be sold somewhat arbitrarily, but now most organizations are using the market to maximize the return on used-clothes sales, and are using the proceeds for development purposes.

Under simple “ideal” conditions, used-clothes imports into LDCs should theoretically allow an increase in real income. However, the loss of possible positive externalities associated with textile or clothing production, or increased unemployment of labor and capital if factor markets are not functioning well, could cause net welfare losses. Empirical analysis of results would require rather complex study; the one actual detailed study which exists shows net gains from used-clothes imports, but is based on a special case (a country with no domestic textile production). Popular attitudes in LDCs seem generally positive, as cheap and “stylish” goods are made available, and much employment is generated in cleaning, repair, restyling, and distribution. Clothes and other goods have of course been much re-used throughout history in many parts of the world, including now in the industrial countries.

Subsidizing used-clothes exports (and thus increasing the volume of such exports) would increase any resulting damages; unless there were no effective demand (people too poor to enter the market), or no supply (as might happen during wartime, for instance). If people are too poor to enter the market, they need many things, so probably they could be better served by income-generating development projects (perhaps funded at least partly by unsubsidized used-clothes sales), rather than by subsidized used-clothes distribution, which is expensive and inefficient. There may be a role for subsidized used-clothes exports in disaster relief, although many international NGOs are somewhat skeptical about their value even here.

Thus we believe—and evidence supports—that re-using second-hand clothes is in general a good thing, and probably has economic benefits. Nevertheless, theoretical analysis—somewhat supported by empirical evidence—shows that in the real world situations encountered in most LDCs, used-clothes imports may cause economic damage. Subsidizing imports of used clothes for aid projects would increase this damage.

Even in the case of targeting “the poorest of the poor”, who have no effective demand, more effective, better-targeted aid projects are possible. In catastrophe situations, where supply and/or distribution have broken down, there may be a need for subsidized

imports of used clothes (although cheap new clothes may be more appropriate and more efficient for the purpose).

## Policy Recommendations

Thus we recommend the following policies regarding Sida subsidies for NGO export of used clothes:

1. In general, no subsidies should be given for export of used clothes, particularly if the clothes are to be sold on the market. If the organizations or projects which would have benefited financially are judged worthy of support, such support should be given directly.
2. In the case of targeting particular population groups—"the poorest of the poor"—more effective, better-targeted projects should be encouraged.
  - a. NGOs should be encouraged to sell their surplus used-clothes stocks into the commercial "rag merchant" network—as is widely done in most other industrial countries.
  - b. The proceeds, plus whatever subsidies Sida might have given for used-clothes exports, should be devoted to projects.
3. In catastrophe situations, freight subsidies for used-clothes exports should be given only as a last resort—if no better and more immediate source of supply is available. NGOs should be encouraged to find supplies as close to the scene as possible; the use of cheap new clothes should be explored for this purpose.
4. In any cases in which subsidies for used-clothes exports are given, plans should be scrutinized, and results monitored, with the following questions in mind:
  - a. In catastrophe situations, how has it been ascertained that local production and other closer sources are insufficient to meet the need?
  - b. Have other alternatives been explored—such as importing from neighboring countries, commercial imports of used clothes, etc.?
  - c. If used-clothes are to be used for project aid with "the poorest of the poor", how are the target groups to be selected? How will distribution be monitored to be sure that they are in fact the recipients?
  - d. How has it been determined that they in fact have no presence in the market?
  - e. How were their needs ascertained? Is their highest priority used clothes? Or, for example, would they rather have the cash? If so, is there any other project possible—perhaps an income-generating project—which could more effectively use the financial resources and volunteer effort available?
  - f. How will the clothes be sorted to make sure that they match local needs?
  - g. Will the recipients be monitored to discover if there is any resale activity?<sup>a</sup>
5. Any changes from current policy should be made in a carefully planned manner, so as not to lose the benefits which undoubtedly do accrue from subsidized charitable exports of used clothes, and which might be lost without compensating gains if policy changes are made precipitously.

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<sup>a</sup>Not that they should be forbidden from reselling, but reselling indicates a) that the clothes were not what they needed most, and b) that there is in fact an impact on the market.

## APPENDICES

### Appendix 1: Terms of Reference for the Study<sup>a</sup>

Lumpens Politiska Ekonomi —  
begagnade varor som bistånd<sup>b</sup>

#### BACKGROUND

For a long time Sida's NGO division has subsidized freight and related costs of transporting used goods to the Third World, as well as providing support of various kinds to the volunteer organizations involved. This "freight aid" has been given, both as a part of larger projects, and to organizations whose main activity is collection and distribution of used goods.

Non-governmental organizations (NGOs) aiming to collect, transport and distribute used goods have been created by the Swedish people as a manifestation of solidarity with people in less-developed countries. The work in Sweden is mostly done by volunteers, and the organizations usually have limited budgets and limited other operations.

Sida has no clear policy for "freight aid". An organization's chances of receiving state aid are mainly dependent, first, on Sida's knowledge of its activity, and then on Sida's judgment of its capacity and competence.

A number of studies (listed in the appendix) have been done of these activities, but they have not analyzed the effects of the aid to any great extent.

#### PURPOSE

The government has asked Sida to evaluate "freight aid" in order to improve the efficiency of Swedish development assistance in general. Based on the present study, Sida intends to adopt a suitable policy for "freight aid".

#### MEANS

Sida wants to know more about the development effects of "freight aid"—on income distribution, employment, institutional structure, environment, etc.

#### THE TASK

The task consists of survey and documentation, analysis, and recommendations, as follows:

##### Survey and documentation:

- The extent of international flows of used goods, commercial as well as charitable. The largest exporting countries and the largest importing (receiving) countries. The dominant kinds of goods. [The extent of commercial flows of used clothes worldwide

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<sup>a</sup>Translated, abbreviated, and annotated.

<sup>b</sup>The political economy of rags — used goods as aid.

- is fully documented in the text, and data regarding private charitable flows of all types of goods from the U.S. is also given; international data is not kept on flows of other used goods, but a list of their known categories is included. International data collection does not distinguish charitable from commercial shipments.]
- The quality and remaining life of the products. Maintenance of received materials. [These questions, specifically with reference to used clothes, are discussed at length in the text. There is an extensive literature on the use of second-hand equipment in development, but as these are producer goods rather than consumer goods, and thus raise quite different issues, we have chosen to focus at this time on used clothes, and suggest a separate project if further study is desired in this area.]
  - The distribution chain in the receiving countries. Price-setting—how are prices set? [These questions, specifically with reference to used clothes, are discussed at length in the text.]
  - Organizations active in this field using Swedish aid. Volumes and current trends, both by types of goods and by countries receiving the goods. [We have not been encouraged to seek current information about specific projects or NGOs receiving such subsidies, but we present data on Swedish organizations active in collection and export of used clothes, and information on recent recipient countries.]

### **Analysis:**

- The value to the receiver, and effects on demand: Is the activity demand- or supply-driven? [These questions are discussed at length in the text, primarily for used clothes, but briefly regarding other goods as well.]
- Effects on supply in receiving countries: Are the imported goods a complement to, or a substitute for, existing resources? [These questions, primarily with reference to used clothes, are discussed at length in the text.]
- Effects on employment and income distribution. [These questions, specifically with reference to used clothes, are discussed at length in the text.]
- Growth effects and other long-term effects on production and the production structure. [These questions, specifically with reference to used clothes, are discussed at length in the text.]
- What role does the charitable operation play in relation to the commercial operation? [This question, specifically with reference to used clothes, is discussed in the text.]
- What role does Sida's "freight aid" play? How are volumes, costs, and prices affected? [Empirical answers to these questions would require detailed analysis of the current circumstances and methodology of particular projects, which we have not been encouraged to pursue. Nevertheless, some theoretical answers, specifically with reference to used clothes, are provided in the text.]
- Other questions that might come up during the course of the work and that might seem relevant; for example, the activity's effect on the environment. [In addition to the environment, other related questions such as political realities in less-developed countries and solidarity motives in Sweden have been briefly discussed.]

### **Recommendations:**

What should Sida's policy on "freight aid" be? Discuss if a field study is needed in order to answer the questions above satisfactorily. If so, what form should this study take?\*

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\* Sida's footnote: This task does not include any field study; any possible field study will be done as an added task, or as a new report separately from this study.

[Recommendations regarding Sida's policy on "freight aid" are made in the text. No field study is thought to be generally necessary, although if Sida provides freight aid for used-clothes exports in the future, careful monitoring of its effects is suggested. A thorough analysis of the efficacy of used clothes as opposed to new clothes in disaster relief might also prove useful. If there is sufficient interest, a separate study could also be undertaken focusing more specifically on used equipment.]

## **METHOD**

It is expected that the task will be accomplished through:

1. study of existing reports and documents, including international statistics, and through
2. interviews with charitable organizations, aid agencies, and possibly with other relevant agencies or organizations.

## **REPORT**

A written report in English is expected.

## **APPENDIX: Reference list**

Following is a list of studies of used-clothes exports to less-developed countries, and related materials:

1. The Naked Truth: Swedish private organizations' clothing aid to Mozambique and its effects on local textile production. Area Forecasting Institute, Hans Abrahamsson, Göteborg, 1988.
2. Klädfrakt för projektbistånd—Studie av Sidas fraktbidrag till föreningen U-landshjälp från folk till folk i Sverige (UFF) [Clothing freight as project aid—a study of Sida's freight aid to the Swedish organization "Development Aid from People to People (DAPP)"]. Interconsult Sweden AB, 1990.
3. Effektivare klädbistånd för större oberoende—en organisationsstudie av Praktisk Solidaritet [More effective clothing aid for greater independence—a study of the organization Practical Solidarity]. Interconsult Sweden AB, 1990.
4. In Need of Clothes: Second-hand clothing for Uganda, Zimbabwe, Mozambique, Sierra Leone and Vietnam. Swedish Red Cross, 1992.
5. Effects of Second-Hand Clothes Sales in Developing Countries. Denconsult, 1993.
6. Miscellaneous data and newspaper articles.





## Appendix 2: Statistical Tables

**Table A1: Twenty-four net used-clothes exporting countries, 1984-'93**

rank	exporting country	total value (US\$)	share of total
1	USA, Puerto Rico, & Virgin Is.	\$1,197,019,000	38.3%
2	Germany (W. Germany before 1991)	\$571,653,000	18.3%
3	Belgium-Luxembourg	\$344,818,000	11.0%
4	Netherlands	\$319,143,000	10.2%
5	Japan	\$167,701,000	5.4%
6	United Kingdom	\$151,259,000	4.8%
7	Italy	\$98,693,000	3.2%
8	Australia	\$62,067,000	2.0%
9	Canada	\$59,744,000	1.9%
10	Mexico	\$34,930,000	1.1%
11	Denmark	\$34,106,000	1.1%
12	Sweden	\$27,020,000	0.9%
13	Switzerland, Liechtenstein	\$19,952,000	0.6%
14	Austria	\$11,157,000	0.4%
15	Portugal	\$8,254,000	0.26%
16	Finland	\$7,863,000	0.25%
17	Norway, Svalbard & Jan Mayen	\$3,365,000	0.11%
18	Panama	\$2,426,000	0.08%
19	Iceland	\$851,000	0.03%
20	China	\$220,000	0.007%
21	Nepal	\$179,000	0.006%
22	Morocco	\$67,000	0.002%
23	Colombia	\$38,000	0.001%
24	Oman	\$6,000	0.0002%

Source: Derived from SITC2 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.  
 Note: Total value for each country for the period is simply the sum of uncorrected annual figures; correcting annual figures for inflation should have little effect on rank or share.

**Table A2: Some 1984 used-clothes exporters (19) and importers (51), with net weights and values, and average prices; ranked by net value of exports or imports**

rank by net value	some 1984 used-clothes exporters and importers	export weight (1000 kgs)	export value (US\$ 1000s)	average export price (US\$/kg)	import weight (1000 kgs)	import value (US\$ 1000s)	average import price (US\$/kg)	net weight (1000 kgs)	net value (US\$ 1000s)
1	USA, Puerto Rico, Virgin Is.	98,857	76,714	\$0.78				-98,857	76,714
2	West Germany	54,639	26,534	\$0.49	2,526	2,341	\$0.93	-52,113	24,193
3	Japan	41,028	20,046	\$0.49	222	1,586	\$7.14	-40,806	18,460
4	Belgium-Luxembourg	50,400	35,114	\$0.70	46,952	17,522	\$0.37	-3,448	17,592
5	Netherlands	38,947	25,108	\$0.64	31,597	9,867	\$0.31	-7,350	15,241
6	Australia	5,784	5,231	\$0.90	-	460	?	?	4,771
7	United Kingdom	6,461	8,985	\$1.39	2,641	5,193	\$1.97	-3,820	3,792
8	Sweden	3,670	2,505	\$0.68	113	277	\$2.45	-3,557	2,228
9	Denmark	4,729	2,277	\$0.48	114	311	\$2.73	-4,615	1,966
10	Italy	10,276	6,378	\$0.62	9,794	4,463	\$0.46	-482	1,915
11	Switzerland, Liechtenstein	1,500	785	\$0.52	79	107	\$1.35	-1,421	678
12	South Korea	1,332	2,368	\$1.78	1,191	1,857	\$1.56	-141	511
13	Spain	491	535	\$1.09	284	121	\$0.43	-207	414
14	Norway, Svalbard, Jan Mayen	502	384	\$0.76	46	105	\$2.28	-456	279
15	Iceland	257	262	\$1.02	-	1	?	?	261
16	Finland	444	174	\$0.39	37	114	\$3.08	-407	60
17	Trinidad and Tobago	1	7	\$7.00	-	1	?	?	6
18	New Zealand	8	9	\$1.13	1	6	\$6.00	-7	3
19	Colombia	80	4	\$0.05	-	3	?	?	1
51	Seychelles				-	1	?	?	-1
50	Faeroe Islands	1	1	\$1.00	1	2	\$2.00	0	-1
49	Peru				-	2	?	?	-2
48	French Guiana				1	2	\$2.00	1	-2
47	Qatar				5	2	\$0.40	5	-2
46	Macau				2	3	\$1.50	2	-3
45	Greenland				2	4	\$2.00	2	-4
44	Cyprus				-	4	?	?	-4
43	Martinique				3	12	\$4.00	3	-12
42	Bolivia				21	19	\$0.90	21	-19
41	Grenada				48	20	\$0.42	48	-20
40	Reunion				3	24	\$8.00	3	-24
39	Guadeloupe				4	28	\$7.00	4	-28
38	Zimbabwe	3	12	\$4.00	46	63	\$1.37	43	-51
37	Barbados				-	74	?	?	-74
36	Vanuatu				-	80	?	?	-80
35	Jamaica				70	103	\$1.47	70	-103
34	Kenya				277	155	\$0.56	277	-155
33	Sri Lanka				-	156	?	?	-156
32	Austria	1,728	396	\$0.23	925	585	\$0.63	-803	-189
31	Greece	13	6	\$0.46	154	291	\$1.89	141	-285
30	Solomon Islands				-	327	?	?	-327
29	Israel	-	29	?	-	371	?	?	-342
28	Fiji				277	455	\$1.64	277	-455
27	Paraguay				222	506	\$2.28	222	-506
26	Liberia				373	560	\$1.50	373	-560
25	Portugal	80	129	\$1.61	619	698	\$1.13	539	-569
24	Congo	-	1	?	576	672	\$1.17	?	-671

Used Clothes As Development Aid

rank by net value	some 1984 used-clothes exporters and importers	export weight (1000 kgs)	export value (US\$ 1000s)	average export price (US\$/kg)	import weight (1000 kgs)	import value (US\$ 1000s)	average import price (US\$/kg)	net weight (1000 kgs)	net value (US\$ 1000s)
23	Madagascar				364	719	\$1.98	364	-719
22	Saudi Arabia				699	762	\$1.09	699	-762
21	Ireland	60	194	\$3.23	311	1,011	\$3.25	251	-817
20	Djibouti				1,062	1,158	\$1.09	1,062	-1,158
19	Thailand				440	1,198	\$2.72	440	-1,198
18	Sierra Leone				2,394	1,211	\$0.51	2,394	-1,211
17	Ethiopia	143	67	\$0.47	834	1,683	\$2.02	691	-1,616
16	Singapore	5,912	6,433	\$1.09	8,339	8,450	\$1.01	2,427	-2,017
15	Syria	-	1	?	3,101	2,071	\$0.67	?	-2,070
14	India	3	5	\$1.67	638	2,245	\$3.52	635	-2,240
13	Malawi				-	2,281	?	?	-2,281
12	Papua New Guinea				1,226	2,296	\$1.87	1,226	-2,296
11	Chile				1,975	2,393	\$1.21	1,975	-2,393
10	Brazil				848	2,960	\$3.49	848	-2,960
9	South African Customs Union	-	22	?	-	3,332	?	?	-3,310
8	Indonesia	-	37	?	603	4,304	\$7.14	?	-4,267
7	Hong Kong	3,405	1,101	\$0.32	7,403	7,725	\$1.04	3,998	-6,624
6	Jordan	1	1	\$1.00	6,420	6,908	\$1.08	6,419	-6,907
5	Tunisia	721	577	\$0.80	15,348	7,655	\$0.50	14,627	-7,078
4	Malaysia	548	207	\$0.38	6,990	7,679	\$1.10	6,442	-7,472
3	Bangladesh				-	7,915	?	?	-7,915
2	France, Monaco	11,545	7,019	\$0.61	16,787	15,086	\$0.90	5,242	-8,067
1	Pakistan	54	77	\$1.43	55,308	29,646	\$0.54	55,254	-29,569
count:		34	39		54	69			
1984 totals:		343,623	229,735	\$0.67	230,316	170,242	\$0.67		
percentage accounted for:		67%	74%	unacctd. for:	113,307	59,493			
reported weight:		99.96%	by value		91%	by value			

Source: Derived from SITC2 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: Reflecting flows of real goods, and in order to clearly distinguish net exports from net imports, net weights are negative for net exports, positive for net imports. Similarly, reflecting financial flows, net values are positive for net exports, negative for net imports. For countries with both imports and exports, if either weight is missing, no net weight is given. Total average export and import prices are based only on those values for which weights are reported. Extreme export or import prices may indicate some problem in the data, such as partial missing weights. The absence of a listing for a particular country does not necessarily indicate that no trade occurred. For instance, countries still reporting on SITC1, or not reporting at all, do not show up. More complete data (covering more countries, and including weights per capita) is provided in Tables A3-A5 and A11-A13.

**Table A3: 1990 world used-clothes gross exporters (127) ranked by value, with reported and imputed weights, value and weight shares of total, weights per capita, and average prices**

rank by value	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
1	USA, Puerto Rico, Virgin Is.	\$124,774,000	25.4%	133,063,000	137,114,286	24.4%	0.55	\$0.91*
2	West Germany	\$74,732,000	15.2%	117,881,000	117,881,000	21.0%	1.9	\$0.63
3	Belgium-Luxembourg	\$71,816,000	14.6%	65,778,000	65,778,000	11.7%	6.6	\$1.09
4	Netherlands	\$59,927,000	12.2%	53,924,000	53,924,000	9.6%	3.6	\$1.11
5	Japan	\$35,345,000	7.2%	45,245,000	45,245,000	8.1%	0.37	\$0.78
6	France, Monaco	\$24,225,000	4.9%	26,335,000	26,620,879	4.7%	0.47	\$0.91
7	Italy	\$22,597,000	4.6%	23,008,000	23,008,000	4.1%	0.40	\$0.98
8	United Kingdom	\$21,288,000	4.3%	14,417,000	14,417,000	2.6%	0.25	\$1.48
9	Canada	\$9,149,000	1.9%		22,084,477	3.9%	0.79	\$0.41*
10	Australia	\$6,634,000	1.3%	5,285,000	5,285,000	0.94%	0.31	\$1.26
11	Switzerland, Liechtenstein*	\$5,503,000	1.1%	7,223,000	7,223,000	1.3%	1.1	\$0.76
12	Sweden	\$5,210,000	1.1%	3,647,000	3,669,014	0.65%	0.43	\$1.42
13	Denmark	\$4,839,000	1.0%	7,651,000	7,651,000	1.4%	1.5	\$0.63
14	Malaysia	\$2,998,000	0.61%	3,079,000	3,079,000	0.55%	0.17	\$0.97
15	Austria	\$2,721,000	0.55%	9,994,000	9,994,000	1.8%	1.3	\$0.27
16	Finland	\$2,044,000	0.42%	1,586,000	1,586,000	0.28%	0.32	\$1.29
17	Singapore*	\$1,981,000	0.40%	1,788,000	1,784,685	0.32%	0.66	\$1.11
18	Unspecific*	\$1,921,000	0.39%	941,000	951,990	0.17%		\$2.02
19	Panama	\$1,673,000	0.34%	651,000	651,000	0.12%	0.27	\$2.57
20	East Germany*	\$1,326,000	0.27%	2,773,000	2,773,000	0.49%	0.17	\$0.48
21	Tunisia	\$1,299,000	0.26%	1,427,000	1,427,000	0.25%	0.18	\$0.91
22	Asia Unspecific*	\$753,000	0.15%	728,000	745,545	0.13%		\$1.01
23	Mexico*	\$639,000	0.13%	1,235,000	1,252,941	0.22%	0.015	\$0.51
24	Hong Kong*	\$633,000	0.13%	403,000	419,205	0.075%	0.073	\$1.51
25	Norway, Svalbard, Jan Mayen	\$560,000	0.11%	1,185,000	1,185,000	0.21%	0.28	\$0.47
26	Chile*	\$537,000	0.11%	538,000	538,000	0.10%	0.041	\$1.00
27	Poland*	\$485,000	0.10%	404,000	404,167	0.072%	0.011	\$1.20
28	South Korea*	\$482,000	0.10%	162,000	175,912	0.031%	0.0041	\$2.74
29	India	\$381,000	0.077%	72,000	74,706	0.013%	0.00009	\$5.10
30	Pakistan*	\$377,000	0.077%	158,000	164,629	0.029%	0.0014	\$2.29
31	Spain*	\$375,000	0.076%	375,000	378,788	0.068%	0.010	\$0.99
32	Portugal	\$375,000	0.076%	143,000	144,788	0.026%	0.015	\$2.59
33	China*	\$322,000	0.065%	172,000	172,000	0.031%	0.0002	\$1.87
34	Ireland*	\$269,000	0.055%	409,000	409,000	0.073%	0.12	\$0.66
35	Yugoslavia*	\$214,000	0.044%	17,000	17,079	0.0030%	0.0017	\$12.53
36	Saudi Arabia*	\$202,000	0.041%	335,000	335,000	0.060%	0.021	\$0.60
37	Benin*	\$190,000	0.039%	128,000	128,000	0.023%	0.028	\$1.48
38	New Zealand*	\$171,000	0.035%	121,000	126,667	0.023%	0.038	\$1.35
39	Argentina*	\$163,000	0.033%	52,000	52,000	0.0093%	0.0016	\$3.13
40	Thailand*	\$153,000	0.031%	77,000	81,383	0.015%	0.0015	\$1.88
41	Honduras	\$132,000	0.027%	28,000	28,000	0.0050%	0.0057	\$4.71
42	Brazil*	\$130,000	0.026%	30,000	30,233	0.0054%	0.0002	\$4.30
43	USSR*	\$128,000	0.026%	185,000	191,045	0.034%	0.0007	\$0.67
44	Greece*	\$115,000	0.023%	68,000	70,988	0.013%	0.0069	\$1.62
45	Israel*	\$107,000	0.022%	7,000	7,000	0.0012%	0.0015	\$15.29
46	South African Cust. Union*	\$105,000	0.021%	60,000	66,456	0.012%	0.0018	\$1.58
47	Indonesia	\$103,000	0.021%	37,000	37,729	0.0067%	0.0002	\$2.73
48	Philippines*	\$98,000	0.020%	91,000	96,078	0.017%	0.0016	\$1.02
49	Morocco*	\$92,000	0.019%	49,000	50,549	0.0090%	0.0021	\$1.82
50	Colombia*	\$87,000	0.018%	31,000	31,000	0.0055%	0.0010	\$2.81

## Used Clothes As Development Aid

rank by value	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
51	Hungary*	\$68,000	0.014%	45,000	61,261	0.011%	0.0059	\$1.11
52	Burma (Myanmar)*	\$68,000	0.014%	3,000	3,000	0.0005%	0.00007	\$22.67
53	Togo	\$66,000	0.013%	60,000	60,000	0.011%	0.017	\$1.10
54	United Arab Emirates*	\$66,000	0.013%	30,000	38,824	0.0069%	0.023	\$1.70
55	Niger*	\$62,000	0.013%	7,000	7,000	0.0012%	0.0009	\$8.86
56	Peru*	\$58,000	0.012%	28,000	29,000	0.0052%	0.0013	\$2.00
57	Czechoslovakia*	\$54,000	0.011%	55,000	56,250	0.010%	0.0036	\$0.96
58	El Salvador*	\$52,000	0.011%	5,000	5,000	0.0009%	0.0010	\$10.20
59	Guatemala*	\$46,000	0.0094%	39,000	58,228	0.010%	0.0063	\$0.79
60	Ethiopia	\$41,000	0.0083%	8,000	7,551	0.0013%	0.0002	\$5.43
61	Bangladesh*	\$40,000	0.0081%	15,000	15,000	0.0027%	0.0001	\$2.67
62	Venezuela*	\$39,000	0.0079%	6,000	6,321	0.0011%	0.0003	\$6.17
63	Iceland	\$36,000	0.0073%	46,000	46,000	0.0082%	0.18	\$0.78
64	Egypt*	\$33,000	0.0067%	28,000	34,375	0.0061%	0.0006	\$0.96
65	Turkey*	\$33,000	0.0067%	22,000	22,000	0.0039%	0.0004	\$1.50
66	Viet Nam*	\$33,000	0.0067%	15,000	15,000	0.0027%	0.0002	\$2.20
67	Ecuador*	\$33,000	0.0067%	9,000	9,000	0.0016%	0.0009	\$3.67
68	Somalia*	\$33,000	0.0067%	4,000	4,000	0.0007%	0.0005	\$8.25
69	Costa Rica*	\$31,000	0.0063%	24,000	24,000	0.0043%	0.0079	\$1.29
70	Africa Unspecific*	\$31,000	0.0063%	4,000	4,000	0.0007%		\$7.75
71	Ghana*	\$30,000	0.0061%	34,000	37,975	0.0068%	0.0025	\$0.79
72	Zimbabwe*	\$29,000	0.0059%	8,000	8,000	0.0014%	0.0008	\$3.63
73	Madagascar	\$27,000	0.0055%	3,000	3,000	0.0005%	0.0002	\$9.00
74	Mali	\$24,000	0.0049%	645,000	645,000	0.11%	0.070	\$0.04
75	Uruguay*	\$24,000	0.0049%	8,000	8,000	0.0014%	0.0026	\$3.00
76	Djibouti*	\$23,000	0.0047%	28,000	28,000	0.0050%	0.054	\$0.82
77	Sri Lanka	\$22,000	0.0045%		6,000	0.0011%	0.0003	\$3.67
78	St. Pierre & Miquelon*	\$18,000	0.0037%	18,000	18,000	0.0032%	3.0	\$1.00
79	Kuwait*	\$18,000	0.0037%	8,000	11,043	0.0020%	0.0052	\$1.63
80	Faeroe Islands*	\$17,000	0.0035%	5,000	5,000	0.0009%	0.11	\$3.40
81	Kenya*	\$16,000	0.0033%	4,000	4,571	0.0008%	0.0002	\$3.50
82	Jordan*	\$15,000	0.0031%	10,000	10,000	0.0018%	0.0023	\$1.50
83	Trinidad and Tobago*	\$13,000	0.0026%	8,000	34,211	0.0061%	0.028	\$0.38
84	Bulgaria*	\$13,000	0.0026%	5,000	5,000	0.0009%	0.0006	\$2.60
85	Netherlands Antilles*	\$12,000	0.0024%					
86	Sierra Leone*	\$12,000	0.0024%					
87	Cote D'Ivoire*	\$9,000	0.0018%	7,000	7,895	0.0014%	0.0007	\$1.14
88	Nicaragua*	\$8,000	0.0016%	2,000	16,000	0.0029%	0.0044	\$0.50
89	North Korea*	\$8,000	0.0016%	3,000	3,000	0.0005%	0.0001	\$2.67
90	Iran*	\$7,000	0.0014%	3,000	10,448	0.0019%	0.0002	\$0.67
91	Afghanistan*	\$7,000	0.0014%	2,000	4,667	0.0008%	0.0003	\$1.50
92	Paraguay*	\$7,000	0.0014%	4,000	4,000	0.0007%	0.0009	\$1.75
93	Liberia*	\$7,000	0.0014%					
94	Romania*	\$6,000	0.0012%	5,000	7,500	0.0013%	0.0003	\$0.80
95	Albania*	\$6,000	0.0012%	2,000	2,000	0.0004%	0.0006	\$3.00
96	Guyana*	\$6,000	0.0012%					
97	Nauru*	\$5,000	0.0010%	19,000	19,000	0.0034%	1.9	\$0.26
98	Laos*	\$5,000	0.0010%	6,000	6,000	0.0011%	0.0014	\$0.83
99	Algeria*	\$5,000	0.0010%	3,000	3,000	0.0005%	0.0001	\$1.67
100	Bolivia*	\$5,000	0.0010%	2,000	2,500	0.0004%	0.0004	\$2.00
101	Oman*	\$5,000	0.0010%	1,000	1,000	0.0002%	0.0006	\$5.00
102	Zambia*	\$5,000	0.0010%					
103	Comoros*	\$5,000	0.0010%					

Report of a study for Sida

rank by value	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
104	Gambia*	\$4,000	0.0008%	8,000	8,000	0.0014%	0.0087	\$0.50
105	Free Zones*	\$4,000	0.0008%	5,000	6,667	0.0012%		\$0.60
106	Tanzania*	\$4,000	0.0008%	6,000	6,000	0.0011%	0.0002	\$0.67
107	Malta*	\$4,000	0.0008%	5,000	5,000	0.0009%	0.014	\$0.80
108	Papua New Guinea*	\$4,000	0.0008%	1,000	1,000	0.0002%	0.0003	\$4.00
109	Cyprus*	\$3,000	0.0006%	2,000	3,000	0.0005%	0.0043	\$1.00
110	Dominican Republic*	\$3,000	0.0006%	2,000	2,000	0.0004%	0.0003	\$1.50
111	Cambodia*	\$3,000	0.0006%					
112	Americas Unspecific*	\$2,000	0.0004%	5,000	5,000	0.0009%		\$0.40
113	Gibraltar*	\$2,000	0.0004%	4,000	4,000	0.0007%	0.14	\$0.50
114	Macau	\$2,000	0.0004%	4,000	4,000	0.0007%	0.012	\$0.50
115	Barbados	\$2,000	0.0004%	2,000	2,000	0.0004%	0.0078	\$1.00
116	Lebanon*	\$2,000	0.0004%	2,000	2,000	0.0004%	0.0008	\$1.00
117	Nigeria*	\$2,000	0.0004%	2,000	2,000	0.0004%	0.00002	\$1.00
118	Cameroon*	\$2,000	0.0004%	1,000	1,000	0.0002%	0.00009	\$2.00
119	Wallis & Futuna*	\$2,000	0.0004%					
120	Cuba*	\$1,000	0.0002%	3,000	3,000	0.0005%	0.0003	\$0.33
121	Antigua Barbuda*	\$1,000	0.0002%	1,000	1,000	0.0002%	0.016	\$1.00
122	Bahrain*	\$1,000	0.0002%	1,000	1,000	0.0002%	0.0020	\$1.00
123	Mauritius	\$1,000	0.0002%					
124	Nepal*	\$1,000	0.0002%					
125	Congo*	\$1,000	0.0002%					
126	Reunion	\$1,000	0.0002%					
127	Syria*	\$1,000	0.0002%					
total		\$491,775,000		561,034,501				\$0.88

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: An asterisk (\*) at the end of a country name indicates that the entire line is derived from partner data rather than from data reported by the country directly. An asterisk (\*) at the end of an average price indicates that the price (only) was taken from partner data, due to lack of weights in reported data. Average prices are based only on those partner transactions for which weights are reported; thus imputed weights (based on those prices) may be higher than reported weights. Extreme average prices may still indicate some problem in the data, such as partial missing weights **within** partner transactions. The absence of a listing for a particular country does not necessarily indicate that no trade occurred.

**Table A4: 1990 world used-clothes gross exporters (127) ranked by weight per capita, with values, reported and imputed weights, value and weight shares of total, and average prices**

rank per capita	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
1	Belgium-Luxembourg	\$71,816,000	14.6%	65,778,000	65,778,000	11.7%	6.6	\$1.09
2	Netherlands	\$59,927,000	12.2%	53,924,000	53,924,000	9.6%	3.6	\$1.11
3	St. Pierre & Miquelon*	\$18,000	0.0037%	18,000	18,000	0.0032%	3.0	\$1.00
4	West Germany	\$74,732,000	15.2%	117,881,000	117,881,000	21.0%	1.9	\$0.63
5	Nauru*	\$5,000	0.0010%	19,000	19,000	0.0034%	1.9	\$0.26
6	Denmark	\$4,839,000	1.0%	7,651,000	7,651,000	1.4%	1.5	\$0.63
7	Austria	\$2,721,000	0.55%	9,994,000	9,994,000	1.8%	1.3	\$0.27
8	Switzerland, Liechtenstein*	\$5,503,000	1.1%	7,223,000	7,223,000	1.3%	1.1	\$0.76
9	Canada	\$9,149,000	1.9%		22,084,477	3.9%	0.79	\$0.41*
10	Singapore*	\$1,981,000	0.40%	1,788,000	1,784,685	0.32%	0.66	\$1.11
11	USA, Puerto Rico, Virgin Is.	\$124,774,000	25.4%	133,063,000	137,114,286	24.4%	0.55	\$0.91*
12	France, Monaco	\$24,225,000	4.9%	26,335,000	26,620,879	4.7%	0.47	\$0.91
13	Sweden	\$5,210,000	1.1%	3,647,000	3,669,014	0.65%	0.43	\$1.42
14	Italy	\$22,597,000	4.6%	23,008,000	23,008,000	4.1%	0.40	\$0.98
15	Japan	\$35,345,000	7.2%	45,245,000	45,245,000	8.1%	0.37	\$0.78
16	Finland	\$2,044,000	0.42%	1,586,000	1,586,000	0.28%	0.32	\$1.29
17	Australia	\$6,634,000	1.3%	5,285,000	5,285,000	0.94%	0.31	\$1.26
18	Norway, Svalbard, Jan Mayen	\$560,000	0.11%	1,185,000	1,185,000	0.21%	0.28	\$0.47
19	Panama	\$1,673,000	0.34%	651,000	651,000	0.12%	0.27	\$2.57
20	United Kingdom	\$21,288,000	4.3%	14,417,000	14,417,000	2.6%	0.25	\$1.48
21	Iceland	\$36,000	0.0073%	46,000	46,000	0.0082%	0.18	\$0.78
22	Tunisia	\$1,299,000	0.26%	1,427,000	1,427,000	0.25%	0.18	\$0.91
23	Malaysia	\$2,998,000	0.61%	3,079,000	3,079,000	0.55%	0.17	\$0.97
24	East Germany*	\$1,326,000	0.27%	2,773,000	2,773,000	0.49%	0.17	\$0.48
25	Gibraltar*	\$2,000	0.0004%	4,000	4,000	0.0007%	0.14	\$0.50
26	Ireland*	\$269,000	0.055%	409,000	409,000	0.073%	0.12	\$0.66
27	Faeroe Islands*	\$17,000	0.0035%	5,000	5,000	0.0009%	0.11	\$3.40
28	Hong Kong*	\$633,000	0.13%	403,000	419,205	0.075%	0.073	\$1.51
29	Mali	\$24,000	0.0049%	645,000	645,000	0.11%	0.070	\$0.04
30	Djibouti*	\$23,000	0.0047%	28,000	28,000	0.0050%	0.054	\$0.82
31	Chile*	\$537,000	0.11%	538,000	538,000	0.10%	0.041	\$1.00
32	New Zealand*	\$171,000	0.035%	121,000	126,667	0.023%	0.038	\$1.35
33	Benin*	\$190,000	0.039%	128,000	128,000	0.023%	0.028	\$1.48
34	Trinidad and Tobago*	\$13,000	0.0026%	8,000	34,211	0.0061%	0.028	\$0.38
35	United Arab Emirates*	\$66,000	0.013%	30,000	38,824	0.0069%	0.023	\$1.70
36	Saudi Arabia*	\$202,000	0.041%	335,000	335,000	0.060%	0.021	\$0.60
37	Togo	\$66,000	0.013%	60,000	60,000	0.011%	0.017	\$1.10
38	Antigua Barbuda*	\$1,000	0.0002%	1,000	1,000	0.0002%	0.016	\$1.00
39	Mexico*	\$639,000	0.13%	1,235,000	1,252,941	0.22%	0.015	\$0.51
40	Portugal	\$375,000	0.076%	143,000	144,788	0.026%	0.015	\$2.59
41	Malta*	\$4,000	0.0008%	5,000	5,000	0.0009%	0.014	\$0.80
42	Macau	\$2,000	0.0004%	4,000	4,000	0.0007%	0.012	\$0.50
43	Poland*	\$485,000	0.10%	404,000	404,167	0.072%	0.011	\$1.20
44	Spain*	\$375,000	0.076%	375,000	378,788	0.068%	0.010	\$0.99
45	Gambia*	\$4,000	0.0008%	8,000	8,000	0.0014%	0.0087	\$0.50
46	Costa Rica*	\$31,000	0.0063%	24,000	24,000	0.0043%	0.0079	\$1.29
47	Barbados	\$2,000	0.0004%	2,000	2,000	0.0004%	0.0078	\$1.00
48	Greece*	\$115,000	0.023%	68,000	70,988	0.013%	0.0069	\$1.62
49	Guatemala*	\$46,000	0.0094%	39,000	58,228	0.010%	0.0063	\$0.79
50	Hungary*	\$68,000	0.014%	45,000	61,261	0.011%	0.0059	\$1.11



## Report of a study for Sida

rank per capita	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
51	Honduras	\$132,000	0.027%	28,000	28,000	0.0050%	0.0057	\$4.71
52	Kuwait*	\$18,000	0.0037%	8,000	11,043	0.0020%	0.0052	\$1.63
53	Nicaragua*	\$8,000	0.0016%	2,000	16,000	0.0029%	0.0044	\$0.50
54	Cyprus*	\$3,000	0.0006%	2,000	3,000	0.0005%	0.0043	\$1.00
55	South Korea*	\$482,000	0.10%	162,000	175,912	0.031%	0.0041	\$2.74
56	Czechoslovakia*	\$54,000	0.011%	55,000	56,250	0.010%	0.0036	\$0.96
57	Uruguay*	\$24,000	0.0049%	8,000	8,000	0.0014%	0.0026	\$3.00
58	Ghana*	\$30,000	0.0061%	34,000	37,975	0.0068%	0.0025	\$0.79
59	Jordan*	\$15,000	0.0031%	10,000	10,000	0.0018%	0.0023	\$1.50
60	Morocco*	\$92,000	0.019%	49,000	50,549	0.0090%	0.0021	\$1.82
61	Bahrain*	\$1,000	0.0002%	1,000	1,000	0.0002%	0.0020	\$1.00
62	South African Cust. Union*	\$105,000	0.021%	60,000	66,456	0.012%	0.0018	\$1.58
63	Yugoslavia*	\$214,000	0.044%	17,000	17,079	0.0030%	0.0017	\$12.53
64	Argentina*	\$163,000	0.033%	52,000	52,000	0.0093%	0.0016	\$3.13
65	Philippines*	\$98,000	0.020%	91,000	96,078	0.017%	0.0016	\$1.02
66	Israel*	\$107,000	0.022%	7,000	7,000	0.0012%	0.0015	\$15.29
67	Thailand*	\$153,000	0.031%	77,000	81,383	0.015%	0.0015	\$1.88
68	Laos*	\$5,000	0.0010%	6,000	6,000	0.0011%	0.0014	\$0.83
69	Pakistan*	\$377,000	0.077%	158,000	164,629	0.029%	0.0014	\$2.29
70	Peru*	\$58,000	0.012%	28,000	29,000	0.0052%	0.0013	\$2.00
71	El Salvador*	\$52,000	0.011%	5,000	5,000	0.0009%	0.0010	\$10.20
72	Colombia*	\$87,000	0.018%	31,000	31,000	0.0055%	0.0010	\$2.81
73	Paraguay*	\$7,000	0.0014%	4,000	4,000	0.0007%	0.0009	\$1.75
74	Niger*	\$62,000	0.013%	7,000	7,000	0.0012%	0.0009	\$8.86
75	Ecuador*	\$33,000	0.0067%	9,000	9,000	0.0016%	0.0009	\$3.67
76	Zimbabwe*	\$29,000	0.0059%	8,000	8,000	0.0014%	0.0008	\$3.63
77	Lebanon*	\$2,000	0.0004%	2,000	2,000	0.0004%	0.0008	\$1.00
78	USSR*	\$128,000	0.026%	185,000	191,045	0.034%	0.0007	\$0.67
79	Cote D'Ivoire*	\$9,000	0.0018%	7,000	7,895	0.0014%	0.0007	\$1.14
80	Egypt*	\$33,000	0.0067%	28,000	34,375	0.0061%	0.0006	\$0.96
81	Albania*	\$6,000	0.0012%	2,000	2,000	0.0004%	0.0006	\$3.00
82	Oman*	\$5,000	0.0010%	1,000	1,000	0.0002%	0.0006	\$5.00
83	Bulgaria*	\$13,000	0.0026%	5,000	5,000	0.0009%	0.0006	\$2.60
84	Somalia*	\$33,000	0.0067%	4,000	4,000	0.0007%	0.0005	\$8.25
85	Turkey*	\$33,000	0.0067%	22,000	22,000	0.0039%	0.0004	\$1.50
86	Bolivia*	\$5,000	0.0010%	2,000	2,500	0.0004%	0.0004	\$2.00
87	Sri Lanka	\$22,000	0.0045%		6,000	0.0011%	0.0003	\$3.67
88	Venezuela*	\$39,000	0.0079%	6,000	6,321	0.0011%	0.0003	\$6.17
89	Romania*	\$6,000	0.0012%	5,000	7,500	0.0013%	0.0003	\$0.80
90	Afghanistan*	\$7,000	0.0014%	2,000	4,667	0.0008%	0.0003	\$1.50
91	Cuba*	\$1,000	0.0002%	3,000	3,000	0.0005%	0.0003	\$0.33
92	Dominican Republic*	\$3,000	0.0006%	2,000	2,000	0.0004%	0.0003	\$1.50
93	Papua New Guinea*	\$4,000	0.0008%	1,000	1,000	0.0002%	0.0003	\$4.00
94	Madagascar	\$27,000	0.0055%	3,000	3,000	0.0005%	0.0002	\$9.00
95	Tanzania*	\$4,000	0.0008%	6,000	6,000	0.0011%	0.0002	\$0.67
96	Viet Nam*	\$33,000	0.0067%	15,000	15,000	0.0027%	0.0002	\$2.20
97	Indonesia	\$103,000	0.021%	37,000	37,729	0.0067%	0.0002	\$2.73
98	Brazil*	\$130,000	0.026%	30,000	30,233	0.0054%	0.0002	\$4.30
99	Kenya*	\$16,000	0.0033%	4,000	4,571	0.0008%	0.0002	\$3.50
100	Iran*	\$7,000	0.0014%	3,000	10,448	0.0019%	0.0002	\$0.67
101	China*	\$322,000	0.065%	172,000	172,000	0.031%	0.0002	\$1.87
102	Ethiopia	\$41,000	0.0083%	8,000	7,551	0.0013%	0.0002	\$5.43
103	Bangladesh*	\$40,000	0.0081%	15,000	15,000	0.0027%	0.0001	\$2.67

## Used Clothes As Development Aid

rank per capita	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
104	North Korea*	\$8,000	0.0016%	3,000	3,000	0.0005%	0.0001	\$2.67
105	Algeria*	\$5,000	0.0010%	3,000	3,000	0.0005%	0.0001	\$1.67
106	India	\$381,000	0.077%	72,000	74,706	0.013%	0.00009	\$5.10
107	Cameroon*	\$2,000	0.0004%	1,000	1,000	0.0002%	0.00009	\$2.00
108	Burma (Myanmar)*	\$68,000	0.014%	3,000	3,000	0.0005%	0.00007	\$22.67
109	Nigeria*	\$2,000	0.0004%	2,000	2,000	0.0004%	0.00002	\$1.00
110	Unspecific*	\$1,921,000	0.39%	941,000	951,990	0.17%		\$2.02
111	Asia Unspecific*	\$753,000	0.15%	728,000	745,545	0.13%		\$1.01
112	Africa Unspecific*	\$31,000	0.0063%	4,000	4,000	0.0007%		\$7.75
113	Netherlands Antilles*	\$12,000	0.0024%					
114	Sierra Leone*	\$12,000	0.0024%					
115	Liberia*	\$7,000	0.0014%					
116	Guyana*	\$6,000	0.0012%					
117	Zambia*	\$5,000	0.0010%					
118	Comoros*	\$5,000	0.0010%					
119	Free Zones*	\$4,000	0.0008%	5,000	6,667	0.0012%		\$0.60
120	Cambodia*	\$3,000	0.0006%					
121	Americas Unspecific*	\$2,000	0.0004%	5,000	5,000	0.0009%		\$0.40
122	Wallis & Futuna*	\$2,000	0.0004%					
123	Mauritius	\$1,000	0.0002%					
124	Nepal*	\$1,000	0.0002%					
125	Congo*	\$1,000	0.0002%					
126	Reunion	\$1,000	0.0002%					
127	Syria*	\$1,000	0.0002%					
total		\$491,775,000		561,034,501				\$0.88

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: An asterisk (\*) at the end of a country name indicates that the entire line is derived from partner data rather than from data reported by the country directly. An asterisk (\*) at the end of an average price indicates that the price (only) was taken from partner data, due to lack of weights in reported data. Average prices are based only on those partner transactions for which weights are reported; thus imputed weights (based on those prices) may be higher than reported weights. Extreme average prices may still indicate some problem in the data, such as partial missing weights **within** partner transactions. The absence of a listing for a particular country does not necessarily indicate that no trade occurred.

**Table A5: 1990 world used-clothes gross exporters (127) ranked by average price, with values, reported and imputed weights, value and weight shares of total, and weights per capita**

rank by price	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
1	Burma (Myanmar)*	\$68,000	0.014%	3,000	3,000	0.0005%	0.00007	\$22.67
2	Israel*	\$107,000	0.022%	7,000	7,000	0.0012%	0.0015	\$15.29
3	Yugoslavia*	\$214,000	0.044%	17,000	17,079	0.0030%	0.0017	\$12.53
4	El Salvador*	\$52,000	0.011%	5,000	5,000	0.0009%	0.0010	\$10.20
5	Madagascar	\$27,000	0.0055%	3,000	3,000	0.0005%	0.0002	\$9.00
6	Niger*	\$62,000	0.013%	7,000	7,000	0.0012%	0.0009	\$8.86
7	Somalia*	\$33,000	0.0067%	4,000	4,000	0.0007%	0.0005	\$8.25
8	Africa Unspecific*	\$31,000	0.0063%	4,000	4,000	0.0007%		\$7.75
9	Venezuela*	\$39,000	0.0079%	6,000	6,321	0.0011%	0.0003	\$6.17
10	Ethiopia	\$41,000	0.0083%	8,000	7,551	0.0013%	0.0002	\$5.43
11	India	\$381,000	0.077%	72,000	74,706	0.013%	0.00009	\$5.10
12	Oman*	\$5,000	0.0010%	1,000	1,000	0.0002%	0.0006	\$5.00
13	Honduras	\$132,000	0.027%	28,000	28,000	0.0050%	0.0057	\$4.71
14	Brazil*	\$130,000	0.026%	30,000	30,233	0.0054%	0.0002	\$4.30
15	Papua New Guinea*	\$4,000	0.0008%	1,000	1,000	0.0002%	0.0003	\$4.00
16	Ecuador*	\$33,000	0.0067%	9,000	9,000	0.0016%	0.0009	\$3.67
17	Sri Lanka	\$22,000	0.0045%		6,000	0.0011%	0.0003	\$3.67
18	Zimbabwe*	\$29,000	0.0059%	8,000	8,000	0.0014%	0.0008	\$3.63
19	Kenya*	\$16,000	0.0033%	4,000	4,571	0.0008%	0.0002	\$3.50
20	Faeroe Islands*	\$17,000	0.0035%	5,000	5,000	0.0009%	0.11	\$3.40
21	Argentina*	\$163,000	0.033%	52,000	52,000	0.0093%	0.0016	\$3.13
22	Uruguay*	\$24,000	0.0049%	8,000	8,000	0.0014%	0.0026	\$3.00
23	Albania*	\$6,000	0.0012%	2,000	2,000	0.0004%	0.0006	\$3.00
24	Colombia*	\$87,000	0.018%	31,000	31,000	0.0055%	0.0010	\$2.81
25	South Korea*	\$482,000	0.10%	162,000	175,912	0.031%	0.0041	\$2.74
26	Indonesia	\$103,000	0.021%	37,000	37,729	0.0067%	0.0002	\$2.73
27	Bangladesh*	\$40,000	0.0081%	15,000	15,000	0.0027%	0.0001	\$2.67
28	North Korea*	\$8,000	0.0016%	3,000	3,000	0.0005%	0.0001	\$2.67
29	Bulgaria*	\$13,000	0.0026%	5,000	5,000	0.0009%	0.0006	\$2.60
30	Portugal	\$375,000	0.076%	143,000	144,788	0.026%	0.015	\$2.59
31	Panama	\$1,673,000	0.34%	651,000	651,000	0.12%	0.27	\$2.57
32	Pakistan*	\$377,000	0.077%	158,000	164,629	0.029%	0.0014	\$2.29
33	Viet Nam*	\$33,000	0.0067%	15,000	15,000	0.0027%	0.0002	\$2.20
34	Unspecific*	\$1,921,000	0.39%	941,000	951,990	0.17%		\$2.02
35	Peru*	\$58,000	0.012%	28,000	29,000	0.0052%	0.0013	\$2.00
36	Bolivia*	\$5,000	0.0010%	2,000	2,500	0.0004%	0.0004	\$2.00
37	Cameroon*	\$2,000	0.0004%	1,000	1,000	0.0002%	0.00009	\$2.00
38	Thailand*	\$153,000	0.031%	77,000	81,383	0.015%	0.0015	\$1.88
39	China*	\$322,000	0.065%	172,000	172,000	0.031%	0.0002	\$1.87
40	Morocco*	\$92,000	0.019%	49,000	50,549	0.0090%	0.0021	\$1.82
41	Paraguay*	\$7,000	0.0014%	4,000	4,000	0.0007%	0.0009	\$1.75
42	United Arab Emirates*	\$66,000	0.013%	30,000	38,824	0.0069%	0.023	\$1.70
43	Algeria*	\$5,000	0.0010%	3,000	3,000	0.0005%	0.0001	\$1.67
44	Kuwait*	\$18,000	0.0037%	8,000	11,043	0.0020%	0.0052	\$1.63
45	Greece*	\$115,000	0.023%	68,000	70,988	0.013%	0.0069	\$1.62
46	South African Cust. Union*	\$105,000	0.021%	60,000	66,456	0.012%	0.0018	\$1.58
47	Hong Kong*	\$633,000	0.13%	403,000	419,205	0.075%	0.073	\$1.51
48	Jordan*	\$15,000	0.0031%	10,000	10,000	0.0018%	0.0023	\$1.50
49	Turkey*	\$33,000	0.0067%	22,000	22,000	0.0039%	0.0004	\$1.50
50	Afghanistan*	\$7,000	0.0014%	2,000	4,667	0.0008%	0.0003	\$1.50

## Used Clothes As Development Aid

rank by price	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
51	Dominican Republic*	\$3,000	0.0006%	2,000	2,000	0.0004%	0.0003	\$1.50
52	Benin*	\$190,000	0.039%	128,000	128,000	0.023%	0.028	\$1.48
53	United Kingdom	\$21,288,000	4.3%	14,417,000	14,417,000	2.6%	0.25	\$1.48
54	Sweden	\$5,210,000	1.1%	3,647,000	3,669,014	0.65%	0.43	\$1.42
55	New Zealand*	\$171,000	0.035%	121,000	126,667	0.023%	0.038	\$1.35
56	Costa Rica*	\$31,000	0.0063%	24,000	24,000	0.0043%	0.0079	\$1.29
57	Finland	\$2,044,000	0.42%	1,586,000	1,586,000	0.28%	0.32	\$1.29
58	Australia	\$6,634,000	1.3%	5,285,000	5,285,000	0.94%	0.31	\$1.26
59	Poland*	\$485,000	0.10%	404,000	404,167	0.072%	0.011	\$1.20
60	Cote D'Ivoire*	\$9,000	0.0018%	7,000	7,895	0.0014%	0.0007	\$1.14
61	Netherlands	\$59,927,000	12.2%	53,924,000	53,924,000	9.6%	3.6	\$1.11
62	Singapore*	\$1,981,000	0.40%	1,788,000	1,784,685	0.32%	0.66	\$1.11
63	Hungary*	\$68,000	0.014%	45,000	61,261	0.011%	0.0059	\$1.11
64	Togo	\$66,000	0.013%	60,000	60,000	0.011%	0.017	\$1.10
65	Belgium-Luxembourg	\$71,816,000	14.6%	65,778,000	65,778,000	11.7%	6.6	\$1.09
66	Philippines*	\$98,000	0.020%	91,000	96,078	0.017%	0.0016	\$1.02
67	Asia Unspecific*	\$753,000	0.15%	728,000	745,545	0.13%		\$1.01
68	St. Pierre & Miquelon*	\$18,000	0.0037%	18,000	18,000	0.0032%	3.0	\$1.00
69	Antigua Barbuda*	\$1,000	0.0002%	1,000	1,000	0.0002%	0.016	\$1.00
70	Barbados	\$2,000	0.0004%	2,000	2,000	0.0004%	0.0078	\$1.00
71	Cyprus*	\$3,000	0.0006%	2,000	3,000	0.0005%	0.0043	\$1.00
72	Bahrain*	\$1,000	0.0002%	1,000	1,000	0.0002%	0.0020	\$1.00
73	Lebanon*	\$2,000	0.0004%	2,000	2,000	0.0004%	0.0008	\$1.00
74	Nigeria*	\$2,000	0.0004%	2,000	2,000	0.0004%	0.00002	\$1.00
75	Chile*	\$537,000	0.11%	538,000	538,000	0.10%	0.041	\$1.00
76	Spain*	\$375,000	0.076%	375,000	378,788	0.068%	0.010	\$0.99
77	Italy	\$22,597,000	4.6%	23,008,000	23,008,000	4.1%	0.40	\$0.98
78	Malaysia	\$2,998,000	0.61%	3,079,000	3,079,000	0.55%	0.17	\$0.97
79	Czechoslovakia*	\$54,000	0.011%	55,000	56,250	0.010%	0.0036	\$0.96
80	Egypt*	\$33,000	0.0067%	28,000	34,375	0.0061%	0.0006	\$0.96
81	USA, Puerto Rico, Virgin Is.	\$124,774,000	25.4%	133,063,000	137,114,286	24.4%	0.55	\$0.91*
82	Tunisia	\$1,299,000	0.26%	1,427,000	1,427,000	0.25%	0.18	\$0.91
83	France, Monaco	\$24,225,000	4.9%	26,335,000	26,620,879	4.7%	0.47	\$0.91
84	Laos*	\$5,000	0.0010%	6,000	6,000	0.0011%	0.0014	\$0.83
85	Djibouti*	\$23,000	0.0047%	28,000	28,000	0.0050%	0.054	\$0.82
86	Malta*	\$4,000	0.0008%	5,000	5,000	0.0009%	0.014	\$0.80
87	Romania*	\$6,000	0.0012%	5,000	7,500	0.0013%	0.0003	\$0.80
88	Guatemala*	\$46,000	0.0094%	39,000	58,228	0.010%	0.0063	\$0.79
89	Ghana*	\$30,000	0.0061%	34,000	37,975	0.0068%	0.0025	\$0.79
90	Iceland	\$36,000	0.0073%	46,000	46,000	0.0082%	0.18	\$0.78
91	Japan	\$35,345,000	7.2%	45,245,000	45,245,000	8.1%	0.37	\$0.78
92	Switzerland, Liechtenstein*	\$5,503,000	1.1%	7,223,000	7,223,000	1.3%	1.1	\$0.76
93	USSR*	\$128,000	0.026%	185,000	191,045	0.034%	0.0007	\$0.67
94	Iran*	\$7,000	0.0014%	3,000	10,448	0.0019%	0.0002	\$0.67
95	Tanzania*	\$4,000	0.0008%	6,000	6,000	0.0011%	0.0002	\$0.67
96	Ireland*	\$269,000	0.055%	409,000	409,000	0.073%	0.12	\$0.66
97	West Germany	\$74,732,000	15.2%	117,881,000	117,881,000	21.0%	1.9	\$0.63
98	Denmark	\$4,839,000	1.0%	7,651,000	7,651,000	1.4%	1.5	\$0.63
99	Saudi Arabia*	\$202,000	0.041%	335,000	335,000	0.060%	0.021	\$0.60
100	Free Zones*	\$4,000	0.0008%	5,000	6,667	0.0012%		\$0.60
101	Mexico*	\$639,000	0.13%	1,235,000	1,252,941	0.22%	0.015	\$0.51
102	Gibraltar*	\$2,000	0.0004%	4,000	4,000	0.0007%	0.14	\$0.50
103	Macau	\$2,000	0.0004%	4,000	4,000	0.0007%	0.012	\$0.50

Report of a study for Sida

rank by price	1990 exporters of used clothes	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
104	Gambia*	\$4,000	0.0008%	8,000	8,000	0.0014%	0.0087	\$0.50
105	Nicaragua*	\$8,000	0.0016%	2,000	16,000	0.0029%	0.0044	\$0.50
106	East Germany*	\$1,326,000	0.27%	2,773,000	2,773,000	0.49%	0.17	\$0.48
107	Norway, Svalbard, Jan Mayen	\$560,000	0.11%	1,185,000	1,185,000	0.21%	0.28	\$0.47
108	Canada	\$9,149,000	1.9%		22,084,477	3.9%	0.79	\$0.41*
109	Americas Unspecific*	\$2,000	0.0004%	5,000	5,000	0.0009%		\$0.40
110	Trinidad and Tobago*	\$13,000	0.0026%	8,000	34,211	0.0061%	0.028	\$0.38
111	Cuba*	\$1,000	0.0002%	3,000	3,000	0.0005%	0.0003	\$0.33
112	Austria	\$2,721,000	0.55%	9,994,000	9,994,000	1.8%	1.3	\$0.27
113	Nauru*	\$5,000	0.0010%	19,000	19,000	0.0034%	1.9	\$0.26
114	Mali	\$24,000	0.0049%	645,000	645,000	0.11%	0.070	\$0.04
115	Netherlands Antilles*	\$12,000	0.0024%					
116	Sierra Leone*	\$12,000	0.0024%					
117	Liberia*	\$7,000	0.0014%					
118	Guyana*	\$6,000	0.0012%					
119	Zambia*	\$5,000	0.0010%					
120	Comoros*	\$5,000	0.0010%					
121	Cambodia*	\$3,000	0.0006%					
122	Wallis & Futuna*	\$2,000	0.0004%					
123	Mauritius	\$1,000	0.0002%					
124	Nepal*	\$1,000	0.0002%					
125	Congo*	\$1,000	0.0002%					
126	Reunion	\$1,000	0.0002%					
127	Syria*	\$1,000	0.0002%					
total		\$491,775,000		561,034,501				\$0.88

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: An asterisk (\*) at the end of a country name indicates that the entire line is derived from partner data rather than from data reported by the country directly. An asterisk (\*) at the end of an average price indicates that the price (only) was taken from partner data, due to lack of weights in reported data. Average prices are based only on those partner transactions for which weights are reported; thus imputed weights (based on those prices) may be higher than reported weights. Extreme average prices may still indicate some problem in the data, such as partial missing weights **within** partner transactions. The absence of a listing for a particular country does not necessarily indicate that no trade occurred.



**Table A6: 1994 recipients of Swedish used-clothes exports (89) ranked by weight, with values, prices, and weight-shares**

rank by weight	1994 recipients of Swedish used-clothes exports	reported value (US\$1000s)	reported weight (1000 kgs)	share of total	average price (US\$/kg)
1	Estonia	568	1,875	15.8%	\$0.30
2	Latvia	486	1,764	14.9%	\$0.28
3	Mozambique	170	1,090	9.2%	\$0.16
4	Yugoslavia	352	1,021	8.6%	\$0.34
5	Russia	408	821	6.9%	\$0.50
6	Lithuania	187	566	4.8%	\$0.33
7	Angola	201	523	4.4%	\$0.38
8	Poland	210	399	3.4%	\$0.53
9	Finland	190	310	2.6%	\$0.61
10	Croatia	227	308	2.6%	\$0.74
11	Nicaragua	589	228	1.9%	\$2.58
12	Iraq	29	225	1.9%	\$0.13
13	Ukraine	170	201	1.7%	\$0.85
14	Romania	110	186	1.6%	\$0.59
15	Tanzania	107	173	1.5%	\$0.62
16	Benin	12	139	1.2%	\$0.09
17	Rwanda	72	133	1.1%	\$0.54
18	Ethiopia	114	127	1.1%	\$0.90
19	Denmark	178	108	0.91%	\$1.65
20	Germany	212	100	0.85%	\$2.12
21	Hungary	44	88	0.74%	\$0.50
22	Netherlands	68	85	0.72%	\$0.80
23	United Kingdom	105	82	0.69%	\$1.28
24	Brunei	28	78	0.66%	\$0.36
25	Syria	39	76	0.64%	\$0.51
26	USA, Puerto Rico, Virgin Is.	265	65	0.55%	\$4.08
27	Albania	21	59	0.50%	\$0.36
28	Niger	7	49	0.41%	\$0.14
29	South African Customs Union	29	45	0.38%	\$0.64
30	Zambia	1	42	0.35%	\$0.02
31	Lebanon	31	39	0.33%	\$0.79
32	Liberia	11	35	0.30%	\$0.31
33	Honduras	193	34	0.29%	\$5.68
34	Slovakia	9	34	0.29%	\$0.26
35	El Salvador	174	31	0.26%	\$5.61
36	France, Monaco	98	31	0.26%	\$3.16
37	Belgium-Luxembourg	3	29	0.25%	\$0.10
38	Zaire	22	27	0.23%	\$0.81
39	Czech Rep.	6	26	0.22%	\$0.23
40	Norway, Svalbard & Jan Mayen	98	25	0.21%	\$3.92
41	Austria	6	25	0.21%	\$0.24
42	Moldova	2	24	0.20%	\$0.08
43	Guinea Bissau	5	21	0.18%	\$0.24
44	Argentina	7	19	0.16%	\$0.37
45	Ghana	3	19	0.16%	\$0.16
46	Greece	5	18	0.15%	\$0.28
47	Egypt	7	16	0.14%	\$0.44
48	Azerbaijan	4	14	0.12%	\$0.29
49	Georgia	4	14	0.12%	\$0.29

## Used Clothes As Development Aid

rank by weight	1994 recipients of Swedish used-clothes exports	reported value (US\$1000s)	reported weight (1000 kgs)	share of total	average price (US\$/kg)
50	Ecuador	4	14	0.12%	\$0.29
51	Jordan	4	14	0.12%	\$0.29
52	Mexico	4	14	0.12%	\$0.29
53	Paraguay	4	14	0.12%	\$0.29
54	Bosnia Herzegovina	6	12	0.10%	\$0.50
55	Sudan	6	12	0.10%	\$0.50
56	Belarus	2	12	0.10%	\$0.17
57	Burundi	8	11	0.093%	\$0.73
58	Portugal	2	11	0.093%	\$0.18
59	Switzerland, Liechtenstein	11	10	0.085%	\$1.10
60	Guinea	6	10	0.085%	\$0.60
61	Sierra Leone	9	8	0.068%	\$1.13
62	Chile	3	8	0.068%	\$0.38
63	Tunisia	2	7	0.059%	\$0.29
64	Bolivia	27	6	0.051%	\$4.50
65	Uruguay	14	6	0.051%	\$2.33
66	Morocco	2	6	0.051%	\$0.33
67	Bulgaria	1	6	0.051%	\$0.17
68	Saudi Arabia	9	5	0.042%	\$1.80
69	Armenia	3	4	0.034%	\$0.75
70	Brazil	3	4	0.034%	\$0.75
71	Cyprus	46	3	0.025%	\$15.33
72	India	23	3	0.025%	\$7.67
73	Canada	43	2	0.017%	\$21.50
74	Australia	49	1	0.008%	\$49.00
75	China	7	1	0.008%	\$7.00
76	Hong Kong	7	1	0.008%	\$7.00
77	Ethiopia	6	1	0.008%	\$6.00
78	Japan	3	1	0.008%	\$3.00
79	Turkey	9	-	?	?
80	United Arab Emirates	7	-	?	?
81	Nepal	4	-	?	?
82	Singapore	4	-	?	?
83	New Zealand	3	-	?	?
84	Iran	2	-	?	?
85	Kuwait	2	-	?	?
86	South Korea	2	-	?	?
87	Ireland	1	-	?	?
88	Spain	1	-	?	?
89	Thailand	1	-	?	?
<b>total</b>		<b>6,237</b>	<b>11,831</b>		<b>\$0.53</b>

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Note: Zero weights in the data appear to indicate actual small values (less than 500 kgs), rounded-off to zero.



**Table A7: 1994 recipients of Swedish used-clothes exports (89) ranked by value, with weights, prices, and value-shares**

rank by value	1994 recipients of Swedish used-clothes exports	reported value (US\$1000s)	share of total	reported weight (1000 kgs)	average price (US\$/kg)
1	Nicaragua	589	9.4%	228	\$2.58
2	Estonia	568	9.1%	1,875	\$0.30
3	Latvia	486	7.8%	1,764	\$0.28
4	Russia	408	6.5%	821	\$0.50
5	Yugoslavia	352	5.6%	1,021	\$0.34
6	USA, Puerto Rico, Virgin Is.	265	4.2%	65	\$4.08
7	Croatia	227	3.6%	308	\$0.74
8	Germany	212	3.4%	100	\$2.12
9	Poland	210	3.4%	399	\$0.53
10	Angola	201	3.2%	523	\$0.38
11	Honduras	193	3.1%	34	\$5.68
12	Finland	190	3.0%	310	\$0.61
13	Lithuania	187	3.0%	566	\$0.33
14	Denmark	178	2.9%	108	\$1.65
15	El Salvador	174	2.8%	31	\$5.61
16	Ukraine	170	2.7%	201	\$0.85
17	Mozambique	170	2.7%	1,090	\$0.16
18	Ethiopia	114	1.8%	127	\$0.90
19	Romania	110	1.8%	186	\$0.59
20	Tanzania	107	1.7%	173	\$0.62
21	United Kingdom	105	1.7%	82	\$1.28
22	Norway, Svalbard & Jan Mayen	98	1.6%	25	\$3.92
23	France, Monaco	98	1.6%	31	\$3.16
24	Rwanda	72	1.2%	133	\$0.54
25	Netherlands	68	1.1%	85	\$0.80
26	Australia	49	0.79%	1	\$49.00
27	Cyprus	46	0.74%	3	\$15.33
28	Hungary	44	0.71%	88	\$0.50
29	Canada	43	0.69%	2	\$21.50
30	Syria	39	0.63%	76	\$0.51
31	Lebanon	31	0.50%	39	\$0.79
32	South African Customs Union	29	0.46%	45	\$0.64
33	Iraq	29	0.46%	225	\$0.13
34	Brunei	28	0.45%	78	\$0.36
35	Bolivia	27	0.43%	6	\$4.50
36	India	23	0.37%	3	\$7.67
37	Zaire	22	0.35%	27	\$0.81
38	Albania	21	0.34%	59	\$0.36
39	Uruguay	14	0.22%	6	\$2.33
40	Benin	12	0.19%	139	\$0.09
41	Switzerland, Liechtenstein	11	0.18%	10	\$1.10
42	Liberia	11	0.18%	35	\$0.31
43	Turkey	9	0.14%	0	?
44	Saudi Arabia	9	0.14%	5	\$1.80
45	Sierra Leone	9	0.14%	8	\$1.13
46	Slovakia	9	0.14%	34	\$0.26
47	Burundi	8	0.13%	11	\$0.73
48	United Arab Emirates	7	0.11%	0	?
49	China	7	0.11%	1	\$7.00

## Used Clothes As Development Aid

rank by value	1994 recipients of Swedish used-clothes exports	reported value (US\$1000s)	share of total	reported weight (1000 kgs)	average price (US\$/kg)
50	Hong Kong	7	0.11%	1	\$7.00
51	Egypt	7	0.11%	16	\$0.44
52	Argentina	7	0.11%	19	\$0.37
53	Niger	7	0.11%	49	\$0.14
54	Ethiopia	6	0.10%	1	\$6.00
55	Guinea	6	0.10%	10	\$0.60
56	Bosnia Herzegovina	6	0.10%	12	\$0.50
57	Sudan	6	0.10%	12	\$0.50
58	Austria	6	0.10%	25	\$0.24
59	Czech Rep.	6	0.10%	26	\$0.23
60	Greece	5	0.080%	18	\$0.28
61	Guinea Bissau	5	0.080%	21	\$0.24
62	Nepal	4	0.064%	0	?
63	Singapore	4	0.064%	0	?
64	Azerbaijan	4	0.064%	14	\$0.29
65	Georgia	4	0.064%	14	\$0.29
66	Ecuador	4	0.064%	14	\$0.29
67	Jordan	4	0.064%	14	\$0.29
68	Mexico	4	0.064%	14	\$0.29
69	Paraguay	4	0.064%	14	\$0.29
70	New Zealand	3	0.048%	0	?
71	Japan	3	0.048%	1	\$3.00
72	Armenia	3	0.048%	4	\$0.75
73	Brazil	3	0.048%	4	\$0.75
74	Chile	3	0.048%	8	\$0.38
75	Ghana	3	0.048%	19	\$0.16
76	Belgium-Luxembourg	3	0.048%	29	\$0.10
77	Iran	2	0.032%	0	?
78	Kuwait	2	0.032%	0	?
79	South Korea	2	0.032%	0	?
80	Morocco	2	0.032%	6	\$0.33
81	Tunisia	2	0.032%	7	\$0.29
82	Portugal	2	0.032%	11	\$0.18
83	Belarus	2	0.032%	12	\$0.17
84	Moldova	2	0.032%	24	\$0.08
85	Ireland	1	0.016%	0	?
86	Spain	1	0.016%	0	?
87	Thailand	1	0.016%	0	?
88	Bulgaria	1	0.016%	6	\$0.17
89	Zambia	1	0.016%	42	\$0.02
total		6,237		11,831	\$0.53

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Note: Zero weights in the data appear to indicate actual small values (less than 500 kgs), rounded-off to zero.

**Table A8: 1994 recipients of Swedish used-clothes exports (89) ranked by price, with values and weights**

rank by price	1994 recipients of Swedish used-clothes exports	reported value (US\$1000s)	reported weight (1000 kgs)	average price (US\$/kg)
1	Australia	49	1	\$49.00
2	Canada	43	2	\$21.50
3	Cyprus	46	3	\$15.33
4	India	23	3	\$7.67
5	China	7	1	\$7.00
6	Hong Kong	7	1	\$7.00
7	Ethiopia	6	1	\$6.00
8	Honduras	193	34	\$5.68
9	El Salvador	174	31	\$5.61
10	Bolivia	27	6	\$4.50
11	USA, Puerto Rico, Virgin Is.	265	65	\$4.08
12	Norway, Svalbard & Jan Mayen	98	25	\$3.92
13	France, Monaco	98	31	\$3.16
14	Japan	3	1	\$3.00
15	Nicaragua	589	228	\$2.58
16	Uruguay	14	6	\$2.33
17	Germany	212	100	\$2.12
18	Saudi Arabia	9	5	\$1.80
19	Denmark	178	108	\$1.65
20	United Kingdom	105	82	\$1.28
21	Sierra Leone	9	8	\$1.13
22	Switzerland, Liechtenstein	11	10	\$1.10
23	Ethiopia	114	127	\$0.90
24	Ukraine	170	201	\$0.85
25	Zaire	22	27	\$0.81
26	Netherlands	68	85	\$0.80
27	Lebanon	31	39	\$0.79
28	Armenia	3	4	\$0.75
29	Brazil	3	4	\$0.75
30	Croatia	227	308	\$0.74
31	Burundi	8	11	\$0.73
32	South African Customs Union	29	45	\$0.64
33	Tanzania	107	173	\$0.62
34	Finland	190	310	\$0.61
35	Guinea	6	10	\$0.60
36	Romania	110	186	\$0.59
37	Rwanda	72	133	\$0.54
38	Poland	210	399	\$0.53
39	Syria	39	76	\$0.51
40	Hungary	44	88	\$0.50
41	Bosnia Herzegovina	6	12	\$0.50
42	Sudan	6	12	\$0.50
43	Russia	408	821	\$0.50
44	Egypt	7	16	\$0.44
45	Angola	201	523	\$0.38
46	Chile	3	8	\$0.38
47	Argentina	7	19	\$0.37
48	Brunei	28	78	\$0.36
49	Albania	21	59	\$0.36

## Used Clothes As Development Aid

rank by price	1994 recipients of Swedish used-clothes exports	reported value (US\$1000s)	reported weight (1000 kgs)	average price (US\$/kg)
50	Yugoslavia	352	1,021	\$0.34
51	Morocco	2	6	\$0.33
52	Lithuania	187	566	\$0.33
53	Liberia	11	35	\$0.31
54	Estonia	568	1,875	\$0.30
55	Azerbaijan	4	14	\$0.29
56	Georgia	4	14	\$0.29
57	Ecuador	4	14	\$0.29
58	Jordan	4	14	\$0.29
59	Mexico	4	14	\$0.29
60	Paraguay	4	14	\$0.29
61	Tunisia	2	7	\$0.29
62	Greece	5	18	\$0.28
63	Latvia	486	1,764	\$0.28
64	Slovakia	9	34	\$0.26
65	Austria	6	25	\$0.24
66	Guinea Bissau	5	21	\$0.24
67	Czech Rep.	6	26	\$0.23
68	Portugal	2	11	\$0.18
69	Belarus	2	12	\$0.17
70	Bulgaria	1	6	\$0.17
71	Ghana	3	19	\$0.16
72	Mozambique	170	1,090	\$0.16
73	Niger	7	49	\$0.14
74	Iraq	29	225	\$0.13
75	Belgium-Luxembourg	3	29	\$0.10
76	Benin	12	139	\$0.09
77	Moldova	2	24	\$0.08
78	Zambia	1	42	\$0.02
79	Turkey	9	-	?
80	United Arab Emirates	7	-	?
81	Nepal	4	-	?
82	Singapore	4	-	?
83	New Zealand	3	-	?
84	Iran	2	-	?
85	Kuwait	2	-	?
86	South Korea	2	-	?
87	Ireland	1	-	?
88	Spain	1	-	?
89	Thailand	1	-	?
	<b>total</b>	<b>6,237</b>	<b>11,831</b>	<b>\$0.53</b>

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Note: Zero weights in the data appear to indicate actual small values (less than 500 kgs), rounded-off to zero.

Year	Country	Population (1990)	Population (1995)	Population (2000)	Population (2005)	Population (2010)	Population (2015)	Population (2020)
1	Algeria	20.50	20.50	20.50	20.50	20.50	20.50	20.50
2	Canada	30.50	30.50	30.50	30.50	30.50	30.50	30.50
3	China	10.50	10.50	10.50	10.50	10.50	10.50	10.50
4	India	20.50	20.50	20.50	20.50	20.50	20.50	20.50
5	Italy	30.50	30.50	30.50	30.50	30.50	30.50	30.50
6	Japan	40.50	40.50	40.50	40.50	40.50	40.50	40.50
7	South Korea	50.50	50.50	50.50	50.50	50.50	50.50	50.50
8	USA	60.50	60.50	60.50	60.50	60.50	60.50	60.50
9	France	70.50	70.50	70.50	70.50	70.50	70.50	70.50
10	Germany	80.50	80.50	80.50	80.50	80.50	80.50	80.50
11	UK	90.50	90.50	90.50	90.50	90.50	90.50	90.50
12	Spain	100.50	100.50	100.50	100.50	100.50	100.50	100.50
13	Sweden	110.50	110.50	110.50	110.50	110.50	110.50	110.50
14	Netherlands	120.50	120.50	120.50	120.50	120.50	120.50	120.50
15	Belgium	130.50	130.50	130.50	130.50	130.50	130.50	130.50
16	Portugal	140.50	140.50	140.50	140.50	140.50	140.50	140.50
17	Spain	150.50	150.50	150.50	150.50	150.50	150.50	150.50
18	Italy	160.50	160.50	160.50	160.50	160.50	160.50	160.50
19	France	170.50	170.50	170.50	170.50	170.50	170.50	170.50
20	Germany	180.50	180.50	180.50	180.50	180.50	180.50	180.50
21	UK	190.50	190.50	190.50	190.50	190.50	190.50	190.50
22	Spain	200.50	200.50	200.50	200.50	200.50	200.50	200.50
23	Sweden	210.50	210.50	210.50	210.50	210.50	210.50	210.50
24	Netherlands	220.50	220.50	220.50	220.50	220.50	220.50	220.50
25	Belgium	230.50	230.50	230.50	230.50	230.50	230.50	230.50
26	Portugal	240.50	240.50	240.50	240.50	240.50	240.50	240.50
27	Spain	250.50	250.50	250.50	250.50	250.50	250.50	250.50
28	Italy	260.50	260.50	260.50	260.50	260.50	260.50	260.50
29	France	270.50	270.50	270.50	270.50	270.50	270.50	270.50
30	Germany	280.50	280.50	280.50	280.50	280.50	280.50	280.50
31	UK	290.50	290.50	290.50	290.50	290.50	290.50	290.50
32	Spain	300.50	300.50	300.50	300.50	300.50	300.50	300.50
33	Sweden	310.50	310.50	310.50	310.50	310.50	310.50	310.50
34	Netherlands	320.50	320.50	320.50	320.50	320.50	320.50	320.50
35	Belgium	330.50	330.50	330.50	330.50	330.50	330.50	330.50
36	Portugal	340.50	340.50	340.50	340.50	340.50	340.50	340.50
37	Spain	350.50	350.50	350.50	350.50	350.50	350.50	350.50
38	Italy	360.50	360.50	360.50	360.50	360.50	360.50	360.50
39	France	370.50	370.50	370.50	370.50	370.50	370.50	370.50
40	Germany	380.50	380.50	380.50	380.50	380.50	380.50	380.50
41	UK	390.50	390.50	390.50	390.50	390.50	390.50	390.50
42	Spain	400.50	400.50	400.50	400.50	400.50	400.50	400.50
43	Sweden	410.50	410.50	410.50	410.50	410.50	410.50	410.50
44	Netherlands	420.50	420.50	420.50	420.50	420.50	420.50	420.50
45	Belgium	430.50	430.50	430.50	430.50	430.50	430.50	430.50
46	Portugal	440.50	440.50	440.50	440.50	440.50	440.50	440.50
47	Spain	450.50	450.50	450.50	450.50	450.50	450.50	450.50
48	Italy	460.50	460.50	460.50	460.50	460.50	460.50	460.50
49	France	470.50	470.50	470.50	470.50	470.50	470.50	470.50
50	Germany	480.50	480.50	480.50	480.50	480.50	480.50	480.50

**Table A9: 1994 sources of Swedish used-clothes imports (16) ranked by value, with weights, prices, and value-shares**

rank by value	1994 sources of Swedish used-clothes imports	reported value (US\$1000s)	share of total	reported weight (1000 kgs)	average price (US\$/kg)
1	Germany	200	29.9%	93	\$2.15
2	Netherlands	117	17.5%	129	\$0.91
3	Poland	96	14.3%	89	\$1.08
4	Denmark	65	9.7%	99	\$0.66
5	USA, Puerto Rico, Virgin Is.	53	7.9%	7	\$7.57
6	Norway, Svalbard & Jan Mayen	51	7.6%	91	\$0.56
7	France, Monaco	40	6.0%	9	\$4.44
8	United Kingdom	15	2.2%	3	\$5.00
9	Indonesia	8	1.2%	-	?
10	China	7	1.0%	-	?
11	Austria	5	0.75%	10	\$0.50
12	Finland	4	0.60%	-	?
13	Canada	3	0.45%	1	\$3.00
14	Hong Kong	3	0.45%	-	?
15	Saudi Arabia	1	0.15%	-	?
16	Singapore	1	0.15%	-	?
	<b>total</b>	<b>669</b>		<b>532</b>	<b>\$1.21</b>

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.  
 Note: Zero weights in the data appear to indicate actual small values (less than 500 kgs), rounded-off to zero.

**Table A10: Ninety net used-clothes importing countries, 1984-'93**

rank	importing country	total value (US\$)	share of total
1	Pakistan	\$250,133,000	16.8%
2	Hong Kong	\$170,204,000	11.4%
3	Tunisia	\$141,910,000	9.5%
4	Chile	\$97,812,000	6.6%
5	Indonesia	\$92,726,000	6.2%
6	Malaysia	\$91,581,000	6.2%
7	Jordan	\$83,696,000	5.6%
8	France, Monaco	\$74,278,000	5.0%
9	Spain	\$55,072,000	3.7%
10	Bangladesh	\$38,090,000	2.6%
11	Poland	\$29,379,000	2.0%
12	Djibouti	\$29,054,000	2.0%
13	Ethiopia	\$25,708,000	1.7%
14	Senegal	\$24,443,000	1.6%
15	Papua New Guinea	\$21,188,000	1.4%
16	Ghana	\$18,175,000	1.2%
17	Bolivia	\$17,197,000	1.2%
18	Togo	\$16,459,000	1.1%
19	Hungary	\$16,393,000	1.1%
20	Singapore	\$14,714,000	0.99%
21	Brazil	\$13,225,000	0.89%
22	Nicaragua	\$11,695,000	0.79%
23	India	\$11,476,000	0.77%
24	Syria	\$11,313,000	0.76%
25	South African Customs Union	\$11,160,000	0.75%
26	Guatemala	\$9,832,000	0.66%
27	South Korea	\$9,381,000	0.63%
28	Malawi	\$8,644,000	0.58%
29	Thailand	\$7,216,000	0.48%
30	Honduras	\$7,186,000	0.48%
31	Greece	\$6,156,000	0.41%
32	Fiji	\$5,756,000	0.39%
33	Romania	\$5,682,000	0.38%
34	Paraguay	\$5,127,000	0.34%
35	El Salvador	\$4,593,000	0.31%
36	Argentina	\$4,441,000	0.30%
37	Costa Rica	\$4,190,000	0.28%
38	Philippines	\$3,788,000	0.25%
39	Mali	\$3,738,000	0.25%
40	New Zealand	\$3,689,000	0.25%
41	Peru	\$3,017,000	0.20%
42	Madagascar	\$2,992,000	0.20%
43	Reunion	\$2,516,000	0.17%
44	Congo	\$2,243,000	0.15%
45	Israel	\$1,972,000	0.13%
46	Saudi Arabia	\$1,936,000	0.13%
47	Ireland	\$1,413,000	0.095%
48	Kenya	\$1,341,000	0.090%

## Used Clothes As Development Aid

rank	importing country	total value (US\$)	share of total
49	Ecuador	\$1,322,000	0.089%
50	Sri Lanka	\$1,275,000	0.086%
51	Sierra Leone	\$1,211,000	0.081%
52	Zimbabwe	\$1,104,000	0.074%
53	Central African Republic	\$1,063,000	0.071%
54	Solomon Islands	\$1,035,000	0.070%
55	Croatia	\$708,000	0.048%
56	Jamaica	\$690,000	0.046%
57	Liberia	\$560,000	0.038%
58	Venezuela	\$473,000	0.032%
59	Barbados	\$413,000	0.028%
60	Bulgaria	\$376,000	0.025%
61	Martinique	\$359,000	0.024%
62	Belize	\$315,000	0.021%
63	Guadeloupe	\$307,000	0.021%
64	St. Pierre and Miquelon	\$304,000	0.020%
65	Macau	\$301,000	0.020%
66	Kuwait	\$242,000	0.016%
67	Grenada	\$221,000	0.015%
68	Faeroe Islands	\$213,000	0.014%
69	Slovenia	\$209,000	0.014%
70	Trinidad and Tobago	\$198,000	0.013%
71	Brunei	\$196,000	0.013%
72	Kiribati	\$182,000	0.012%
73	Benin	\$164,000	0.011%
74	Qatar	\$164,000	0.011%
75	St. Lucia	\$158,000	0.011%
76	Uruguay	\$126,000	0.0085%
77	Mauritius	\$124,000	0.0083%
78	French Guiana	\$116,000	0.0078%
79	Vanuatu	\$80,000	0.0054%
80	Cyprus	\$72,000	0.0048%
81	Turkey	\$69,000	0.0046%
82	Yugoslavia	\$50,000	0.0034%
83	Egypt	\$44,000	0.0030%
84	Seychelles	\$27,000	0.0018%
85	Cameroon	\$20,000	0.0013%
86	Algeria	\$17,000	0.0011%
87	Greenland	\$11,000	0.0007%
88	Malta	\$10,000	0.0007%
89	Niue	\$1,000	0.0001%
90	St. Kitts-Nevis	\$1,000	0.0001%

Source: Derived from SITC2 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.  
Note: Total value for each country for the period is simply the sum of uncorrected annual figures; correcting annual figures for inflation should have little effect on rank or share.



**Table A11: 1990 world used-clothes gross importers (181) ranked by value, with reported and imputed weights, value and weight shares of total, weights per capita, and average prices**

rank by value	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
1	France, Monaco	\$33,646,000	6.3%	34,285,000	34,285,000	5.8%	0.60	\$0.98
2	Belgium-Luxembourg*	\$29,917,000	5.6%	49,983,000	54,394,545	9.2%	5.5	\$0.55
3	Pakistan	\$28,609,000	5.3%	74,730,000	74,730,000	12.7%	0.61	\$0.38
4	Netherlands	\$25,004,000	4.7%	62,373,000	62,373,000	10.6%	4.2	\$0.40
5	Tunisia	\$21,082,000	3.9%	27,433,000	27,433,000	4.7%	3.4	\$0.77
6	Hong Kong	\$20,995,000	3.9%	17,288,000	17,288,000	2.9%	3.0	\$1.21
7	Togo*	\$19,449,000	3.6%	9,739,000	13,506,250	2.3%	3.8	\$1.44
8	Benin*	\$18,166,000	3.4%	8,236,000	8,236,000	1.4%	3.6	\$1.10
9	Singapore*	\$15,689,000	2.9%	11,378,000	17,432,222	3.0%	6.4	\$0.90
10	Zaire*	\$15,566,000	2.9%	7,998,000	16,215,000	2.8%	0.43	\$0.96
11	Ghana*	\$12,606,000	2.3%	7,215,000	10,166,129	1.7%	0.68	\$1.24
12	Malaysia	\$11,186,000	2.1%	12,106,000	12,106,000	2.1%	0.68	\$0.92
13	Nigeria*	\$10,865,000	2.0%	6,855,000	7,391,156	1.3%	0.077	\$1.47
14	Italy*	\$10,812,000	2.0%	18,610,000	21,200,000	3.6%	0.37	\$0.51
15	Chile	\$10,310,000	1.9%	7,678,000	7,678,000	1.3%	0.58	\$1.34
16	United Kingdom	\$9,980,000	1.9%	3,268,000	3,268,000	0.56%	0.057	\$3.05
17	Poland*	\$9,782,000	1.8%	6,007,000	9,880,808	1.7%	0.26	\$0.99
18	Tanzania*	\$9,719,000	1.8%	5,312,000	9,256,190	1.6%	0.36	\$1.05
19	Japan	\$9,631,000	1.8%	1,021,000	1,021,000	0.17%	0.0083	\$9.43
20	West Germany*	\$9,566,000	1.8%	3,836,000	7,138,806	1.2%	0.12	\$1.34
21	Hungary*	\$9,443,000	1.8%	7,847,000	7,935,294	1.3%	0.77	\$1.19
22	Jordan	\$9,138,000	1.7%	7,291,000	7,291,000	1.2%	1.7	\$1.25
23	Indonesia	\$9,035,000	1.7%	3,555,000	3,555,000	0.60%	0.019	\$2.54
24	Spain	\$8,700,000	1.6%	8,211,000	8,211,000	1.4%	0.21	\$1.06
25	Senegal*	\$8,471,000	1.6%	2,598,000	5,196,933	0.88%	0.71	\$1.63
26	India*	\$7,509,000	1.4%	4,093,000	14,723,529	2.5%	0.017	\$0.51
27	Kenya*	\$7,403,000	1.4%	4,089,000	7,403,000	1.3%	0.31	\$1.00
28	South African Cust. Union*	\$6,494,000	1.2%	5,499,000	6,429,703	1.1%	0.17	\$1.01
29	Haiti*	\$6,379,000	1.2%	1,000	2,126,333	0.36%	0.33	\$3.00
30	USA, Puerto Rico, Virgin Is.*	\$5,888,000	1.1%	1,851,000	2,073,239	0.35%	0.0083	\$2.84
31	Guinea*	\$5,799,000	1.1%	4,808,000	5,369,444	0.91%	0.93	\$1.08
32	Lebanon*	\$5,100,000	0.95%	3,681,000	4,080,000	0.69%	1.6	\$1.25
33	Djibouti	\$4,890,000	0.91%	5,749,000	5,749,000	0.98%	11.1	\$0.85
34	Mozambique*	\$4,462,000	0.83%	1,967,000	3,513,386	0.60%	0.25	\$1.27
35	Mexico*	\$3,880,000	0.72%	48,000	3,803,922	0.65%	0.045	\$1.02
36	Bangladesh*	\$3,841,000	0.71%	8,334,000	9,368,293	1.6%	0.087	\$0.41
37	Ethiopia	\$3,756,000	0.70%	740,000	742,292	0.13%	0.015	\$5.06
38	Saudi Arabia	\$3,542,000	0.66%	3,801,000	3,801,000	0.65%	0.24	\$0.93
39	Angola*	\$3,492,000	0.65%	1,520,000	2,666,000	0.45%	0.29	\$1.31
40	Papua New Guinea	\$3,426,000	0.64%	1,543,000	1,550,226	0.26%	0.40	\$2.21
41	Uganda*	\$3,359,000	0.62%	1,361,000	2,687,200	0.46%	0.15	\$1.25
42	Philippines*	\$3,338,000	0.62%	2,745,000	3,371,717	0.57%	0.055	\$0.99
43	Equatorial Guinea*	\$3,300,000	0.61%	2,089,000	2,102,000	0.36%	6.0	\$1.57
44	Rwanda*	\$3,249,000	0.60%	3,550,000	3,692,045	0.63%	0.53	\$0.88
45	Gabon*	\$3,006,000	0.56%	1,519,000	1,534,000	0.26%	1.3	\$1.96
46	Canada*	\$2,899,000	0.54%	129,000	751,036	0.13%	0.027	\$3.86
47	Bolivia	\$2,661,000	0.49%	3,048,000	3,094,186	0.53%	0.47	\$0.86
48	Egypt*	\$2,434,000	0.45%	3,543,000	3,990,164	0.68%	0.071	\$0.61
49	Sierra Leone*	\$2,245,000	0.42%	708,000	1,615,108	0.27%	0.40	\$1.39
50	Greece*	\$2,241,000	0.42%	139,000	1,052,113	0.18%	0.10	\$2.13

## Used Clothes As Development Aid

rank by value	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
51	Afghanistan*	\$2,239,000	0.42%	2,027,000	3,611,290	0.61%	0.24	\$0.62
52	Burundi*	\$2,071,000	0.39%	2,922,000	3,046,000	0.52%	0.55	\$0.68
53	Sweden*	\$1,997,000	0.37%	347,000	482,367	0.082%	0.056	\$4.14
54	Central African Republic*	\$1,914,000	0.36%	1,198,000	1,198,000	0.20%	0.41	\$1.60
55	South Korea	\$1,889,000	0.35%		1,947,423	0.33%	0.045	\$0.97*
56	Burkina Faso*	\$1,878,000	0.35%	1,171,000	1,467,188	0.25%	0.16	\$1.28
57	Mali	\$1,787,000	0.33%	1,672,000	1,672,000	0.28%	0.18	\$1.07
58	Australia*	\$1,747,000	0.32%	167,000	360,206	0.061%	0.021	\$4.85
59	Romania*	\$1,699,000	0.32%	935,000	999,412	0.17%	0.043	\$1.70
60	Costa Rica	\$1,561,000	0.29%	940,000	940,000	0.16%	0.31	\$1.66
61	Nicaragua	\$1,532,000	0.28%	1,536,000	1,536,000	0.26%	0.42	\$1.00
62	Cote D'Ivoire*	\$1,458,000	0.27%	926,000	2,390,164	0.41%	0.20	\$0.61
63	Honduras	\$1,446,000	0.27%	1,689,000	1,689,000	0.29%	0.35	\$0.86
64	Congo*	\$1,419,000	0.26%	675,000	713,000	0.12%	0.32	\$1.99
65	Ireland*	\$1,280,000	0.24%	285,000	361,582	0.061%	0.10	\$3.54
66	Cameroon*	\$1,258,000	0.23%	674,000	691,209	0.12%	0.060	\$1.82
67	Gambia*	\$1,195,000	0.22%	676,000	742,236	0.13%	0.80	\$1.61
68	New Zealand*	\$1,161,000	0.22%	381,000	446,538	0.076%	0.13	\$2.60
69	Switzerland, Liechtenstein*	\$1,099,000	0.20%	1,037,000	1,277,907	0.22%	0.19	\$0.86
70	Liberia*	\$1,059,000	0.20%	346,000	756,429	0.13%	0.29	\$1.40
71	Denmark*	\$1,053,000	0.20%	594,000	731,250	0.12%	0.14	\$1.44
72	Sudan*	\$1,024,000	0.19%	486,000	644,025	0.11%	0.026	\$1.59
73	Brazil	\$1,004,000	0.19%	1,300,000	1,300,000	0.22%	0.0088	\$0.77
74	Austria*	\$947,000	0.18%	449,000	506,417	0.086%	0.066	\$1.87
75	Fiji	\$940,000	0.17%	450,000	450,000	0.076%	0.62	\$2.09
76	Guatemala	\$867,000	0.16%	1,264,000	1,275,000	0.22%	0.14	\$0.68
77	El Salvador	\$855,000	0.16%	918,000	918,000	0.16%	0.18	\$0.93
78	USSR*	\$805,000	0.15%	372,000	417,098	0.071%	0.0014	\$1.93
79	Zambia*	\$775,000	0.14%	229,000	610,236	0.10%	0.075	\$1.27
80	Sao Tome & Principe*	\$758,000	0.14%	371,000	371,000	0.063%	3.1	\$2.04
81	Paraguay	\$754,000	0.14%	831,000	847,191	0.14%	0.20	\$0.89
82	Mauritania*	\$731,000	0.14%	453,000	477,778	0.081%	0.24	\$1.53
83	Niger*	\$673,000	0.13%	121,000	506,015	0.086%	0.065	\$1.33
84	Bahamas*	\$644,000	0.12%	94,000	95,691	0.016%	0.37	\$6.73
85	Reunion*	\$542,000	0.10%	93,000	93,000	0.016%	0.15	\$5.83
86	Madagascar*	\$446,000	0.083%	298,000	299,329	0.051%	0.024	\$1.49
87	Yugoslavia*	\$437,000	0.081%	125,000	145,183	0.025%	0.014	\$3.01
88	Asia Unspecific*	\$419,000	0.078%	69,000	145,486	0.025%		\$2.88
89	Thailand*	\$412,000	0.077%	152,000	215,707	0.037%	0.0039	\$1.91
90	Panama	\$408,000	0.076%	73,000	77,127	0.013%	0.032	\$5.29
91	Chad*	\$406,000	0.076%	145,000	229,000	0.039%	0.041	\$1.77
92	Israel*	\$400,000	0.074%	55,000	99,502	0.017%	0.021	\$4.02
93	United Arab Emirates*	\$357,000	0.066%	104,000	230,323	0.039%	0.14	\$1.55
94	Uruguay*	\$355,000	0.066%	95,000	344,660	0.059%	0.11	\$1.03
95	Portugal*	\$355,000	0.066%	266,000	288,618	0.049%	0.029	\$1.23
96	Peru*	\$354,000	0.066%	180,000	215,854	0.037%	0.010	\$1.64
97	Norway, Svalbard & Jan Mayen*	\$336,000	0.062%	129,000	207,407	0.035%	0.049	\$1.62
98	Argentina*	\$331,000	0.062%	174,000	192,442	0.033%	0.0059	\$1.72
99	Finland*	\$325,000	0.060%	53,000	171,958	0.029%	0.034	\$1.89
100	Solomon Islands*	\$309,000	0.057%	119,000	119,000	0.020%	0.37	\$2.60
101	Yemen*	\$303,000	0.056%	247,000	312,371	0.053%	0.028	\$0.97
102	Cyprus*	\$291,000	0.054%	195,000	196,622	0.033%	0.28	\$1.48
103	Dominican Republic*	\$289,000	0.054%	20,000	152,105	0.026%	0.021	\$1.90

Report of a study for Sida

rank by value	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
104	Zimbabwe	\$272,000	0.051%	427,000	438,710	0.075%	0.044	\$0.62
105	Morocco*	\$243,000	0.045%	206,000	694,286	0.12%	0.029	\$0.35
106	Netherlands Antilles*	\$224,000	0.042%	59,000	70,000	0.012%	0.37	\$3.20
107	Guadeloupe*	\$202,000	0.038%	22,000	22,222	0.0038%	0.057	\$9.09
108	Venezuela	\$197,000	0.037%	139,000	140,714	0.024%	0.0072	\$1.40
109	Czechoslovakia*	\$194,000	0.036%	333,000	346,429	0.059%	0.022	\$0.56
110	Turkey*	\$193,000	0.036%	113,000	250,649	0.043%	0.0045	\$0.77
111	Guinea Bissau*	\$192,000	0.036%	91,000	101,587	0.017%	0.11	\$1.89
112	Brunei*	\$164,000	0.031%	138,000	140,171	0.024%	0.55	\$1.17
113	Malawi*	\$156,000	0.029%	37,000	37,000	0.0063%	0.0040	\$4.22
114	Ecuador*	\$151,000	0.028%	22,000	54,513	0.0093%	0.0053	\$2.77
115	Macau	\$137,000	0.025%	413,000	413,000	0.070%	1.2	\$0.33
116	Colombia*	\$133,000	0.025%	16,000	29,167	0.0050%	0.0009	\$4.56
117	Malta*	\$131,000	0.024%	5,000	26,200	0.0045%	0.074	\$5.00
118	Belize	\$119,000	0.022%	237,000	237,000	0.040%	1.3	\$0.50
119	Comoros*	\$112,000	0.021%	62,000	62,000	0.011%	0.11	\$1.81
120	Libya*	\$100,000	0.019%	47,000	47,000	0.0080%	0.010	\$2.13
121	Bahrain*	\$100,000	0.019%	1,000	3,333	0.0006%	0.0068	\$30.00
122	Martinique*	\$98,000	0.018%	23,000	23,000	0.0039%	0.064	\$4.26
123	Kuwait	\$95,000	0.018%	153,000	153,000	0.026%	0.071	\$0.62
124	Unspecific*	\$95,000	0.018%	141,000	142,000	0.024%		\$0.67
125	China*	\$90,000	0.017%	101,000	125,000	0.021%	0.0001	\$0.72
126	Burma (Myanmar)*	\$89,000	0.017%	87,000	89,899	0.015%	0.0022	\$0.99
127	Suriname*	\$89,000	0.017%	12,000	12,000	0.0020%	0.030	\$7.42
128	Iran*	\$82,000	0.015%	38,000	141,379	0.024%	0.0024	\$0.58
129	Algeria*	\$70,000	0.013%	38,000	39,106	0.0066%	0.0016	\$1.79
130	Kiribati*	\$69,000	0.013%	43,000	43,000	0.0073%	0.60	\$1.60
131	Syria	\$69,000	0.013%	19,000	21,296	0.0036%	0.0017	\$3.24
132	Cambodia*	\$63,000	0.012%	20,000	20,000	0.0034%	0.0023	\$3.15
133	Sri Lanka*	\$62,000	0.012%	87,000	88,571	0.015%	0.0051	\$0.70
134	Samoa	\$60,000	0.011%		27,273	0.0046%	0.17	\$2.20*
135	Iceland*	\$56,000	0.010%	16,000	18,667	0.0032%	0.073	\$3.00
136	Somalia*	\$55,000	0.010%	60,000	78,571	0.013%	0.0091	\$0.70
137	Middle East Unspecific*	\$51,000	0.0095%	61,000	61,000	0.010%		\$0.84
138	Dominica*	\$51,000	0.0095%	23,000	23,000	0.0039%	0.32	\$2.22
139	Aruba*	\$50,000	0.0093%					
140	Vanuatu*	\$49,000	0.0091%	23,000	23,000	0.0039%	0.15	\$2.13
141	Seychelles*	\$45,000	0.0084%	45,000	45,000	0.0076%	0.64	\$1.00
142	St. Helena*	\$44,000	0.0082%	23,000	23,000	0.0039%	3.8	\$1.91
143	Faeroe Islands	\$44,000	0.0082%	17,000	17,000	0.0029%	0.36	\$2.59
144	Cuba*	\$40,000	0.0074%	12,000	14,981	0.0025%	0.0014	\$2.67
145	New Caledonia*	\$40,000	0.0074%	4,000	6,667	0.0011%	0.040	\$6.00
146	East Germany*	\$38,000	0.0071%	44,000	44,000	0.0075%	0.0027	\$0.86
147	Bulgaria*	\$36,000	0.0067%	21,000	21,557	0.0037%	0.0024	\$1.67
148	Grenada	\$33,000	0.0061%	73,000	75,000	0.013%	0.82	\$0.44
149	Mauritius*	\$33,000	0.0061%	34,000	43,421	0.0074%	0.041	\$0.76
150	Barbados	\$32,000	0.0060%					
151	Tonga*	\$32,000	0.0060%					
152	Antigua Barbuda*	\$31,000	0.0058%					
153	Viet Nam*	\$24,000	0.0045%	42,000	42,000	0.0071%	0.0006	\$0.57
154	Gibraltar*	\$24,000	0.0045%	2,000	2,286	0.0004%	0.082	\$10.50
155	Pacific Islands*	\$23,000	0.0043%					
156	Oman*	\$20,000	0.0037%	1,000	1,333	0.0002%	0.0008	\$15.00

## Used Clothes As Development Aid

rank by value	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
157	Bermuda*	\$16,000	0.0030%	10,000	10,000	0.0017%	0.16	\$1.60
158	Qatar*	\$15,000	0.0028%	8,000	8,000	0.0014%	0.016	\$1.88
159	Nepal*	\$12,000	0.0022%	32,000	32,000	0.0054%	0.0017	\$0.38
160	Albania*	\$11,000	0.0020%	2,000	3,667	0.0006%	0.0011	\$3.00
161	Nauru*	\$10,000	0.0019%	5,000	5,000	0.0008%	0.50	\$2.00
162	Guyana*	\$10,000	0.0019%					
163	Br. Indian Ocean Terr.*	\$10,000	0.0019%					
164	St. Vincent & Grenada*	\$9,000	0.0017%	4,000	6,000	0.0010%	0.056	\$1.50
165	French Polynesia*	\$9,000	0.0017%	2,000	3,600	0.0006%	0.018	\$2.50
166	Trinidad and Tobago	\$8,000	0.0015%	6,000	6,667	0.0011%	0.0054	\$1.20
167	Montserrat*	\$8,000	0.0015%	4,000	4,000	0.0007%	0.36	\$2.00
168	St. Lucia	\$8,000	0.0015%	3,000	3,000	0.0005%	0.023	\$2.67
169	Andorra*	\$8,000	0.0015%					
170	American Samoa*	\$7,000	0.0013%	3,000	3,000	0.0005%	0.064	\$2.33
171	French Guiana*	\$7,000	0.0013%					
172	Laos*	\$5,000	0.0009%	10,000	10,000	0.0017%	0.0024	\$0.50
173	Guam*	\$5,000	0.0009%	2,000	2,000	0.0003%	0.015	\$2.50
174	Tuvalu*	\$5,000	0.0009%	1,000	1,000	0.0002%	0.11	\$5.00
175	North Korea*	\$4,000	0.0007%	1,000	1,000	0.0002%	0.00005	\$4.00
176	Cape Verde*	\$3,000	0.0006%					
177	Greenland	\$3,000	0.0006%					
178	Niue*	\$2,000	0.0004%	2,000	2,000	0.0003%	1.0	\$1.00
179	Cayman Islands*	\$2,000	0.0004%					
180	Norfolk Island*	\$2,000	0.0004%					
181	St. Pierre & Miquelon*	\$2,000	0.0004%					
	total	\$537,637,000			588,371,539			\$0.91

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: An asterisk (\*) at the end of a country name indicates that the entire line is derived from partner data rather than from data reported by the country directly. An asterisk (\*) at the end of an average price indicates that the price (only) was taken from partner data, due to lack of weights in reported data. Average prices are based only on those partner transactions for which weights are reported; thus imputed weights (based on those prices) may be higher than reported weights. Extreme average prices may still indicate some problem in the data, such as partial missing weights **within** partner transactions. The absence of a listing for a particular country does not necessarily indicate that no trade occurred.

**Table A12: 1990 world used-clothes gross importers (181) ranked by weight per capita, with values, reported and imputed weights, value and weight shares of total, and average prices**

rank per capita	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
1	Djibouti	\$4,890,000	0.91%	5,749,000	5,749,000	0.98%	11.1	\$0.85
2	Singapore*	\$15,689,000	2.9%	11,378,000	17,432,222	3.0%	6.4	\$0.90
3	Equatorial Guinea*	\$3,300,000	0.61%	2,089,000	2,102,000	0.36%	6.0	\$1.57
4	Belgium-Luxembourg*	\$29,917,000	5.6%	49,983,000	54,394,545	9.2%	5.5	\$0.55
5	Netherlands	\$25,004,000	4.7%	62,373,000	62,373,000	10.6%	4.2	\$0.40
6	St. Helena*	\$44,000	0.0082%	23,000	23,000	0.0039%	3.8	\$1.91
7	Togo*	\$19,449,000	3.6%	9,739,000	13,506,250	2.3%	3.8	\$1.44
8	Benin*	\$18,166,000	3.4%	8,236,000	8,236,000	1.4%	3.6	\$1.10
9	Tunisia	\$21,082,000	3.9%	27,433,000	27,433,000	4.7%	3.4	\$0.77
10	Sao Tome & Principe*	\$758,000	0.14%	371,000	371,000	0.063%	3.1	\$2.04
11	Hong Kong	\$20,995,000	3.9%	17,288,000	17,288,000	2.9%	3.0	\$1.21
12	Jordan	\$9,138,000	1.7%	7,291,000	7,291,000	1.2%	1.7	\$1.25
13	Lebanon*	\$5,100,000	0.95%	3,681,000	4,080,000	0.69%	1.6	\$1.25
14	Gabon*	\$3,006,000	0.56%	1,519,000	1,534,000	0.26%	1.3	\$1.96
15	Belize	\$119,000	0.022%	237,000	237,000	0.040%	1.3	\$0.50
16	Macau	\$137,000	0.025%	413,000	413,000	0.070%	1.2	\$0.33
17	Niue*	\$2,000	0.0004%	2,000	2,000	0.0003%	1.0	\$1.00
18	Guinea*	\$5,799,000	1.1%	4,808,000	5,369,444	0.91%	0.93	\$1.08
19	Grenada	\$33,000	0.0061%	73,000	75,000	0.013%	0.82	\$0.44
20	Gambia*	\$1,195,000	0.22%	676,000	742,236	0.13%	0.80	\$1.61
21	Hungary*	\$9,443,000	1.8%	7,847,000	7,935,294	1.3%	0.77	\$1.19
22	Senegal*	\$8,471,000	1.6%	2,598,000	5,196,933	0.88%	0.71	\$1.63
23	Ghana*	\$12,606,000	2.3%	7,215,000	10,166,129	1.7%	0.68	\$1.24
24	Malaysia	\$11,186,000	2.1%	12,106,000	12,106,000	2.1%	0.68	\$0.92
25	Seychelles*	\$45,000	0.0084%	45,000	45,000	0.0076%	0.64	\$1.00
26	Fiji	\$940,000	0.17%	450,000	450,000	0.076%	0.62	\$2.09
27	Pakistan	\$28,609,000	5.3%	74,730,000	74,730,000	12.7%	0.61	\$0.38
28	France, Monaco	\$33,646,000	6.3%	34,285,000	34,285,000	5.8%	0.60	\$0.98
29	Kiribati*	\$69,000	0.013%	43,000	43,000	0.0073%	0.60	\$1.60
30	Chile	\$10,310,000	1.9%	7,678,000	7,678,000	1.3%	0.58	\$1.34
31	Burundi*	\$2,071,000	0.39%	2,922,000	3,046,000	0.52%	0.55	\$0.68
32	Brunei*	\$164,000	0.031%	138,000	140,171	0.024%	0.55	\$1.17
33	Rwanda*	\$3,249,000	0.60%	3,550,000	3,692,045	0.63%	0.53	\$0.88
34	Nauru*	\$10,000	0.0019%	5,000	5,000	0.0008%	0.50	\$2.00
35	Bolivia	\$2,661,000	0.49%	3,048,000	3,094,186	0.53%	0.47	\$0.86
36	Zaire*	\$15,566,000	2.9%	7,998,000	16,215,000	2.8%	0.43	\$0.96
37	Nicaragua	\$1,532,000	0.28%	1,536,000	1,536,000	0.26%	0.42	\$1.00
38	Central African Republic*	\$1,914,000	0.36%	1,198,000	1,198,000	0.20%	0.41	\$1.60
39	Sierra Leone*	\$2,245,000	0.42%	708,000	1,615,108	0.27%	0.40	\$1.39
40	Papua New Guinea	\$3,426,000	0.64%	1,543,000	1,550,226	0.26%	0.40	\$2.21
41	Bahamas*	\$644,000	0.12%	94,000	95,691	0.016%	0.37	\$6.73
42	Solomon Islands*	\$309,000	0.057%	119,000	119,000	0.020%	0.37	\$2.60
43	Italy*	\$10,812,000	2.0%	18,610,000	21,200,000	3.6%	0.37	\$0.51
44	Netherlands Antilles*	\$224,000	0.042%	59,000	70,000	0.012%	0.37	\$3.20
45	Montserrat*	\$8,000	0.0015%	4,000	4,000	0.0007%	0.36	\$2.00
46	Faeroe Islands	\$44,000	0.0082%	17,000	17,000	0.0029%	0.36	\$2.59
47	Tanzania*	\$9,719,000	1.8%	5,312,000	9,256,190	1.6%	0.36	\$1.05
48	Honduras	\$1,446,000	0.27%	1,689,000	1,689,000	0.29%	0.35	\$0.86
49	Haiti*	\$6,379,000	1.2%	1,000	2,126,333	0.36%	0.33	\$3.00
50	Dominica*	\$51,000	0.0095%	23,000	23,000	0.0039%	0.32	\$2.22

## Used Clothes As Development Aid

rank per capita	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
51	Congo*	\$1,419,000	0.26%	675,000	713,000	0.12%	0.32	\$1.99
52	Kenya*	\$7,403,000	1.4%	4,089,000	7,403,000	1.3%	0.31	\$1.00
53	Costa Rica	\$1,561,000	0.29%	940,000	940,000	0.16%	0.31	\$1.66
54	Liberia*	\$1,059,000	0.20%	346,000	756,429	0.13%	0.29	\$1.40
55	Angola*	\$3,492,000	0.65%	1,520,000	2,666,000	0.45%	0.29	\$1.31
56	Cyprus*	\$291,000	0.054%	195,000	196,622	0.033%	0.28	\$1.48
57	Poland*	\$9,782,000	1.8%	6,007,000	9,880,808	1.7%	0.26	\$0.99
58	Mozambique*	\$4,462,000	0.83%	1,967,000	3,513,386	0.60%	0.25	\$1.27
59	Afghanistan*	\$2,239,000	0.42%	2,027,000	3,611,290	0.61%	0.24	\$0.62
60	Mauritania*	\$731,000	0.14%	453,000	477,778	0.081%	0.24	\$1.53
61	Saudi Arabia	\$3,542,000	0.66%	3,801,000	3,801,000	0.65%	0.24	\$0.93
62	Spain	\$8,700,000	1.6%	8,211,000	8,211,000	1.4%	0.21	\$1.06
63	Cote D'Ivoire*	\$1,458,000	0.27%	926,000	2,390,164	0.41%	0.20	\$0.61
64	Paraguay	\$754,000	0.14%	831,000	847,191	0.14%	0.20	\$0.89
65	Switzerland, Liechtenstein*	\$1,099,000	0.20%	1,037,000	1,277,907	0.22%	0.19	\$0.86
66	Mali	\$1,787,000	0.33%	1,672,000	1,672,000	0.28%	0.18	\$1.07
67	El Salvador	\$855,000	0.16%	918,000	918,000	0.16%	0.18	\$0.93
68	South African Cust. Union*	\$6,494,000	1.2%	5,499,000	6,429,703	1.1%	0.17	\$1.01
69	Samoa	\$60,000	0.011%		27,273	0.0046%	0.17	\$2.20*
70	Bermuda*	\$16,000	0.0030%	10,000	10,000	0.0017%	0.16	\$1.60
71	Burkina Faso*	\$1,878,000	0.35%	1,171,000	1,467,188	0.25%	0.16	\$1.28
72	Vanuatu*	\$49,000	0.0091%	23,000	23,000	0.0039%	0.15	\$2.13
73	Reunion*	\$542,000	0.10%	93,000	93,000	0.016%	0.15	\$5.83
74	Uganda*	\$3,359,000	0.62%	1,361,000	2,687,200	0.46%	0.15	\$1.25
75	Denmark*	\$1,053,000	0.20%	594,000	731,250	0.12%	0.14	\$1.44
76	Guatemala	\$867,000	0.16%	1,264,000	1,275,000	0.22%	0.14	\$0.68
77	United Arab Emirates*	\$357,000	0.066%	104,000	230,323	0.039%	0.14	\$1.55
78	New Zealand*	\$1,161,000	0.22%	381,000	446,538	0.076%	0.13	\$2.60
79	West Germany*	\$9,566,000	1.8%	3,836,000	7,138,806	1.2%	0.12	\$1.34
80	Comoros*	\$112,000	0.021%	62,000	62,000	0.011%	0.11	\$1.81
81	Uruguay*	\$355,000	0.066%	95,000	344,660	0.059%	0.11	\$1.03
82	Tuvalu*	\$5,000	0.0009%	1,000	1,000	0.0002%	0.11	\$5.00
83	Guinea Bissau*	\$192,000	0.036%	91,000	101,587	0.017%	0.11	\$1.89
84	Ireland*	\$1,280,000	0.24%	285,000	361,582	0.061%	0.10	\$3.54
85	Greece*	\$2,241,000	0.42%	139,000	1,052,113	0.18%	0.10	\$2.13
86	Bangladesh*	\$3,841,000	0.71%	8,334,000	9,368,293	1.6%	0.087	\$0.41
87	Gibraltar*	\$24,000	0.0045%	2,000	2,286	0.0004%	0.082	\$10.50
88	Nigeria*	\$10,865,000	2.0%	6,855,000	7,391,156	1.3%	0.077	\$1.47
89	Zambia*	\$775,000	0.14%	229,000	610,236	0.10%	0.075	\$1.27
90	Malta*	\$131,000	0.024%	5,000	26,200	0.0045%	0.074	\$5.00
91	Iceland*	\$56,000	0.010%	16,000	18,667	0.0032%	0.073	\$3.00
92	Kuwait	\$95,000	0.018%	153,000	153,000	0.026%	0.071	\$0.62
93	Egypt*	\$2,434,000	0.45%	3,543,000	3,990,164	0.68%	0.071	\$0.61
94	Austria*	\$947,000	0.18%	449,000	506,417	0.086%	0.066	\$1.87
95	Niger*	\$673,000	0.13%	121,000	506,015	0.086%	0.065	\$1.33
96	Martinique*	\$98,000	0.018%	23,000	23,000	0.0039%	0.064	\$4.26
97	American Samoa*	\$7,000	0.0013%	3,000	3,000	0.0005%	0.064	\$2.33
98	Cameroon*	\$1,258,000	0.23%	674,000	691,209	0.12%	0.060	\$1.82
99	Guadeloupe*	\$202,000	0.038%	22,000	22,222	0.0038%	0.057	\$9.09
100	United Kingdom	\$9,980,000	1.9%	3,268,000	3,268,000	0.56%	0.057	\$3.05
101	Sweden*	\$1,997,000	0.37%	347,000	482,367	0.082%	0.056	\$4.14
102	St. Vincent & Grenada*	\$9,000	0.0017%	4,000	6,000	0.0010%	0.056	\$1.50
103	Philippines*	\$3,338,000	0.62%	2,745,000	3,371,717	0.57%	0.055	\$0.99

## Report of a study for Sida

rank per capita	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
104	Norway, Svalbard & Jan Mayen*	\$336,000	0.062%	129,000	207,407	0.035%	0.049	\$1.62
105	South Korea	\$1,889,000	0.35%		1,947,423	0.33%	0.045	\$0.97*
106	Mexico*	\$3,880,000	0.72%	48,000	3,803,922	0.65%	0.045	\$1.02
107	Zimbabwe	\$272,000	0.051%	427,000	438,710	0.075%	0.044	\$0.62
108	Romania*	\$1,699,000	0.32%	935,000	999,412	0.17%	0.043	\$1.70
109	Chad*	\$406,000	0.076%	145,000	229,000	0.039%	0.041	\$1.77
110	Mauritius*	\$33,000	0.0061%	34,000	43,421	0.0074%	0.041	\$0.76
111	New Caledonia*	\$40,000	0.0074%	4,000	6,667	0.0011%	0.040	\$6.00
112	Finland*	\$325,000	0.060%	53,000	171,958	0.029%	0.034	\$1.89
113	Panama	\$408,000	0.076%	73,000	77,127	0.013%	0.032	\$5.29
114	Suriname*	\$89,000	0.017%	12,000	12,000	0.0020%	0.030	\$7.42
115	Portugal*	\$355,000	0.066%	266,000	288,618	0.049%	0.029	\$1.23
116	Morocco*	\$243,000	0.045%	206,000	694,286	0.12%	0.029	\$0.35
117	Yemen*	\$303,000	0.056%	247,000	312,371	0.053%	0.028	\$0.97
118	Canada*	\$2,899,000	0.54%	129,000	751,036	0.13%	0.027	\$3.86
119	Sudan*	\$1,024,000	0.19%	486,000	644,025	0.11%	0.026	\$1.59
120	Madagascar*	\$446,000	0.083%	298,000	299,329	0.051%	0.024	\$1.49
121	St. Lucia	\$8,000	0.0015%	3,000	3,000	0.0005%	0.023	\$2.67
122	Czechoslovakia*	\$194,000	0.036%	333,000	346,429	0.059%	0.022	\$0.56
123	Dominican Republic*	\$289,000	0.054%	20,000	152,105	0.026%	0.021	\$1.90
124	Israel*	\$400,000	0.074%	55,000	99,502	0.017%	0.021	\$4.02
125	Australia*	\$1,747,000	0.32%	167,000	360,206	0.061%	0.021	\$4.85
126	Indonesia	\$9,035,000	1.7%	3,555,000	3,555,000	0.60%	0.019	\$2.54
127	French Polynesia*	\$9,000	0.0017%	2,000	3,600	0.0006%	0.018	\$2.50
128	India*	\$7,509,000	1.4%	4,093,000	14,723,529	2.5%	0.017	\$0.51
129	Qatar*	\$15,000	0.0028%	8,000	8,000	0.0014%	0.016	\$1.88
130	Guam*	\$5,000	0.0009%	2,000	2,000	0.0003%	0.015	\$2.50
131	Ethiopia	\$3,756,000	0.70%	740,000	742,292	0.13%	0.015	\$5.06
132	Yugoslavia*	\$437,000	0.081%	125,000	145,183	0.025%	0.014	\$3.01
133	Libya*	\$100,000	0.019%	47,000	47,000	0.0080%	0.010	\$2.13
134	Peru*	\$354,000	0.066%	180,000	215,854	0.037%	0.010	\$1.64
135	Somalia*	\$55,000	0.010%	60,000	78,571	0.013%	0.0091	\$0.70
136	Brazil	\$1,004,000	0.19%	1,300,000	1,300,000	0.22%	0.0088	\$0.77
137	USA, Puerto Rico, Virgin Is.*	\$5,888,000	1.1%	1,851,000	2,073,239	0.35%	0.0083	\$2.84
138	Japan	\$9,631,000	1.8%	1,021,000	1,021,000	0.17%	0.0083	\$9.43
139	Venezuela	\$197,000	0.037%	139,000	140,714	0.024%	0.0072	\$1.40
140	Bahrain*	\$100,000	0.019%	1,000	3,333	0.0006%	0.0068	\$30.00
141	Argentina*	\$331,000	0.062%	174,000	192,442	0.033%	0.0059	\$1.72
142	Trinidad and Tobago	\$8,000	0.0015%	6,000	6,667	0.0011%	0.0054	\$1.20
143	Ecuador*	\$151,000	0.028%	22,000	54,513	0.0093%	0.0053	\$2.77
144	Sri Lanka*	\$62,000	0.012%	87,000	88,571	0.015%	0.0051	\$0.70
145	Turkey*	\$193,000	0.036%	113,000	250,649	0.043%	0.0045	\$0.77
146	Malawi*	\$156,000	0.029%	37,000	37,000	0.0063%	0.0040	\$4.22
147	Thailand*	\$412,000	0.077%	152,000	215,707	0.037%	0.0039	\$1.91
148	East Germany*	\$38,000	0.0071%	44,000	44,000	0.0075%	0.0027	\$0.86
149	Iran*	\$82,000	0.015%	38,000	141,379	0.024%	0.0024	\$0.58
150	Bulgaria*	\$36,000	0.0067%	21,000	21,557	0.0037%	0.0024	\$1.67
151	Laos*	\$5,000	0.0009%	10,000	10,000	0.0017%	0.0024	\$0.50
152	Cambodia*	\$63,000	0.012%	20,000	20,000	0.0034%	0.0023	\$3.15
153	Burma (Myanmar)*	\$89,000	0.017%	87,000	89,899	0.015%	0.0022	\$0.99
154	Syria	\$69,000	0.013%	19,000	21,296	0.0036%	0.0017	\$3.24
155	Nepal*	\$12,000	0.0022%	32,000	32,000	0.0054%	0.0017	\$0.38
156	Algeria*	\$70,000	0.013%	38,000	39,106	0.0066%	0.0016	\$1.79

## Used Clothes As Development Aid

rank per capita	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
157	USSR*	\$805,000	0.15%	372,000	417,098	0.071%	0.0014	\$1.93
158	Cuba*	\$40,000	0.0074%	12,000	14,981	0.0025%	0.0014	\$2.67
159	Albania*	\$11,000	0.0020%	2,000	3,667	0.0006%	0.0011	\$3.00
160	Colombia*	\$133,000	0.025%	16,000	29,167	0.0050%	0.0009	\$4.56
161	Oman*	\$20,000	0.0037%	1,000	1,333	0.0002%	0.0008	\$15.00
162	Viet Nam*	\$24,000	0.0045%	42,000	42,000	0.0071%	0.0006	\$0.57
163	China*	\$90,000	0.017%	101,000	125,000	0.021%	0.0001	\$0.72
164	North Korea*	\$4,000	0.0007%	1,000	1,000	0.0002%	0.00005	\$4.00
165	Asia Unspecific*	\$419,000	0.078%	69,000	145,486	0.025%		\$2.88
166	Unspecific*	\$95,000	0.018%	141,000	142,000	0.024%		\$0.67
167	Middle East Unspecific*	\$51,000	0.0095%	61,000	61,000	0.010%		\$0.84
168	Aruba*	\$50,000	0.0093%					
169	Barbados	\$32,000	0.0060%					
170	Tonga*	\$32,000	0.0060%					
171	Antigua Barbuda*	\$31,000	0.0058%					
172	Pacific Islands*	\$23,000	0.0043%					
173	Guyana*	\$10,000	0.0019%					
174	Br. Indian Ocean Terr.*	\$10,000	0.0019%					
175	Andorra*	\$8,000	0.0015%					
176	French Guiana*	\$7,000	0.0013%					
177	Cape Verde*	\$3,000	0.0006%					
178	Greenland	\$3,000	0.0006%					
179	Cayman Islands*	\$2,000	0.0004%					
180	Norfolk Island*	\$2,000	0.0004%					
181	St. Pierre & Miquelon*	\$2,000	0.0004%					
total		\$537,637,000		588,371,539				\$0.91

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: An asterisk (\*) at the end of a country name indicates that the entire line is derived from partner data rather than from data reported by the country directly. An asterisk (\*) at the end of an average price indicates that the price (only) was taken from partner data, due to lack of weights in reported data. Average prices are based only on those partner transactions for which weights are reported; thus imputed weights (based on those prices) may be higher than reported weights. Extreme average prices may still indicate some problem in the data, such as partial missing weights **within** partner transactions. The absence of a listing for a particular country does not necessarily indicate that no trade occurred.



**Table A13: 1990 world used-clothes gross importers (181) ranked by average price, with values, reported and imputed weights, value and weight shares of total, and weights per capita**

rank by price	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
1	Bahrain*	\$100,000	0.019%	1,000	3,333	0.0006%	0.0068	\$30.00
2	Oman*	\$20,000	0.0037%	1,000	1,333	0.0002%	0.0008	\$15.00
3	Gibraltar*	\$24,000	0.0045%	2,000	2,286	0.0004%	0.082	\$10.50
4	Japan	\$9,631,000	1.8%	1,021,000	1,021,000	0.17%	0.0083	\$9.43
5	Guadeloupe*	\$202,000	0.038%	22,000	22,222	0.0038%	0.057	\$9.09
6	Suriname*	\$89,000	0.017%	12,000	12,000	0.0020%	0.030	\$7.42
7	Bahamas*	\$644,000	0.12%	94,000	95,691	0.016%	0.37	\$6.73
8	New Caledonia*	\$40,000	0.0074%	4,000	6,667	0.0011%	0.040	\$6.00
9	Reunion*	\$542,000	0.10%	93,000	93,000	0.016%	0.15	\$5.83
10	Panama	\$408,000	0.076%	73,000	77,127	0.013%	0.032	\$5.29
11	Ethiopia	\$3,756,000	0.70%	740,000	742,292	0.13%	0.015	\$5.06
12	Tuvalu*	\$5,000	0.0009%	1,000	1,000	0.0002%	0.11	\$5.00
13	Malta*	\$131,000	0.024%	5,000	26,200	0.0045%	0.074	\$5.00
14	Australia*	\$1,747,000	0.32%	167,000	360,206	0.061%	0.021	\$4.85
15	Colombia*	\$133,000	0.025%	16,000	29,167	0.0050%	0.0009	\$4.56
16	Martinique*	\$98,000	0.018%	23,000	23,000	0.0039%	0.064	\$4.26
17	Malawi*	\$156,000	0.029%	37,000	37,000	0.0063%	0.0040	\$4.22
18	Sweden*	\$1,997,000	0.37%	347,000	482,367	0.082%	0.056	\$4.14
19	Israel*	\$400,000	0.074%	55,000	99,502	0.017%	0.021	\$4.02
20	North Korea*	\$4,000	0.0007%	1,000	1,000	0.0002%	0.00005	\$4.00
21	Canada*	\$2,899,000	0.54%	129,000	751,036	0.13%	0.027	\$3.86
22	Ireland*	\$1,280,000	0.24%	285,000	361,582	0.061%	0.10	\$3.54
23	Syria	\$69,000	0.013%	19,000	21,296	0.0036%	0.0017	\$3.24
24	Netherlands Antilles*	\$224,000	0.042%	59,000	70,000	0.012%	0.37	\$3.20
25	Cambodia*	\$63,000	0.012%	20,000	20,000	0.0034%	0.0023	\$3.15
26	United Kingdom	\$9,980,000	1.9%	3,268,000	3,268,000	0.56%	0.057	\$3.05
27	Yugoslavia*	\$437,000	0.081%	125,000	145,183	0.025%	0.014	\$3.01
28	Haiti*	\$6,379,000	1.2%	1,000	2,126,333	0.36%	0.33	\$3.00
29	Iceland*	\$56,000	0.010%	16,000	18,667	0.0032%	0.073	\$3.00
30	Albania*	\$11,000	0.0020%	2,000	3,667	0.0006%	0.0011	\$3.00
31	Asia Unspecific*	\$419,000	0.078%	69,000	145,486	0.025%		\$2.88
32	USA, Puerto Rico, Virgin Is.*	\$5,888,000	1.1%	1,851,000	2,073,239	0.35%	0.0083	\$2.84
33	Ecuador*	\$151,000	0.028%	22,000	54,513	0.0093%	0.0053	\$2.77
34	Cuba*	\$40,000	0.0074%	12,000	14,981	0.0025%	0.0014	\$2.67
35	St. Lucia	\$8,000	0.0015%	3,000	3,000	0.0005%	0.023	\$2.67
36	New Zealand*	\$1,161,000	0.22%	381,000	446,538	0.076%	0.13	\$2.60
37	Solomon Islands*	\$309,000	0.057%	119,000	119,000	0.020%	0.37	\$2.60
38	Faeroe Islands	\$44,000	0.0082%	17,000	17,000	0.0029%	0.36	\$2.59
39	Indonesia	\$9,035,000	1.7%	3,555,000	3,555,000	0.60%	0.019	\$2.54
40	French Polynesia*	\$9,000	0.0017%	2,000	3,600	0.0006%	0.018	\$2.50
41	Guam*	\$5,000	0.0009%	2,000	2,000	0.0003%	0.015	\$2.50
42	American Samoa*	\$7,000	0.0013%	3,000	3,000	0.0005%	0.064	\$2.33
43	Dominica*	\$51,000	0.0095%	23,000	23,000	0.0039%	0.32	\$2.22
44	Papua New Guinea	\$3,426,000	0.64%	1,543,000	1,550,226	0.26%	0.40	\$2.21
45	Samoa	\$60,000	0.011%		27,273	0.0046%	0.17	\$2.20*
46	Vanuatu*	\$49,000	0.0091%	23,000	23,000	0.0039%	0.15	\$2.13
47	Greece*	\$2,241,000	0.42%	139,000	1,052,113	0.18%	0.10	\$2.13
48	Libya*	\$100,000	0.019%	47,000	47,000	0.0080%	0.010	\$2.13
49	Fiji	\$940,000	0.17%	450,000	450,000	0.076%	0.62	\$2.09
50	Sao Tome & Principe*	\$758,000	0.14%	371,000	371,000	0.063%	3.1	\$2.04

## Used Clothes As Development Aid

rank by price	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
51	Nauru*	\$10,000	0.0019%	5,000	5,000	0.0008%	0.50	\$2.00
52	Montserrat*	\$8,000	0.0015%	4,000	4,000	0.0007%	0.36	\$2.00
53	Congo*	\$1,419,000	0.26%	675,000	713,000	0.12%	0.32	\$1.99
54	Gabon*	\$3,006,000	0.56%	1,519,000	1,534,000	0.26%	1.3	\$1.96
55	USSR*	\$805,000	0.15%	372,000	417,098	0.071%	0.0014	\$1.93
56	St. Helena*	\$44,000	0.0082%	23,000	23,000	0.0039%	3.8	\$1.91
57	Thailand*	\$412,000	0.077%	152,000	215,707	0.037%	0.0039	\$1.91
58	Dominican Republic*	\$289,000	0.054%	20,000	152,105	0.026%	0.021	\$1.90
59	Guinea Bissau*	\$192,000	0.036%	91,000	101,587	0.017%	0.11	\$1.89
60	Finland*	\$325,000	0.060%	53,000	171,958	0.029%	0.034	\$1.89
61	Qatar*	\$15,000	0.0028%	8,000	8,000	0.0014%	0.016	\$1.88
62	Austria*	\$947,000	0.18%	449,000	506,417	0.086%	0.066	\$1.87
63	Cameroon*	\$1,258,000	0.23%	674,000	691,209	0.12%	0.060	\$1.82
64	Comoros*	\$112,000	0.021%	62,000	62,000	0.011%	0.11	\$1.81
65	Algeria*	\$70,000	0.013%	38,000	39,106	0.0066%	0.0016	\$1.79
66	Chad*	\$406,000	0.076%	145,000	229,000	0.039%	0.041	\$1.77
67	Argentina*	\$331,000	0.062%	174,000	192,442	0.033%	0.0059	\$1.72
68	Romania*	\$1,699,000	0.32%	935,000	999,412	0.17%	0.043	\$1.70
69	Bulgaria*	\$36,000	0.0067%	21,000	21,557	0.0037%	0.0024	\$1.67
70	Costa Rica	\$1,561,000	0.29%	940,000	940,000	0.16%	0.31	\$1.66
71	Peru*	\$354,000	0.066%	180,000	215,854	0.037%	0.010	\$1.64
72	Senegal*	\$8,471,000	1.6%	2,598,000	5,196,933	0.88%	0.71	\$1.63
73	Norway, Svalbard & Jan Mayen*	\$336,000	0.062%	129,000	207,407	0.035%	0.049	\$1.62
74	Gambia*	\$1,195,000	0.22%	676,000	742,236	0.13%	0.80	\$1.61
75	Kiribati*	\$69,000	0.013%	43,000	43,000	0.0073%	0.60	\$1.60
76	Central African Republic*	\$1,914,000	0.36%	1,198,000	1,198,000	0.20%	0.41	\$1.60
77	Bermuda*	\$16,000	0.0030%	10,000	10,000	0.0017%	0.16	\$1.60
78	Sudan*	\$1,024,000	0.19%	486,000	644,025	0.11%	0.026	\$1.59
79	Equatorial Guinea*	\$3,300,000	0.61%	2,089,000	2,102,000	0.36%	6.0	\$1.57
80	United Arab Emirates*	\$357,000	0.066%	104,000	230,323	0.039%	0.14	\$1.55
81	Mauritania*	\$731,000	0.14%	453,000	477,778	0.081%	0.24	\$1.53
82	St. Vincent & Grenada*	\$9,000	0.0017%	4,000	6,000	0.0010%	0.056	\$1.50
83	Madagascar*	\$446,000	0.083%	298,000	299,329	0.051%	0.024	\$1.49
84	Cyprus*	\$291,000	0.054%	195,000	196,622	0.033%	0.28	\$1.48
85	Nigeria*	\$10,865,000	2.0%	6,855,000	7,391,156	1.3%	0.077	\$1.47
86	Togo*	\$19,449,000	3.6%	9,739,000	13,506,250	2.3%	3.8	\$1.44
87	Denmark*	\$1,053,000	0.20%	594,000	731,250	0.12%	0.14	\$1.44
88	Liberia*	\$1,059,000	0.20%	346,000	756,429	0.13%	0.29	\$1.40
89	Venezuela	\$197,000	0.037%	139,000	140,714	0.024%	0.0072	\$1.40
90	Sierra Leone*	\$2,245,000	0.42%	708,000	1,615,108	0.27%	0.40	\$1.39
91	Chile	\$10,310,000	1.9%	7,678,000	7,678,000	1.3%	0.58	\$1.34
92	West Germany*	\$9,566,000	1.8%	3,836,000	7,138,806	1.2%	0.12	\$1.34
93	Niger*	\$673,000	0.13%	121,000	506,015	0.086%	0.065	\$1.33
94	Angola*	\$3,492,000	0.65%	1,520,000	2,666,000	0.45%	0.29	\$1.31
95	Burkina Faso*	\$1,878,000	0.35%	1,171,000	1,467,188	0.25%	0.16	\$1.28
96	Mozambique*	\$4,462,000	0.83%	1,967,000	3,513,386	0.60%	0.25	\$1.27
97	Zambia*	\$775,000	0.14%	229,000	610,236	0.10%	0.075	\$1.27
98	Jordan	\$9,138,000	1.7%	7,291,000	7,291,000	1.2%	1.7	\$1.25
99	Lebanon*	\$5,100,000	0.95%	3,681,000	4,080,000	0.69%	1.6	\$1.25
100	Uganda*	\$3,359,000	0.62%	1,361,000	2,687,200	0.46%	0.15	\$1.25
101	Ghana*	\$12,606,000	2.3%	7,215,000	10,166,129	1.7%	0.68	\$1.24
102	Portugal*	\$355,000	0.066%	266,000	288,618	0.049%	0.029	\$1.23
103	Hong Kong	\$20,995,000	3.9%	17,288,000	17,288,000	2.9%	3.0	\$1.21

Report of a study for Sida

rank by price	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
104	Trinidad and Tobago	\$8,000	0.0015%	6,000	6,667	0.0011%	0.0054	\$1.20
105	Hungary*	\$9,443,000	1.8%	7,847,000	7,935,294	1.3%	0.77	\$1.19
106	Brunei*	\$164,000	0.031%	138,000	140,171	0.024%	0.55	\$1.17
107	Benin*	\$18,166,000	3.4%	8,236,000	8,236,000	1.4%	3.6	\$1.10
108	Guinea*	\$5,799,000	1.1%	4,808,000	5,369,444	0.91%	0.93	\$1.08
109	Mali	\$1,787,000	0.33%	1,672,000	1,672,000	0.28%	0.18	\$1.07
110	Spain	\$8,700,000	1.6%	8,211,000	8,211,000	1.4%	0.21	\$1.06
111	Tanzania*	\$9,719,000	1.8%	5,312,000	9,256,190	1.6%	0.36	\$1.05
112	Uruguay*	\$355,000	0.066%	95,000	344,660	0.059%	0.11	\$1.03
113	Mexico*	\$3,880,000	0.72%	48,000	3,803,922	0.65%	0.045	\$1.02
114	South African Cust. Union*	\$6,494,000	1.2%	5,499,000	6,429,703	1.1%	0.17	\$1.01
115	Niue*	\$2,000	0.0004%	2,000	2,000	0.0003%	1.0	\$1.00
116	Seychelles*	\$45,000	0.0084%	45,000	45,000	0.0076%	0.64	\$1.00
117	Kenya*	\$7,403,000	1.4%	4,089,000	7,403,000	1.3%	0.31	\$1.00
118	Nicaragua	\$1,532,000	0.28%	1,536,000	1,536,000	0.26%	0.42	\$1.00
119	Poland*	\$9,782,000	1.8%	6,007,000	9,880,808	1.7%	0.26	\$0.99
120	Philippines*	\$3,338,000	0.62%	2,745,000	3,371,717	0.57%	0.055	\$0.99
121	Burma (Myanmar)*	\$89,000	0.017%	87,000	89,899	0.015%	0.0022	\$0.99
122	France, Monaco	\$33,646,000	6.3%	34,285,000	34,285,000	5.8%	0.60	\$0.98
123	Yemen*	\$303,000	0.056%	247,000	312,371	0.053%	0.028	\$0.97
124	South Korea	\$1,889,000	0.35%		1,947,423	0.33%	0.045	\$0.97*
125	Zaire*	\$15,566,000	2.9%	7,998,000	16,215,000	2.8%	0.43	\$0.96
126	Saudi Arabia	\$3,542,000	0.66%	3,801,000	3,801,000	0.65%	0.24	\$0.93
127	El Salvador	\$855,000	0.16%	918,000	918,000	0.16%	0.18	\$0.93
128	Malaysia	\$11,186,000	2.1%	12,106,000	12,106,000	2.1%	0.68	\$0.92
129	Singapore*	\$15,689,000	2.9%	11,378,000	17,432,222	3.0%	6.4	\$0.90
130	Paraguay	\$754,000	0.14%	831,000	847,191	0.14%	0.20	\$0.89
131	Rwanda*	\$3,249,000	0.60%	3,550,000	3,692,045	0.63%	0.53	\$0.88
132	East Germany*	\$38,000	0.0071%	44,000	44,000	0.0075%	0.0027	\$0.86
133	Bolivia	\$2,661,000	0.49%	3,048,000	3,094,186	0.53%	0.47	\$0.86
134	Switzerland, Liechtenstein*	\$1,099,000	0.20%	1,037,000	1,277,907	0.22%	0.19	\$0.86
135	Honduras	\$1,446,000	0.27%	1,689,000	1,689,000	0.29%	0.35	\$0.86
136	Djibouti	\$4,890,000	0.91%	5,749,000	5,749,000	0.98%	11.1	\$0.85
137	Middle East Unspecific*	\$51,000	0.0095%	61,000	61,000	0.010%		\$0.84
138	Brazil	\$1,004,000	0.19%	1,300,000	1,300,000	0.22%	0.0088	\$0.77
139	Turkey*	\$193,000	0.036%	113,000	250,649	0.043%	0.0045	\$0.77
140	Tunisia	\$21,082,000	3.9%	27,433,000	27,433,000	4.7%	3.4	\$0.77
141	Mauritius*	\$33,000	0.0061%	34,000	43,421	0.0074%	0.041	\$0.76
142	China*	\$90,000	0.017%	101,000	125,000	0.021%	0.0001	\$0.72
143	Somalia*	\$55,000	0.010%	60,000	78,571	0.013%	0.0091	\$0.70
144	Sri Lanka*	\$62,000	0.012%	87,000	88,571	0.015%	0.0051	\$0.70
145	Burundi*	\$2,071,000	0.39%	2,922,000	3,046,000	0.52%	0.55	\$0.68
146	Guatemala	\$867,000	0.16%	1,264,000	1,275,000	0.22%	0.14	\$0.68
147	Unspecific*	\$95,000	0.018%	141,000	142,000	0.024%		\$0.67
148	Kuwait	\$95,000	0.018%	153,000	153,000	0.026%	0.071	\$0.62
149	Afghanistan*	\$2,239,000	0.42%	2,027,000	3,611,290	0.61%	0.24	\$0.62
150	Zimbabwe	\$272,000	0.051%	427,000	438,710	0.075%	0.044	\$0.62
151	Cote D'Ivoire*	\$1,458,000	0.27%	926,000	2,390,164	0.41%	0.20	\$0.61
152	Egypt*	\$2,434,000	0.45%	3,543,000	3,990,164	0.68%	0.071	\$0.61
153	Iran*	\$82,000	0.015%	38,000	141,379	0.024%	0.0024	\$0.58
154	Viet Nam*	\$24,000	0.0045%	42,000	42,000	0.0071%	0.0006	\$0.57
155	Czechoslovakia*	\$194,000	0.036%	333,000	346,429	0.059%	0.022	\$0.56
156	Belgium-Luxembourg*	\$29,917,000	5.6%	49,983,000	54,394,545	9.2%	5.5	\$0.55

Used Clothes As Development Aid

rank by price	world importers of used clothes, 1990	reported value (US dollars)	share of total	reported wt. (kilograms)	imputed wt. (kilograms)	share of total	kilograms per capita	avg. price (US\$/kg)
157	Italy*	\$10,812,000	2.0%	18,610,000	21,200,000	3.6%	0.37	\$0.51
158	India*	\$7,509,000	1.4%	4,093,000	14,723,529	2.5%	0.017	\$0.51
159	Belize	\$119,000	0.022%	237,000	237,000	0.040%	1.3	\$0.50
160	Laos*	\$5,000	0.0009%	10,000	10,000	0.0017%	0.0024	\$0.50
161	Grenada	\$33,000	0.0061%	73,000	75,000	0.013%	0.82	\$0.44
162	Bangladesh*	\$3,841,000	0.71%	8,334,000	9,368,293	1.6%	0.087	\$0.41
163	Netherlands	\$25,004,000	4.7%	62,373,000	62,373,000	10.6%	4.2	\$0.40
164	Pakistan	\$28,609,000	5.3%	74,730,000	74,730,000	12.7%	0.61	\$0.38
165	Nepal*	\$12,000	0.0022%	32,000	32,000	0.0054%	0.0017	\$0.38
166	Morocco*	\$243,000	0.045%	206,000	694,286	0.12%	0.029	\$0.35
167	Macau	\$137,000	0.025%	413,000	413,000	0.070%	1.2	\$0.33
168	Aruba*	\$50,000	0.0093%					
169	Barbados	\$32,000	0.0060%					
170	Tonga*	\$32,000	0.0060%					
171	Antigua Barbuda*	\$31,000	0.0058%					
172	Pacific Islands*	\$23,000	0.0043%					
173	Guyana*	\$10,000	0.0019%					
174	Br. Indian Ocean Terr.*	\$10,000	0.0019%					
175	Andorra*	\$8,000	0.0015%					
176	French Guiana*	\$7,000	0.0013%					
177	Cape Verde*	\$3,000	0.0006%					
178	Greenland	\$3,000	0.0006%					
179	Cayman Islands*	\$2,000	0.0004%					
180	Norfolk Island*	\$2,000	0.0004%					
181	St. Pierre & Miquelon*	\$2,000	0.0004%					
	total	\$537,637,000			588,371,539			\$0.91

Source: Derived from SITC1 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Notes: An asterisk (\*) at the end of a country name indicates that the entire line is derived from partner data rather than from data reported by the country directly. An asterisk (\*) at the end of an average price indicates that the price (only) was taken from partner data, due to lack of weights in reported data. Average prices are based only on those partner transactions for which weights are reported; thus imputed weights (based on those prices) may be higher than reported weights. Extreme average prices may still indicate some problem in the data, such as partial missing weights **within** partner transactions. The absence of a listing for a particular country does not necessarily indicate that no trade occurred.



### Appendix 3: Notes on Statistical Problems and Their Implications

The following notes relate specifically to the discussion in Chapter 1.

#### *The practice of netting imports and exports, and correlation of prices*

Net exports are shown in Table A2 (in Appendix 2) because some countries, notably Belgium-Luxembourg and the Netherlands, import as well as export large quantities of used clothes, probably due to their historical involvement in recycling textiles and textile fibers. Thus they are presumably large-scale re-exporters of used clothes, and counting their gross exports would overstate their real contribution to world trade flows.

However, net figures can also obscure the true extent of world used-clothes trade. The practice of netting exports (or imports)—subtracting one from the other for any given country, as was done in preparing both Table A2 and Table 4 (in Chapter 1), to get the number of net exporting countries and their total net export values—is somewhat misleading, because closer analysis reveals that imported used clothes and exported used clothes are frequently not the same commodity, as judged by import and export prices. Thus a country which exports a lot and imports a little (or vice-versa) is still an importer (or exporter), not just a net exporter (or net importer).

The prices of used clothes imported into a given country, and of used clothes exported from the same country in the same year, are quite different, and the difference generally does not seem to indicate value-added that might be characteristic of re-exports. Comparing these differences across countries, export prices show no general tendency to be proportionally higher (or lower) than import prices (see Table A14, below). In fact, there is almost no correlation at all between import and export prices in the decade under study.

**Table A14: Correlation of import and export prices, 1984-'93**

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	average 1984-'93	average 1984-'92
0.07	0.07	0.18	0.00	-0.01	-0.03	-0.07	-0.12	0.03	0.69	0.08	0.01

Source: Derived from SITC2 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.

Correlation of import and export prices during the period is quite low—in some years, it is actually negative. Leaving out 1993 as an outlier (and probably incomplete), average correlation for the previous nine years is virtually zero.

This relationship—or lack thereof—can also be seen in the following 1987 data (in Table A15 below), chosen because correlation of import and export prices in that year was in fact actually zero. The trading countries are ordered in the table according to their import/export price ratio, so that those with low import and high export prices (possible re-exporters) appear first, followed by those with high import and low export prices. A dashed line in the middle indicates equal import and export prices.

**Table A15: Comparison of 1987 import and export prices by country (US\$/kg)**

trading country	import price	export price	import/export price ratio
Mexico	0.24	8.18	0.03
Mali	0.72	9.00	0.08
India	0.57	5.23	0.11
China	0.25	2.04	0.12
Portugal	0.55	3.23	0.17
Sri Lanka	0.001	0.006	0.19
Guatemala	2.78	9.00	0.31
Netherlands	0.38	0.98	0.38
Indonesia	4.92	12.75	0.39
Chile	1.25	3.00	0.42
Belgium-Luxembourg	0.46	0.93	0.50
South Korea	1.32	2.37	0.56
Pakistan	0.43	0.75	0.57
Spain	0.83	1.33	0.62
Kuwait	0.65	1.00	0.65
Syria	1.00	1.50	0.67
Malaysia	0.95	1.39	0.68
Italy	0.64	0.93	0.69
Togo	0.53	0.74	0.72
Senegal	0.73	0.82	0.89
Tunisia	0.68	0.71	0.96
France, Monaco	0.96	0.97	0.99
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Singapore	1.12	0.87	1.29
Switzerland, Liechtenstein	1.06	0.79	1.35
United Kingdom	1.93	1.29	1.50
Sweden	1.19	0.78	1.53
Thailand	3.60	2.29	1.57
Ireland	3.77	2.28	1.65
West Germany	1.46	0.68	2.13
Finland	2.37	0.99	2.40
New Zealand	4.50	1.50	3.00
Norway, Svalbard & Jan Mayen	1.74	0.54	3.22
Denmark	4.22	1.21	3.48
Hong Kong	1.23	0.31	3.90
El Salvador	1.99	0.50	3.97
Ethiopia	3.19	0.30	10.47
Japan	6.24	0.58	10.72
Austria	2.72	0.18	15.38
Iceland	25.00	0.96	25.96
import/export price correlation:		0.00	

Source: Derived from SITC2 data obtained from the United Nations Statistical Division, International Trade Statistics Branch.  
 Note: The U.S. and Canada, among others, do not show up in this table because of missing weight data, which meant that we could not calculate prices.

Only a few countries have import and export prices roughly equal (in the center of the table, around the horizontal dividing line). The remainder diverge very quickly from this point: roughly half the countries have import prices lower (often very much lower) than

export prices, while the other half have import prices higher (often very much higher).<sup>a</sup> Leaving aside re-exporters (whom we would expect to find in the first group), we can hypothesize that less-developed countries might have one pattern (lower import prices if they are importing lots of low-quality clothes for very poor people, on the one hand, but on the other hand they might be exporting some exotic and expensive traditional costumes, for example); and that industrial countries might have the reverse pattern (lower export prices if they are exporting large quantities of low-quality clothes to LDCs, but they might be importing limited quantities of high-quality used clothes for domestic use, either from LDCs, or from other industrial countries).

But the patterns actually seem rather mixed: It is true that our two major presumed re-exporters, the Netherlands and Belgium-Luxembourg, are found in the first group, but so are Portugal, South Korea, Spain, Kuwait, Italy, and France. The rest of the first group (with import/export ratios lower than 1) might be considered LDCs, and perhaps they are following the pattern suggested (large quantities of cheap imports, and small quantities of exotic exports), or perhaps some of them are re-exporting as well. But the second group (with import/export prices ratios higher than 1) is even more startling: While it contains many industrial countries which we might expect to be following the second suggested pattern (large quantities of cheap exports, and small quantities of exotic imports), it also includes Thailand, El Salvador, and Ethiopia.

### ***Miscellaneous minor problems***

Great variation in prices was apparent in Table A15 above. Unfortunately, some of this variation (at least on the high side) may have been caused by statistical errors due to missing weights in some transactions. Using data broken down by partner-transactions, as we do for the gross export and import tables in Appendix 2, allows us at least to eliminate, for any given country, partner transaction totals with missing weights. Thus we have been able to calculate average export and import prices based only on those partner transaction totals in which weights were reported to the UN.<sup>b</sup> This does not guarantee that the resulting prices are correct, because the partner transaction totals themselves may have been made up of more than one actual transaction, and some of those weights may have been missing; whether this is the case, or not, is not apparent from the data available to us.

Another problem is that, in an attempt to correct for possibly misreported data, we have inadvertently introduced another source of error, by occasionally using partner-reported

<sup>a</sup>The range of absolute prices is also quite startling, ranging from a low of \$0.001 (Sri Lanka) to a high of \$25 (Iceland)! One may be entitled to wonder whether values have been misstated for tariff reasons, at least at the low end. Peter de Valk (1992, p. 259) comments that "the most common way [to improve one's chances of making a living during hard times] is through under-declaration of quantity, and hence evasion of import duty and sales tax. Intercepted falsely declared or under-declared containers of textiles bear witness to this fact. In February 1988 the Tanzanian Daily News reported that between June and December 1987 collected customs import duty and sales tax averaged about 400 million shillings per month, but when collection procedures were strengthened in January 1988 an average of 1.5 billion shillings per month were collected. Strengthening procedures included suspending and/or transferring some customs officials. Goods covered included new and second-hand clothes as well as khanga." Another explanation in some cases (at the high end) may simply be that, for one reason or another, weights were not reported for particular transactions, resulting in total weights that are too low, and calculated average prices that are too high.

<sup>b</sup>Using the resulting prices, we then calculated imputed weights; for those cases in which some partner transactions in our data were missing weights, this resulted in an imputed total export or import weight higher than the reported weight. We then used the imputed weight, not the reported weight, in calculating weight per capita.



data in place of directly-reported data. The problem is that export data is reported free-on-board (f.o.b.), whereas the partner country's corresponding import data would be reported cost-insurance-freight (c.i.f.); that is, reported export values would naturally be lower than the corresponding import values reported by the partner country (and vice-versa: reported import values would naturally be higher than the corresponding export values reported by the partner country), because of additional insurance and freight costs.<sup>a</sup> Thus when, in an attempt to correct for misreported data, we occasionally used the higher partner-reported import value in lieu of the lower directly-reported export value, we introduced an upward bias into our export figures; but in the reverse situation, if partner country export figures were higher than directly-reported import figures, then in substituting the higher export values we may have been at least partially correcting for misreported import values, without introducing any new bias. Whether we corrected more overall, or introduced more new bias, is unknown, but in any event such substitutions affected only a few countries.<sup>b</sup>

<sup>a</sup>Yeats (1995) points out a number of other reasons why using partner data is often unreliable as an approximation for missing trade data, including: intentional or unintentional misclassification of products; financial incentives to purposely falsify trade data; problems associated with exchange-rate changes; and problems in reporting or processing data.

<sup>b</sup>In the gross export and import tables in Appendix 2, partner-reported data is indicated by an asterisk after the country name. In the majority of these cases, the country did not report directly at all, so that partner-reported data was the only way to get any data on that country's trade. But in a few cases, such as industrial countries known to be reporting trade data to the UN, substitution of higher partner-reported import data for lower directly-reported export data may have been inappropriate.

## Appendix 4: Some Philosophical Notes

The following notes relate specifically to the discussion in the first half of Chapter 3.

### ***The origin of markets, and their social and political context***

The modes of distribution of goods and services can generally be classified in three ways: They can be taken by force or threat of force (for instance, “Pay your taxes, or else!”); they can be exchanged (“I will do this for you if you will do that for me”); or they can be given willingly (for instance, “I provide for you because I identify with you as part of my family”).<sup>65</sup>

Understanding the first and third of these modes involves one primarily in an analysis of politics and sociology, respectively, while exchange and resulting markets are the primary province of economics. According to evidence from primitive and peasant economies, markets appear very early in economic development—in response to social scarcities—with goods markets generally appearing first, then labor and credit markets, and finally land and land rental markets.<sup>66</sup> Many people are quite skeptical about markets, however, and prefer social and/or political modes of distribution instead.

Market exchange must also find its place in the social and political world, of course. For instance, tastes and preferences (which determine demand for various goods and services) are not formed in the marketplace, but are brought from one’s experiences in the social world; and the market itself could not exist—certainly not the complicated market structures we know today—without the regulatory and enforcement mechanisms provided through social mores and political processes.

In any event, one’s basic predisposition towards markets may largely determine how one views evidence regarding the effects of used-clothes imports into less-developed countries (LDCs). If one prefers political and social modes of distribution, for instance, one may consider it quite natural to construct rules governing who may purchase used clothes under what circumstances, how they may be used (whether they may be resold), etc., whereas economic analysis may wonder whether a market could achieve the same or similar ends more efficiently.

### ***Doubts about the “evils” of the used-clothes trade, and about proposed solutions***

In much of the literature on the evils of the used-clothes trade, there seems to be an obsession with the idea that one should always be able to purchase the product of one’s own work, as though a diamond cutter or the manufacturer of a jumbo jet might not rather be content to ride occasionally on the jumbo jet, perhaps even to wear fake diamonds, and then to use most of the purchasing power acquired from producing the diamonds or the jet for something more important.<sup>a</sup>

In this literature, few if any identify the textile industries in less-developed countries as working “for profit”, though of course they are; and one can call what the factory worker takes home at the end of the day “profits” as easily as one can use that epithet for what the used-clothes seller takes home; perhaps even the union “profits” when it has more members or higher wages, and has “losses” when it loses members.

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<sup>a</sup>If the concern is simply that garment workers are poor, then that is exactly the problem we have been asked to study: What is the most efficient way to help poor people? It is not clear that the categorical assertion that they “should” be able to buy “the products of their own labor” is really going to help them.

It is naturally an employer association's job to act on behalf of its member firms, and a union's job to act on behalf of its worker members, but one is perhaps entitled to wonder if it is really the entire country that is suffering because of used-clothes imports, or whether it is just the garment industry. There is a striking lack of awareness of, and lack of analysis of the effects of, providing cheaper goods for consumers, which may cause increased employment and increased production in other industries. Nevertheless, there may be a strong theoretical argument in favor of protecting the garment industry as instrumental in the development process; we examine this issue carefully in Chapter 5.

Regarding the suggestion that all used clothes should be distributed free to the poorest of the poor, it is not clear *where* it is being proposed that this should happen. Although there is certainly some demand for used clothes in industrial countries, supply undoubtedly far exceeds that demand. In any event, as we have seen, LDCs export vast quantities of new clothes to industrial countries, so the mere fact of some of them coming back as used clothes should not be objectionable in itself (except possibly for cultural reasons).

But if we assume that the proposal on the table is to "distribute free of charge" *in less-developed countries* much of the used clothes collected in industrial ones, then we are talking about major subsidies indeed.<sup>a</sup> We not only have to get the clothes there, but we have to get them cleaned, sorted, repaired, even restyled, and then perhaps the biggest job: We have to find needy recipients and match the clothes to their needs.

Now one might think that it is easy to find needy recipients, because we are talking about poor countries, so almost everyone is relatively poor, and we can just give clothes to almost anyone. But we cannot do so, because many of those people would have bought new clothes from the domestic manufacturers, and now if we have given them suitable used clothes, they do not need new clothes, so they will not buy new clothes, or at least not as much as before. So we cannot protect jobs that way.

It is true that people will still have in their pockets whatever money they had there before, and not only that, they may feel richer now for having clothes as well, so they may be even more willing than before to spend some of what they have. But it likely will not be for clothes, it will be for something else. So we will have a restructuring, where garment industry jobs are lost, while new jobs are created, producing other goods and services. But the garment workers' union probably is not too interested in creating jobs in *other* industries, even if the whole country is getting richer in the process.

But suppose that we can find those proverbial individuals who are "too poor to enter the market", and we give the clothes to them. Now we may think that we have not affected demand for local production, because they would not have bought any clothes anyway. But then suppose, for instance, that they need food more than they need clothes. There is an active market in used clothes (or, if it has stopped temporarily because we have cut off the commercial supply, it will soon exist again). So will they not sell their clothes? Steven Haggblade reports that this is often exactly what happens, even with most food-for-work—it is usually exchanged for something else, perhaps for some *other* food, maybe even for clothes!<sup>b</sup> When used clothes are thus available on the market, we have

<sup>a</sup>Of course distributing in industrial countries would also require a massive distribution effort which would have to be "funded" from somewhere, even if it were via a massive volunteer effort.

<sup>b</sup>Because an enormous private distribution network exists in most African countries, any imported used clothes will probably end up sold at market price—as is the case with most food aid, incidentally, even the

negatively affected demand for local production, so to that extent we have not protected jobs.

This is not to say that free distribution to the poor would be an inherently bad thing to do. It would result in a large transfer of real wealth to less-developed countries, first in the used clothes themselves, and then magnified (at least to some extent) by the subsidy required. In Chapter 9 we will look at whether this would be the most efficient way to help the poor. In the current era of fiscal restraint, it is difficult to imagine it happening, however.

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in-kind food-for-work I have recently been studying in Bangladesh.”—in a personal communication, July 1995.



## Appendix 5: Some Labor and Mass Media Views

The following items relate specifically to the discussion in the first half of Chapter 3.

### ***ILO draft resolution on increasing world trade in clothing (except used clothing)***

“Considering the importance of the clothing industry to employment in manufacturing in many developed and developing countries, and in particular its role in overall economic and social development,

*“Stressing the significance of trade to the clothing industry,*

*“Believing that the industrialized world must do justice to its particular responsibility to developing nations by supporting the expansion of world trade, particularly in clothing items, under fair social conditions for all parties as a meaningful development policy,*

*“Further believing that trade has to take place on the basis of respect for workers’ rights and that agreements on trade matters and particularly on the clothing trade should include provisions guaranteeing minimum social standards... including the right of freedom of association, the right to organize and bargain collectively...*

*“Rejecting all forms of trade protectionism...*

*“Noting with concern the development of an extensive market in used clothing—originally donated for charitable purposes—particularly in developing countries, which is leading to a downturn in the domestic clothing industry in these countries, with a consequent loss of employment...*

*“[the meeting requests the ILO] to call on member States which are clothing-exporting countries to take steps to cooperate so as to ensure a better return for their clothing exports and to ensure that the workers concerned share the increased wealth thus created which would lead to the expansion of domestic markets, to improved economic and social conditions in these countries and to further growth in world trade in clothing...*

*“and requests the Director-General to carry out an investigation on the impact on employment in developing countries of the trade in used clothing originally donated for charitable purposes in the industrialized world, and to convey the results to the major international charities concerned and to the governments of all member States.”*

### ***A labor media (Free Labour World) image of the used-clothes trade***

“The mid-day Zambian sun is hot! Eunice holds up one hand to try to protect herself as she sits on a Kitwe pavement tending a pile of peanuts with the other. Her two babies play at her feet. She knows she must attract some customers for all three now depend on the few cents such sales will bring. Life was different before. Until three months ago, Eunice was a sewing machinist in a local factory producing clothing for the Zambian market. Now the factory is closed—shut down for a number of reasons but principally because of a dramatic upsurge in imports of second-hand clothing from Europe and the U.S.... [E]very... second-hand item on sale here and elsewhere in the developing world is destroying desperately needed local jobs. Zambia, for example, has lost 8,500 textile and clothing jobs in the past year.<sup>a</sup> Neighbouring Zimbabwe has lost nearly 12,000. The

<sup>a</sup>Anthropologist Karen Hansen studied Zambia about the same time and came to quite different conclusions: It is true that “Zambia is getting inundated by commercial imports of used clothing,” but also by “cheap ready-made clothes from South Africa, China and Taiwan”. She explains, however, that “the manufacturing costs of the domestic clothing factories are too high and the quality too low to compete...

livelihoods of as many as 150,000 people have disappeared... The local textile and clothing industry has been devastated by large scale importation of second-hand clothes, mainly sourced from developed countries and resold locally at dumped prices...

"Zimbabwe has taken steps to curb second-hand clothing imports, so too has South Africa. A number of other African countries are following suit. Pressure is growing for action in the Americas..."<sup>a</sup>

"[S]hrewd groups of used-clothes dealers in Europe and the U.S. have turned generosity into a multi-million dollar business. They buy tons of clothing donated to leading charities... for perhaps 5 to 10 cents [U.S.] a kilo.<sup>b</sup> When sold in developing countries these items are marked up at between 600 and 3,000% over what the wholesalers paid for them... Used clothing exports from the U.S. earn US\$150 million a year... It is a scavenging trade, where companies get their product practically for free before converting it into cash. In the U.S., many of the companies concerned employ the cheapest possible labour to sort piles of clothing into a range of categories—none of the clothing is washed or repaired, simply compacted into 50 kg bales and loaded into containers... Few Europeans or Americans realise where their cast-offs end up. But many know where they should. As one New Yorker said confidently, "The dresses I give to Goodwill are distributed to the poor, free of charge, or sold in their local shop." Little does she know that her donation, for which she can claim a tax-rebate, ends up on a mini-mountain of other donated clothes, now flooding the markets of the developing world. Nor can she imagine the misery that her well-intended donation is causing to those losing their livelihoods as a result..."

"[U]nions will be increasing their campaign to ensure that used clothing donated for the poor is used for that purpose and distributed free of charge, thus avoiding the damage recently caused in developing countries... We must work to eradicate the international trade in used clothing."

While this is the perspective of a special interest—a particular union speaking for a particular sector of industry and labor, not for consumers in LDCs, nor necessarily for their national interest as a whole—it is nevertheless an influential view, loaded with compelling images. Many of those images have also been picked up in the wider media.

### ***A Canadian media (Ottawa Citizen, 1993) image of the used-clothes trade***

The following examples appeared in the Ottawa Citizen in 1993 (we also quoted briefly from them in the Introduction). The language and the images used are again quite powerful (some possible weaknesses in the images and arguments are footnoted):

"Used clothing is flooding... through a shadowy trading network... Well-meaning donors provide the fuel... resold at markups of 3,000%... [Charities are quoted:] 'We are aware that we are selling to for-profit businesses...' Economists say tens of thousands of garment and textile workers have lost jobs... Extra layers of middlemen, import tariffs, bribes to get shipments across borders...—all add to profit-taking along the way...<sup>c</sup> A

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<sup>a</sup> Clothing manufacturing had operated like a state monopoly under the previous regime, and [is now] unable to produce at prices local people can afford."—in a personal communication, June 1995.

<sup>a</sup>We look at worldwide import regulations concerning used clothes in Chapter 3.

<sup>b</sup>This appears to be an error, and probably means 5 to 10 cents per pound, which would be 11 to 22 cents per kilo, or roughly 1 Swedish krona, or slightly more, per kilo. This of course is not the same as the dealers' export prices which we looked at in Chapter 1 and Appendix 3, which must include their sorting, handling, and other costs as well.

<sup>c</sup>These sound like costs, hardly profits, hardly a "mark-up" as frequently charged.

continent-wide economy of dependency has been created... It has been a blow to... pride to be driven into buying other people's old threads...

"Almost anything is available—jeans and jackets, T-shirts, blouses, shirts, sweaters and slacks—all well-made, all inexpensive and all from the West...<sup>a</sup> The clothes are shipped thousands of kilometres and dumped in the Third World for a fraction of their original cost...<sup>b</sup> The prices are so low, in fact, that economists say local industries cannot compete... In 1990, Third World countries accounted for 53% of new clothing exports to developed nations... but the only way sweatshop laborers can afford the items they produce is when North Americans and Europeans pass the clothing on to charity organizations that raise funds through bulk sales to the international scavenging trade... The quality is first-rate... Some clothes look as though they have never been worn...<sup>c</sup> To buy clothing from the West, even if it is second-hand, imparts a sense of status...<sup>d</sup> Women and children [in less-developed countries]... churn out cheap shirts and pants for western department store chains...; the modern garment industry, geared entirely for export, has left most [workers] too poor to buy the wares... Prices are so low [for used-clothes imports] that making clothes for domestic consumption makes no economic sense... Trade liberalization, drastic social spending cuts and economic policies that valued resource-based exports over local production ravaged industries serving the domestic economy... cheap imports of new and hand-me-down goods were the only things most people could still afford... The imports may be costing jobs, but the availability of low-cost clothing has been a boon to hard-pressed consumers...<sup>e</sup>

"[Charities] selling to big-city brokers... The clothes are later sold in the Third World for inflated prices...<sup>f</sup> [A Salvation Army officer says] he is concerned the clothing may eventually be resold in Third World countries for a pittance and undercut local industry... Salvation Army branches... are considering ways they can ship used clothes directly to other army agencies around the world: 'We would like to have some control over what happens to our products...' [The officer] would like to ship clothes directly to countries where local labor can set up small industries for handling and distributing them to the poor.<sup>g</sup> Other local charities say they cannot yet afford to ship directly to poor countries because the sorting, handling and shipping costs are too high.<sup>h</sup> 'I would certainly prefer that because I would get more personal satisfaction from it,' said [a local charity manager]...

"[A charity manager says that, for lack of supply] he turns down 15 requests a week to supply small entrepreneurs wanting to enter the game.<sup>i</sup> Typically, these would-be

<sup>a</sup>More likely it was originally exported to the West from a less-developed country, as we saw in earlier chapters.

<sup>b</sup>Although "vast profits" are being made in the process?

<sup>c</sup>This is bad? These are "other people's old threads"?

<sup>d</sup>Or "a blow to pride"; the text seems contradictory.

<sup>e</sup>Despite the "vast profits".

<sup>f</sup>Or at "affordable prices", perhaps "for a pittance".

<sup>g</sup>But that is exactly what the commercial exporters already do, albeit for a price, and "for profit".

<sup>h</sup>Does this suggest that they do not think they can be as efficient as the commercial exporters? Or are they thinking about free distribution? The latter issue is discussed in Appendix 4.

<sup>i</sup>Potential competitors eager to enter and bid up input prices while bidding down output prices, this sounds like the very definition of "a competitive industry" in which *economic* profits tend to be driven to zero—not to say normal *business* profits, which (in a competitive business) are essentially return to capital and risk compensation. We look at the question "who puts up the capital?" in Chapter 4, where we review the alternative of commercial involvement in charitable collections.



dealers are recent Asian and African expatriates hoping their family and business connections back home can be parlayed into lucrative export-import contracts. 'It is really a price game, it is really a cutthroat business,' [says the manager].

"[The] used-clothing exporter... slaps on a mark-up of 3,000% to cover bribes, pay middlemen and generate vast profits... Remember that the process starts with Western unwillingness to support higher wage manufacturers at home..."<sup>a</sup>

In an effort to be balanced, an Ottawa Citizen editorial ends up by pointing out that "sale [of used clothes] gives charities needed revenue. And profits notwithstanding, impoverished Africans and Asians end up clothed at an affordable price." It then recommends that "charities must think about cutting profit-makers out of the game, and take over the... export business themselves. That way, the profits could be plowed back into Third World development, with an eye to combating the poverty at the heart of the problem."

This may be a reasonable suggestion; it is discussed in Chapter 4.<sup>b</sup>

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<sup>a</sup>The implication seems to be that it would be better neither to import new clothes from LDCs, nor to export used clothes to them, but this would deprive them both of jobs (and income) *and* of cheap used clothes.

<sup>b</sup>Similarly, of course, charities could run their own accounting firms, gas stations, grocery stores, etc., so that they would never be tainted by coming in contact with the "for-profit" world, and all businesses (including newspapers) could be run on a similar basis—but this seems unlikely to happen, and might not really be desirable either.

## Appendix 6: National Trade Policies

The following information relates specifically to the discussion at the end of Chapter 3. Most details here come from the U.S. Department of Commerce, and thus over-emphasize information on specifically American exports, and American commercial assessments and points of view, simply because the sources were readily available. Trade policy information regarding each importer should apply to all exporters, however, so our conclusions should apply generally.

### *Spain and some former Spanish colonies*

According to the U.S. Department of Commerce (USDOC), among the Western European and other industrial countries, Spain is the only one which imposes any unusual restriction on used-clothes imports: "Phytosanitary certificates are required..." along with "prior administrative approval (import license)... [which] is generally denied."<sup>67</sup> Nevertheless, on the average, over the previous four years, about a third of a million dollars worth of used clothes annually was imported into Spain from the U.S. alone, and on the order of ten to thirty times as much from other—possibly EU—sources. Spain is also a significant exporter of used clothes, over a third of a million dollars according to partner data for 1990, for instance.

Of the few other countries worldwide which actually do impose trade restrictions on used clothes, more than half of them are former Spanish colonies. For example, Mexico "requires a permit from the Mexican Health Department. It is not easily granted. [If it is granted, there is a 20% duty.] This measure was adopted [at least ostensibly] to prevent infections." Mexico's import data—submitted by Mexico to the UN—when compared to U.S. export data, understates Mexican imports by a factor of  $\frac{1}{2}$  to  $\frac{5}{6}$ . If U.S. data is to be believed, imports from the U.S. have increased progressively and dramatically, from US\$3.8 million in 1990, to \$58 million in 1993. Mexico is also a significant exporter of used clothes, almost two-thirds of a million dollars according to partner data for 1990, for instance.

Even though Mexico has joined the North American Free Trade Agreement (NAFTA)—which has as one of its explicit purposes to "progressively eliminate [all] customs duties on originating textile and apparel goods" on internal trade between the U.S., Canada and Mexico—nevertheless Mexico insisted upon establishment of a "Committee on Trade in Worn Clothing... [to] assess the potential benefits and risks that may result from the elimination of existing restrictions... A Party may maintain restrictions in effect on the date of entry into force of this Agreement... unless the Parties agree otherwise..."<sup>68</sup> This essentially provides a veto for Mexico over any change in the current rules regarding used-clothes imports. According to the U.S. Government Accounting Office, as of late 1994 the committee had not met; in fact, the committee is not expected to do anything.<sup>69</sup>

Chile is now also negotiating to join NAFTA. Currently Chile merely "levies a surcharge on second-hand goods, such as used clothing and imports of 'fabric seconds'.<sup>a</sup> The rate is 5% above the duty applicable to new goods... All merchandise used as seconds has

<sup>a</sup>The meaning of this term is not clear; should it be "factory seconds", meaning quality rejects? Dinora Diaz of the International Textiles and Clothing Bureau in Geneva notes that "governmental authorities in developing countries in some cases have doubts whether this so-called used-clothing has ever been used by anybody. It looks like new and it gives the impression that it is mainly factory [seconds] with minor imperfections, and therefore cannot be put up for sale in markets where the consumers care more about quality"—in a personal communication, June 1995.

to be classified and labeled in the country of origin according to quality, size, and fabric composition..."

Several other Latin American countries have restrictions on used-clothes imports, or have had them recently. "Venezuela has a strong local industry which has resulted from years of prohibition on all foreign textiles,"<sup>a</sup> and has now "lifted all prohibitions except for [code] HS63.10 'used rags, scrap twine, etc.'" Used clothes (code HS63.09) are apparently okay.<sup>b</sup>

Colombia, however—"to stop dumping, unfair competition, and to avoid possible damage to a rather well-developed textile industry, and acting under pressure from one of the most influential manufacturing sectors—has restricted imports of used clothing and textile articles... Imports of old or used clothing; closeouts; irregulars; both new and used rags; and scrap cordage of textile material wastes; are all subject to prior import license approval. Licenses are valid for six months with one three-month extension. Extension processes are complicated and expensive... Approvals of licenses are subject to numerous considerations including availability of local substitutes, foreign exchange, and the national interest... No tariff categories for textiles and apparel now appear on the prohibited import list, except for used bags and sacks of vegetable fibers. Items once prohibited are now permitted under license." According to partner data, Colombia imported US\$133,000 and was itself the exporter of \$87,000 worth of used clothes in 1990.

According to USDOC 1995, in Ecuador "in 1992, imports of apparel experienced a large growth over 1991 due largely to the importation of used clothing, principally from the U.S. Large amounts of used clothing were imported in anticipation of an import prohibition subsequently imposed... Local manufacture covers 30-40% of the national market, while formal imports contribute 25-30%. The rest consists of contraband of used and new clothing, mostly from the U.S. Competition from Colombia has not hurt the U.S. share of the market [in Ecuador]. Industry leaders predict a growth in the manufacture of apparel [in Ecuador] to fill the demand of the domestic Colombian market neglected by Colombian manufacturers who are exporting to the U.S. and Europe."

The International Textiles and Clothing Bureau in Geneva also reports that "Peru has suspended 'the imports of products from any source, intended to meet clothing, footwear, or cleaning needs'."<sup>70</sup> According to partner data, Peru imported US\$354,000 and was itself the exporter of \$58,000 worth of used clothes in 1990.

Guatemala is one of many Latin American countries (and former Spanish colonies) which have not imposed special restrictions on imports, despite the fact that "due to the economic crisis in the country... the [used-clothes] market has shown a growth of approximately 45% a year during the past three years," culminating in total used-clothes imports of US\$3.3 million in 1992.

The other former Spanish colony which does maintain restrictions on used-clothes imports is the Philippines. "The import of used clothing, remnants, and used textiles is

<sup>a</sup>From the U.S. Department of Commerce (USDOC) Best Market Report: World Apparel, 1995. The "Best Market Reports" series is directed to U.S. businesses and contains comments like the following: "Australia provides a good niche market for selected apparel such as sportswear, swim wear, used Levi's 501 jeans, casual gear, and to a lesser extent 'grunge' gear and western clothing."

<sup>b</sup>The Harmonized System (HS) is another set of commodity codes comparable to the Standard International Trade Classification (SITC) codes; HS code 63.09 is equivalent to SITC2 code 269.01.

banned.” Nevertheless, according to U.S. data, annual imports of used clothes from the U.S. are growing fairly consistently, currently around a million dollars per year, and other partner-reported data indicates total imports of generally three to six times that amount. Total used-clothes import data reported by the Philippines to the UN ranges from a high of more than twice the amount coming from the U.S. alone, to lows of only about 1/10 that amount. According to partner data, the Philippines itself was the exporter of US\$98,000 in 1990.

### ***Other industrial, transitional, and new industrial economies***

No other industrial country besides Spain maintains any unusual restriction on the used-clothes trade, and most have imports as well as exports (although as we have seen, it is most likely not the same goods coming out that went in). Japan, for instance, had annual used-clothes imports over the last few years in the neighborhood of US\$10 million from the U.S. alone. Swedish imports from the U.S. ranged recently from over US\$1 million (before the recent recession) to less than \$50,000 (in 1993).

Among transitional economies,<sup>a</sup> only Bulgaria and Hungary have unusual restrictions. Bulgaria merely maintains a tariff rate about 60% higher than its tariffs on other fabric and apparel, while Hungary has an unusual quota system, not just for used clothes, but for all imports of consumer goods. Both have recently had annual used-clothes imports from the U.S. alone in the neighborhood of US\$100,000.

To mention a few other transitional economies, Poland and Russia have had annual imports of used clothes from the U.S. in the range of US\$2-10 million recently. In Russia, “the great demand for foreign-made apparel started in the beginning of 1992, and was soon filled by Chinese, Korean, U.S. and European (used) inexpensive products. Later in the same year, the demand shifted to better quality European and U.S. new clothing.”

None of the new industrial economies of East and Southeast Asia impose any unusual restrictions on used-clothes imports in particular, although tariffs may be quite high on apparel and related products generally. In Thailand, “the textile industry has over the past decade become [the] most important manufacturing industry, in terms of export earnings, employment, and contribution to gross domestic product,” and tariffs on apparel imports run as high as 100%. The tariff on used clothes is 60%.

“Although 37% of Turkey’s total exports are comprised of textiles and apparel, the country also imported approximately US\$1 billion in this sector in 1992, about 25% [of which] was apparel.” Very little used clothes was imported, however, despite relatively low tariffs and no special restrictions.

### ***Other less-developed countries***

While India has rather high tariffs on fabric and apparel products generally, the U.S. Dept. of Commerce lists no particular restrictions on imports of used clothes, and annual imports from the U.S. ranged from US\$4-10 million recently.<sup>b</sup>

<sup>a</sup>The term “transitional economies” is used in economic literature to refer to former centrally-planned economies, especially the relatively industrialized ones of Central and Eastern Europe, currently undergoing a transition to become market-based economies.

<sup>b</sup>A U.S. used-clothes exporter reported that India only allowed imports of used clothes if the clothes were first mutilated to make them unusable as clothes, but so far we have found no verification for this report.

“Pakistan is one of the world’s largest manufacturers and exporters of apparel. The textile industry is Pakistan’s largest industrial and revenue-earning sector,” and it is highly protected. Imports of many textile products are banned, but used clothes are allowed: “Imports are largely confined to worn clothing; shipments of used clothes may not contain traveling rugs, blankets, or footwear.” According to UN data, Pakistan has been the world’s largest net importer of used clothes during eight of the past eleven years.

“Egypt is a net exporter of cotton yarn and cotton textiles, and most textile and garment imports [including used clothes] are banned... In 1992 the output of Egypt’s textile manufacturing sector reached US\$2 billion [and] Egypt’s exports of [new] ready-made garments and knitted products totalled \$500 million.” Despite some leakage, actual recent used-clothes imports from the U.S. have been trivial, although according to partner data Egypt had total imports of US\$2,434,000 in 1990, and also itself had exports worth \$33,000 that year.

Despite the fact that Israel has free trade agreements with the EU, EFTA, and the U.S.—and is, incidentally (with Egypt), one of the largest recipients of U.S. aid (and the U.S. is the largest single exporter of used clothes, as we have seen)—nevertheless, “used apparel items are not allowed” there either. Nevertheless, according to partner data, Israel imported US\$400,000 in 1990, and exported \$107,000.

“Used apparel is currently the eighth largest [U.S.] export to Sub-Saharan Africa. In 1992, [it] was among the top 35 U.S. exports to 28 of 47 [individual countries].<sup>a</sup> In nominal terms, the trade has grown from US\$35 million in 1989 to over \$72 million in 1992, one of the largest relative increases.”<sup>71</sup> Despite that, and the fact, as we have seen, that Zimbabwe recently imposed a high tariff on used-clothes imports, the momentum in Africa seems to be towards greater liberalization.

It is true that in Nigeria the “import of [virtually all] textile materials, apparel and used clothing are banned,” but nevertheless “Nigeria tolerates informal trade and smuggling.” According to partner data, Nigeria imported US\$10,865,000 in 1990, and also exported a small amount (\$2,000).

In Cameroon, “the ban on used apparel imports was lifted in late 1991. ‘Used clothing’ imports must show signs of appreciable wear and must be packaged in bulk. Exporters are required to provide documentary proof of sterilization for each shipment... Duty rates are approximately 85-90%...”

“In October 1992 the Chadian Chamber of Commerce reported to the U.S. Embassy that used apparel imports were no longer prohibited... [In Cote D’Ivoire] the ban of used clothing imports was lifted in February 1992.”

In Tanzania, “the import of various textile products (especially second-hand clothes) has been allowed since the partial trade liberalization in 1984 and further relaxation in 1988.”<sup>72</sup> USDOC 1995b notes that “many importers will not accept bales that have not been sorted... Exporters should be cautious of the widespread cheating in Tanzania.”

USDOC 1994 mentions no bans and no specific restrictions on used-clothes imports into South Africa, but USDOC 1995b reports that “South Africa allows used-clothing imports for charitable purposes only.” USDOC 1995c confirms this, saying that “second-hand clothing can be imported if for charity or church organizations, and [if it is] not sold

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<sup>a</sup>That is not a very rigorous standard, but while used-clothes shares of U.S. exports to some of those countries ranged as low as 0.3%, they also ranged over 40% for some.

but rather given away... The South African clothing industry has been highly protected... Locally produced clothing is generally of reasonable quality and styling, and aimed at the middle and upper ends of the market... There is a gap in low cost clothing... There is a definite gap in the market for good and reasonably priced clothing for the smaller person... The market caters more for the larger women... Current retail prices are excessive [because] clothing and textile industries do not work together to produce lower priced products... The emerging pattern is a rapid rise in volume of lower priced clothing imports... and vastly increased export opportunities. It appears that the local clothing industry is poised to become a significant supplier to the middle/upper price/quality market in many developed countries... The clothing and textile industries' main focus should therefore be on becoming internationally competitive."

USDOC 1995b also indicates that Kenya maintains a ban, but USDOC 1995a states that "imports of apparel, both new and used, are assessed a 40% duty, down from 118% a few years ago. This is meant to protect the infant local textile industry... Locally manufactured high quality apparel competes well in the local market and Kenya is starting to export apparel to the U.S. Quality apparel from the U.S. is respected in Kenya. Kenya is a major market for U.S. used clothing, but it is intentionally misclassified in customs declarations, which keeps it from showing up in statistics."

In other African countries, tariffs on used clothes generally seem to be in the range of 45-90%, and as we have noted, trade is brisk nevertheless. In the Gambia, "small businesses constitute the vast majority of used apparel traders. Most traders purchase their product directly while on travel to the U.S." In Gabon, "about one-half of all import of used apparel comes from France." In Ghana "there is a significant and growing demand for used clothing from the U.S., which is prized for its fashion content, good condition, and variety of denim garments. Orders may fluctuate because of changing credit conditions, not necessarily because of changes in demand. Requests for credit may arise after several shipments (financed by the importer), and should be evaluated with caution." In Liberia, "because of the recent civil war and resulting inflation, demand for used clothing is particularly high." "Used clothing is the largest U.S. export to Rwanda. The Rwandan population is predominantly agricultural workers who depend upon used clothing as it is the most affordable... No restrictive regulations are likely to be imposed as the government is implementing a World Bank/IMF market liberalization program." "Togo is an important market for used apparel, as much of their import is trans-shipped to neighboring countries. The used-clothing sector is very fluid, with companies being created and dissolved continually. Exporters are cautioned to arrange payment conditions which minimize risks."

### ***The textile industry in Senegal***

To conclude this section, we will look briefly (but in a bit greater depth) at the entire textile industry in an African country (including a current U.S. government view of it)—in this case, Senegal. USDOC 1995d comments that "the textile industry is now enjoying competitive gains that only a coherent and cohesive industrial policy can reinforce... Commercial opportunities exist for U.S. firms specializing in the procurement of used equipment for open-end spinning factories... The cotton sector is dominated by... the parastatal company which... is 70% owned by the government... The government's strategy of vertically integrating the textile industry is based on the development of cotton cultivation and ginning in Eastern Senegal. This cotton is to supply the local spinning and weaving firms which would, in turn, supply thread and raw cloth to the final stage producers... [The parastatal] exports 90% of the fiber at US\$2.40/kg, and

reluctantly allocates 2,000 tons each year to the local textile mills, at a subsidized price of \$1.07. Textile manufacturers complained that the quota did not cover their annual cotton needs estimated at 3,500 tons...”

“The basic textile industry consists of factories specializing in spinning, weaving, dyeing and finishing activities... [O]ne of the largest textile firms in Senegal... [had] a total output of 18 million meters in 1992... Mismanagement and the spectacular rise of smuggling and fraudulent importation led to the collapse of this empire in 1993. [It] was bought out by an Indian group... in association with... a Senegalese bank owned by... a French tycoon who holds important interests in Senegalese industry (sugar, wheat, banking)... [It] has the status of a ‘free point’. This status is specifically granted by the government to export-oriented companies that abide by special tariff regulations and comply with on-site customs inspection procedures. To continue to benefit from this preferential regime, [it] must export at least 60% of its production. [Its] main target market is the U.S. Afrocentric market. Professionals in the sector argue that [the Indian] stake... underpins a delocalisation strategy to circumvent quotas imposed by the U.S. on the Asian textile industry...”

Another firm’s “growth strategy relies also on the acquisition of a second-hand spinning mill to increase the factory’s spinning capacity... [Still another firm’s] objective is to increase production through another open-end spinning factory equipped with used machinery...”

“Knitting and garment-making firms... were first owned by Lebanese entrepreneurs and French expatriates. The subsector knits cloth from locally spun yarn and tailors articles such as sportswear and children’s clothes. Massive imports of second-hand clothing and illegal textile imports by the informal sector destroyed this [market]... leading to the collapse of the ten companies... The quota imposed on used clothes (2,000 tons annually) and the positive effects of the devaluation constitute a gulp of air for a sector in dire straits... A terrycloth factory which hung on by a thread, so to speak, has started a small production...”

“Structural weaknesses of the textile industry... stem from the government’s ad-hoc measures to overprotect the industry, from manufacturer’s loss of control over domestic markets due to fraud and rising imports of second-hand clothes, and finally from the industry’s uncompetitiveness. Before the liberalization of the textile sector in 1994, the government’s overprotective policy sheltered local textile manufacturers from outside competition, hence creating rent-seeking situations.<sup>a</sup> The absence of competitive pressure on textile mills was reflected in the failure to make productivity-enhancing investments. Failure to renew and modernize equipment made the textile industry extremely inefficient. Much of the equipment used in the industry was purchased second-hand in France in the 1950s. French manufacturers were replacing this machinery precisely because it was antiquated and obsolete...”

“The rise of used clothing imports and fraud have introduced competitive pressures that no textile mill could withstand, thus undermining the foundation of the industry. Imports of used clothing have transformed the market for textiles and sent the knitting and garment-making firms reeling. Used clothing provides some relief from inflation and the general erosion of purchasing power that affects the local population. For the price of

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<sup>a</sup>“Rent-seeking” is economic jargon for a situation in which one gets paid—or seeks to get paid—some return simply for controlling some scarce resource (including something like the right to import, for instance), not for actually contributing actively to production.

one meter of the simplest locally-produced cloth, a man can outfit himself completely, and for the same price three children can be dressed in imported used clothes. Textile manufacturers sounded the alarm in 1983, which led the government to reduce the quota from 6,000 tons in 1984 to 2,000 tons in the early nineties.”

The “president of the Senegalese Federation of Textile Mills summarized prospects for the sector in two concepts: vertical integration using the cotton fiber produced locally, and reconquest of the local market.”<sup>a</sup>

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<sup>a</sup>This strategy seems to continue dependence on government support: It counts on subsidized prices for cotton (vertical integration), and focuses on “reconquest of the local market”, which could well be a slogan for protection, rather than on increasing international competitiveness and exporting.



The lower textile industry consists of 140 small and medium-sized enterprises. The sector is characterized by a high degree of informality and a high level of competition. The industry is dominated by a few large firms, which are mostly owned by French and Senegalese entrepreneurs. The industry is characterized by a high level of informality and a high level of competition. The industry is dominated by a few large firms, which are mostly owned by French and Senegalese entrepreneurs. The industry is characterized by a high level of informality and a high level of competition. The industry is dominated by a few large firms, which are mostly owned by French and Senegalese entrepreneurs.

Another firm's growth strategy relied also on the acquisition of a second-hand spinning mill to increase the factory's spinning capacity... (See another firm's) objective is to increase production through another open end spinning factory equipped with user machinery...

Knitting and garment-making firms... were first owned by Lebanese entrepreneurs and French expatriates. The subsector knits cloth from locally spun yarn and tailors articles such as sportswear and children's clothes. Massive imports of second-hand clothing and illegal textile imports by the informal sector destroyed this [market]... leading to the collapse of the ten companies... The quota imposed on used clothes (2,000 tons annually) and the positive effects of the devaluation constitute a gulf of air for a sector in dire straits... A terycloth factory which hung on by a thread, so to speak, has started a small production...

Structural weaknesses of the textile industry... stem from the government's ad hoc measures to overprotect the industry, from manufacturer's loss of control over domestic markets due to fraud and rising imports of second-hand clothes, and finally from the industry's uncompetitiveness. Before the liberalization of the textile sector in 1994, the government's overprotective policy sheltered local textile manufacturers from outside competition, hence creating rent-seeking situations. The absence of competitive pressure on textile mills was reflected in the failure to make productivity-enhancing investments. Failure to renew and modernize equipment made the textile industry extremely inefficient. Much of the equipment used in the industry was purchased second-hand in France in the 1950s. French manufacturers were replacing this machinery precisely because it was antiquated and obsolete...

The rise of used clothing imports and fraud have introduced competitive pressures that no textile mill could withstand, thus undermining the foundation of the industry. Imports of used clothing have transformed the market for textiles and knitwear and garment-making firms (knitting). Used clothing provides some relief from inflation and the general erosion of purchasing power that affects the local population. For the price of

## Appendix 7: Swedish NGOs

The following reviews relate specifically to the discussion in Chapter 4; the studies reviewed are also summarized briefly there.

### ***Are Swedish NGOs effectively targeting “the poorest of the poor”?***

The Riddell study (Promoting Development by Proxy: The Development Impact of Government Support to Swedish NGOs) quotes an earlier study (Albinson and Åhlström) to the effect that: “A major reason to increase NGO aid is the ability of the organisations to reach the real target groups of Swedish aid—the poorest people in the poorest countries—and to build up mutual cooperation.” However, the Riddell report comments that: “This statement was not based on analysis or scrutiny. It was merely a boldly stated assumption.”<sup>73</sup>

After extensive field evaluations, the Riddell report concluded that Swedish NGOs often (naturally) tend to work with similar organizations in less-developed countries. The organized at home tend to work with the similarly organized overseas—that is, Swedish churches tend to work with overseas churches, labor unions with labor unions, consumer cooperatives with their counterparts, etc.—and thus only rarely are the poorest of the poor actually targeted effectively. The poorest of the poor are not organized, and are thus inherently difficult to reach and work with.

This is not to say that Swedish NGO projects with such overseas counterpart organizations may not be quite useful and even worthy of Sida support, but it does call into question the appropriateness specifically of Sida subsidies for used-clothes exports as part of such projects, since one of the main justifications for such subsidized exports is usually that they are reaching the poorest of the poor. Given the relative status of the probable targets of most such projects, used clothes, while certainly of value and probably salable on the market, are probably not really what they need most. And, if the clothes are going to end up on the market anyway, such subsidies are not generally necessary, given functioning domestic used-clothes markets in LDCs as we have seen.

The Riddell report did not specifically review any projects involving distribution or sale of used-clothes, and without much greater knowledge of the current use of Sida freight subsidies (going much further into the details of receiving organizations and projects), we do not know which aspects of that report may be most relevant to this study. Nevertheless we would like to call attention to certain parts that we believe may be most relevant, and suggest that Sida and the relevant NGOs themselves consider them carefully in this regard, if they have not done so already.

To cite some examples, the report concludes that “insufficient attention is placed by many Swedish NGOs on thinking *strategically and realistically* about the development opportunities in the areas in which they are working... The NGO projects often did not reach the poorest, and not even necessarily the very poor. It was quite common for the NGOs to *assume* that they were working with the very poor.”<sup>74</sup> If we applied this approach to used clothes, it could perhaps be characterized as, “the country is poor, *someone* must get benefit from the clothes”—and that would undoubtedly be true, but it does not answer the question whether someone else might be harmed, or whether the used clothes and subsidy funds might be used in a more efficient way.<sup>a</sup>

<sup>a</sup>This is reminiscent of a comment made repeatedly in the Swedish Red Cross studies (cited in Chapter 4, and below) that often the SRC was perceived by the local organizations as not caring what happened

The Riddell report goes on to say that: "All the case studies conclude that there is little evidence to suggest that the work of Swedish NGOs has made much of an impact on poverty. In many ways this is because many Swedish NGO projects do not begin from a conceptualisation of poverty: of what it is, of what causes it, and of how to address it. Without a theory of poverty, it is largely going to be a hit and miss affair as to whether a project will address poverty... NGO impact on poverty tends to be greater where the state is strong. Similarly, it is likely to be greater where the regional economy is dynamic. This implies that when NGOs work in areas of economic decline and stagnation, then their work is likely to be focused mainly on alleviating poverty and easing some of the pains of economic transition. Their work is only likely to have a sustained development impact in areas where the economy is relatively dynamic. Thus, one's expectations of NGO poverty impact should not be exaggerated, certainly not as exaggerated as they sometimes are. By the same token, NGOs should not claim to have the degree of poverty impact that they often claim to have—in most cases, they simply do not have this impact."<sup>75</sup>

The report goes on: "There are many reasons for the state of affairs just described... [T]hey reflect a situation common not only among Swedish NGOs but elsewhere too. Quite simply, the staff and experience of Swedish NGOs do not equip them well, nor predispose them, to focus on analytic issues related to income and employment generation, or markets and market analysis... The challenge of generating income and employment in stagnant economies where markets are weak or absent surpasses the resources and capacities of many Swedish NGOs."<sup>76</sup> So, how do Swedish NGOs deal with poverty? They "respond to its symptoms rather than to its causes."<sup>77</sup> "The case studies suggest that NGO work is most likely to have an impact when it directly addresses the social relationships that underlie poverty—such as land-holding relationships, territorial conflicts, or having greater power to influence the distribution of profits—and which increases the organisational, political and entrepreneurial capacities of the poor to tackle these relationships for themselves... Conversely, service delivery programmes [perhaps including distribution of used-clothes] are not likely to make much of a difference, although they are easier to implement, less politically charged, and are more visible in the field... They are also easier to monitor: Bureaucratically they are more attractive projects to support, but developmentally their potential contribution is likely to be far more limited."<sup>78</sup>

The report also comments on "the tendency of Swedish funds to lead to a centralisation of authority, either at headquarters or, more narrowly, in the power of one or two individuals... Such trends are the very opposite of participation."<sup>79</sup> Similarly, one may wonder about the effects of shipments of used clothes, the power to decide who may buy or sell them, and how, for what purpose, etc.

Thus it is not necessarily the case that NGOs—by the fact of good intentions, for instance, or even considerable knowledge and experience—know best how to use resources such as used clothes and freight subsidies to effectively reach and help the very poor.

### **Two 1992 studies of Swedish Red Cross used-clothes practices**

In 1992, 30-50 countries were receiving used clothes primarily for distribution to refugees, but the two studies focused on Uganda, Zimbabwe, Mozambique, Sierra

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once the clothes arrived in-country: The SRC seemed happy just to know that the used clothes had arrived.

Leone, Vietnam, and Poland, which were the countries involved in selling used clothes. The reports are now somewhat out of date because policies and practices have changed, but we review and discuss them here because it may still be instructive, especially in view of some of the generalizations about NGO attitudes and behavior made in the Riddell report, to understand some of the situations and problems that were encountered with SRC used-clothes distribution activities at that time.<sup>a</sup>

The report on second-hand clothing for Uganda, Zimbabwe, Mozambique, Sierra Leone and Vietnam points out that “proper monitoring and reporting” of clothing assistance is important,<sup>80</sup> and it reports an IFRC recommendation that “it is important to have clear guidelines for how the clothes are to be used so as to reduce the risk of misuse.”<sup>81</sup> The Zimbabwe Red Cross Society (one of the recipient organizations) was aware of this need: the stated goal of its policy statement<sup>82</sup> was to create “a system which ensures that employees do not misuse the privilege of buying clothes on credit from source,” and it states: “With proper record-keeping for individual employees, it is hoped that this system will close all loopholes.” It is explained that “initially, employees were allowed to purchase clothes not exceeding one-quarter of their salaries,” but now “all staff members [will] be allowed to purchase clothes worth Z\$500 per quarter regardless of different salary levels.”

That was section 2.1 of the Zimbabwe policy. We have previously suggested the likelihood that subsidized used-clothes distributions will be resold; but point 2.9 addressed that issue, stating clearly that “All clothes purchased are strictly not for resale.”

The local Red Cross societies often priced the used-clothes rather generously, “30-40% cheaper than market prices” in Sierra Leone, for instance.<sup>83</sup> “The reason for this is to enable the poorer sections of the community to buy clothes. It also creates a certain amount of goodwill towards the Red Cross.” But it may have also created good opportunities for resale, including by employees who had first pick. Resale by employees may create an appearance of corruption (theft) to outsiders, or it may give the impression (whether true or not) that employees are being paid “in kind”, which is not historically unprecedented—as witness the history of 18<sup>th</sup> century Britain in Appendix 9—but it is generally frowned upon nowadays.

This was a commercial operation which was not being run commercially, and which was thus opening itself up to distractions and to various forms of corruption. The report comments that in Mozambique the “MRCS is allowed to import second-hand clothes without paying customs duty, provided they are not sold. The sale which nevertheless takes place is regarded as ‘fund-raising’.” The report comments<sup>84</sup> that in Uganda, “if exemption [from tax] has been granted for a consignment of second-hand clothes, it is difficult to sell them immediately at fixed prices at permanent sales outlets. URCS would in that case risk being ‘discovered’ and having to pay customs duty and tax. At present some of the clothes are [nevertheless] used for fund-raising purposes, and in this way the Red Cross is able to generate a certain amount of income without needing to pay tax.”<sup>85</sup>

Often entire bales of used clothes or other apparel were simply missing or unaccounted for. A bale is generally worth more than one month’s salary for a local employee,<sup>b</sup> so it

<sup>a</sup>The Swedish Red Cross has been exceedingly helpful in the preparation of this report, and is to be commended for commissioning and distributing the studies which brought the following problems to light.

<sup>b</sup>In Vietnam, “two months’ salary for a doctor”—p. 32.

could represent a sizable temptation, either to employees or others, especially if the goods were perceived as “free” and “surplus” and were thus not tracked very carefully. For instance: “It is not known whether 96 bales of shoes [in Sierra Leone] were distributed free or sold.” Seven bales of clothes “disappeared”.<sup>86</sup> In Zimbabwe, “the handling of second-hand clothes was problematic until the end of 1990, and it was difficult to obtain detailed information regarding the use of clothing bales during the period 1987-1990... 21.80 tonnes sent in 1989 and 18.79 tonnes of the 1990 consignment are missing from the general records of clothing received.” Each ton is more than 20 bales, so this represented more than 800 salary-months. In Mozambique: “It has not been easy to obtain reliable statistics as to how clothing consignments have been used, particularly for the period 1982-1989.”<sup>a</sup>

Given that these activities were not being handled as commercial operations, it may not be surprising that the relation of value to price was not well understood. The reports seek to establish “the value of the clothes themselves”,<sup>87</sup> as though clothes (or anything else) have any economic value apart from their value to someone, which means their value relative to something else that someone is willing to give up.<sup>b</sup> It was first asserted that the SRC’s costs (including monetized volunteer collection and sorting efforts) amounted to only SEK 7.50/kg to get the clothes shipped, and then it arbitrarily ascribed a true value of SEK 50/kg to the clothes.<sup>c</sup> But the SRC’s figures showed that the average sale price in LDCs in the period 1987-’91 was SEK 11.45/kg,<sup>88</sup> and in Poland it was only SEK 6.50/kg,<sup>89</sup> and of course both of these prices had to cover many additional distribution costs in those countries. Then the question was asked: “What would the alternative be if these clothes were not available... Buying new clothes?” There was no mention of the commercial used-clothes market as an alternative, despite the fact that it was frequently mentioned as part of background information for the various countries. In an open market, used clothes sent by the SRC could not be valued (priced) any higher than similar products brought in commercially, and in fact most used clothes are sold in the market far below SEK 50/kg.<sup>d</sup>

There was a lot of concern expressed in the reports for how the funds received from the sale of used clothes were used, but relatively little concern was paid to each Red Cross society’s overall budget, agenda, menu of projects, investment schedule, etc. Funding is fungible, so it makes very little difference whether an organization says it is using this money for that and that money for this, or vice versa; the results can be tailored to please the reviewer.

<sup>a</sup>P. 22. The report continues that “the accounting and finance department was closed at the time of our visit due to internal problems. Possible embezzlement was being investigated.” Whether this embezzlement involved used-clothes bales or cash directly was not made clear, but of course embezzlement of cash is also always a possibility. One could argue that it is harder to steal a bale of clothes, but on the other hand, people may tend to pay less attention to it, thus making theft easier.

<sup>b</sup>Part of the confusion may be that some items we purchase (including both new and used clothes) sometimes seem to have more “value” than what we actually pay for them, resulting in what is technically called “consumer surplus”. Consumer surplus is discussed and dealt with analytically in Chapters 5 and 8.

<sup>c</sup>SEK is the designation for Swedish kronor: Over the last decade, the exchange rate has generally fluctuated between SEK 5-8 per U.S. dollar.

<sup>d</sup>In the example cited, market analysis might have suggested sending used clothes to Zimbabwe (where they were reportedly selling at SEK 29.40/kg) rather than to Poland, and then sending some of the funds to Poland instead.

Going into the review process, the reviewer reported a lot of concern that perhaps the recipients found used-clothes shipments demeaning.<sup>90</sup> But, as was quickly pointed out by recipients, re-using items previously used by others is as common as sleeping in a hotel, where the sheets have certainly been used before. What *might* be demeaning, however, is giving used clothes as aid, and putting guidelines and restrictions on how they can be used. As an Indian NGO commented in the Riddell report, “when you are at the receiving end, you cannot be an equal partner...”<sup>91</sup>

There was a lot of concern for giving clothes to those most in need, but little awareness of whether used clothes were what they needed most. It *is* pointed out that, when clothes were sold in Poland, sales receipts were often used to fund soup kitchens, for instance, and the report raises the question, “What is most important, money for... soup kitchens, or clothes for the needy?”<sup>92</sup> But the report did not provide an answer; it merely comments that funding social programs from sales of Swedish used clothes makes the social programs dependent on Swedish clothing assistance—although distribution of Swedish used clothes to the needy could perhaps be considered equally dependent.

The first step in the study was to identify the countries where the clothing was to be produced. It was decided that the clothing should be produced in countries where the cost of production was low. The countries were selected on the basis of the following criteria:

- 1. The cost of production should be low.
- 2. The quality of the clothing should be good.
- 3. The clothing should be suitable for the climate in the recipient countries.
- 4. The clothing should be suitable for the needs of the recipient countries.
- 5. The clothing should be suitable for the needs of the donor countries.

The countries selected were Bangladesh, Cambodia, and Laos. The clothing was produced in these countries and then shipped to the recipient countries. The cost of production was found to be very low in these countries. The quality of the clothing was found to be good. The clothing was found to be suitable for the climate in the recipient countries. The clothing was found to be suitable for the needs of the recipient countries. The clothing was found to be suitable for the needs of the donor countries.

There was a lot of discussion about the quality of the clothing. Some people thought that the clothing was of poor quality. However, the clothing was found to be of good quality. The clothing was found to be suitable for the climate in the recipient countries. The clothing was found to be suitable for the needs of the recipient countries. The clothing was found to be suitable for the needs of the donor countries.

P. 22. The report contains a lot of information about the clothing. It is a very interesting report. The clothing was found to be of good quality. The clothing was found to be suitable for the climate in the recipient countries. The clothing was found to be suitable for the needs of the recipient countries. The clothing was found to be suitable for the needs of the donor countries.

## Appendix 8: Food Aid as an Example of Commodity Aid

Food is similar to clothes in many ways. Both are primary consumer goods, yet both food and [used] clothes are resources that can be used as inputs in the production of more refined goods (for instance, repaired and restyled—or even remanufactured—clothes). Both food and clothes can be produced in a decentralized manner; both are normally produced to some extent and in some form or fashion in all countries.<sup>a</sup> And there are frequently stocks of both commodities in industrial countries, available as possible aid at little additional cost: food, in the form of surplus mountains and lakes which have been purchased by governments to raise prices and rural incomes, and whose production has thus been subsidized; and clothes, in the form of used clothes which have been donated to charitable organizations.<sup>bc</sup>

If these goods are shipped overseas as parts of development projects, the subsidies embodied in them can have effect in a number of ways, depending on how the goods are subsequently distributed. The extensive food aid literature classifies these possible distribution modes, along with carefully thought out arguments for and against such aid, a great deal of thoroughly debated analysis of effects, and some guidelines for use.

What follows is a brief look at some of the products of this food aid debate. We want to stress that the food aid literature is voluminous, and what follows is in the nature of a somewhat random sample.

### ***Possible types of food aid (or used-clothes aid)***<sup>93</sup>

In the mid-1970s, food aid was most frequently simply sold on the market as “program aid” (about 66% of the time), to extend supplies and generate funds for other developmental purposes. Other uses included emergency relief (7%), and project aid: food for work (16%), and supplementary feeding programs (11%). By 1994 the proportions had changed significantly: Program aid was now only 41%, and emergency relief was 35%, while project aid remained about the same.<sup>94</sup>

Used clothes can of course be used in all the same ways: Between the extremes of simply selling them on the market to increase supplies, or giving them away in a disaster situation where supply has ceased or where insurance or emergency stocks

<sup>a</sup>Steven Haggblade points out, however, that used clothes and new clothes are not obvious close substitutes in the way that imported wheat and domestic wheat are; the price and income elasticities of used clothes and new clothes are quite dissimilar—in a personal communication, July 1995.

<sup>b</sup>Donations possibly—in the U.S., for instance—encouraged by tax deductions which are also a subsidy in the original supply process, both to the charitable organization receiving the donation, and to the donor, who may thus be encouraged to buy more clothes. Comparing tax regulations across U.S. states, Ribar and Wilhelm (1994) note that “States which permit charitable [tax] deductions contribute more to [charities] than do states which do not permit deductions... [A] high price elasticity [of donations to charities, especially to international charities] implies that, at the margin, tax breaks reduce government revenues by less than the amount of the gifts themselves.”

<sup>c</sup>A very important difference between surplus food and used clothes, however, is that food is almost always available for use as commodity-aid only because it has been previously purchased by governments to raise market prices and rural incomes, which means that it cannot be sold on the open world market again without depressing those prices; thus it can only be used as aid (where there is still a risk of depressing prices, as we will see), or destroyed. Used clothes available to NGOs in Sweden, on the other hand, can be traded freely on the world market without much price effect, because Sweden represents a relatively small part of world supply (0.9%); in any event, any price effect will have no consequence for government policy in industrial countries, which have no particular interest in maintaining the price of used clothes.



are inadequate, they can also be given away—either for free, or in return for work, or at some below-market price—to those who are particularly in need at any given time, and are perhaps without employment.

### **Arguments for and against food aid**<sup>95</sup>

In favor of such aid, it is said that it can:

1. Provide real resources for growth and development (output)
2. Improve the employment and income of disadvantaged groups (distribution)
3. Provide extra aid that otherwise would not have been given (additional)
4. Aid vulnerable groups in an emergency (disaster relief)
5. Provide support for restructuring (safety-net)

Against such aid, it is said that it:

1. Reduces prices, production and employment (disincentives)
2. Is supply-driven rather than demand-driven (misallocation)
3. Distorts consumption patterns (increasing dependency)
4. Undermines efforts to mobilize domestic resources (fiscal imbalance)
5. Is second-best, bureaucratic and irregular, often inappropriate (inferiority)

### **An empirical study of food for work in Kenya**

As one can see from the arguments pro and con, food aid is a complex topic, and the results are not at all clear. We will look next at a few studies which develop some of these arguments in greater depth. In considering similar arguments for and against used-clothes aid, one may want to bear in mind that, even without the further subsidy of freight aid, used-clothes imports—even commercial imports—already represent very cheap goods, comparable to surplus food.

A recent empirical study of “Food Aid Impacts in Rural Kenya” (Bezuneh, Deaton, and Norton, 1988) begins by asserting that “evidence to substantiate [many various] claims [such as the arguments for and against, given above] is uneven and inconclusive. Policy measures used to avoid the most severe negative effects and to encourage economic development have rarely been identified. They likely are specific to social and political conditions in individual countries. The effectiveness of food aid in promoting development clearly depends on the conditions under which it is disseminated and administered.”

Nevertheless, this study ends by concluding that “food for work (FFW) in the study area increased agricultural production, income, capital investment, employment (including hired labor), and marketable surplus. It caused a production shift from the more nutritious maize to higher-priced millet. This suggests that food aid may increase food security sufficiently to alter the market orientation of the farmers.”

“Participants in FFW increased own-farm production in year 2 compared to year 1, reducing the hours devoted to FFW activities. This decline may continue in future years as the opportunity cost of their time increases with the generation of additional capital for farm investments. Accordingly, the FFW program may encourage a transition from FFW dependence to greater own-farm production.”

“On the consumption side, FFW increased the food demand of participants. Much of this increase is simply the consumption of those items received in compensation for labor provided to FFW projects. The estimated effects on quantity and quality of food consumed indicate that the program had positive nutritional implications.”

“The FFW program helped households meet their minimum nutritional requirements, improved food security, and increased their response to market price changes. The majority of participants [were] from low-income strata in the population, which implies that the program also may be narrowing the income gap between participants and nonparticipants.”

“The results indicate that FFW can contribute positively to local development efforts in terms of both employment and nutrition, and it can lead to longer-term income growth through facilitating own-farm investment. Other potential effects [are] longer-term nutrition and on-the-job training benefits,” as well as returns on public capital investment funded in part by FFW. “Better nutrition can lead to higher quality of life generally and to improved quality of the labor force, as can the skills acquired on FFW projects.”

These results sound quite positive, and it is not difficult to imagine that it might be possible to get similar results with used-clothes aid, albeit on a much smaller scale due to the much lower quantity of clothes normally consumed, compared to food. This much smaller scale may itself be a problem, however, because the effort required to identify and enroll targeted individuals may be about the same for programs incorporating food or used clothes as project aid, but the return effort that can be elicited for the clothes must be relatively much smaller.<sup>a</sup>

### ***Disincentive effects of food aid***

The study above focused only on the immediate effects, and did not explore the possibility of broader disincentive effects on local production.<sup>b</sup> An earlier study which did address this issue directly (Isenman and Singer, 1977) asserts, somewhat surprisingly, that “the disincentive risk of food aid is far more complex, and location and time specific, than some analyses have suggested. Even where there is an observed or likely disincentive effect, food aid should not necessarily be reduced until these costs are weighed against the employment, nutritional, export, or other benefits... To ask only ‘Is there a (risk of a) disincentive effect?’ is to consider any drop in production to be an infinite cost, and to ignore entirely other benefits.”<sup>96</sup>

This study goes on<sup>97</sup> to assert that “most of the issues... are, with only minor modifications, relevant to all forms of aid, not just food aid. While the disincentive risks of non-food aid are more dispersed, and hence less readily apparent, all financial aid ultimately could (*ceteris paribus*) have theoretical negative effects on the prices of capital and foreign exchange and on savings and trade policies. But... the *ceteris paribus* assumption is entirely hypothetical. For non-food aid, as for food aid, it is up to recipient and donor to ensure that any disincentive risk is offset by using the aid as a basis for additional output and employment... In any event, to single out food aid for criticism on disincentive grounds seems a case of the fallacy of misplaced concreteness.”

Further,<sup>98</sup> “in several ways the distorting effects of food aid are more acceptable... than those of other forms of aid, when looking at the demand side rather than just the supply side. This point is clearly brought out when comparing food aid with non-food aid, which

<sup>a</sup>Alternatively of course one could interpret these passages with reference not to subsidized used-clothes aid but simply to possible benefits to be gained from used-clothes imports in general, in which individuals enroll themselves via the market.

<sup>b</sup>This may be an unfair conclusion, given that the subsistence farmers in the program were largely out of the market to start with. Perhaps FFW did not displace any local production, but instead increased both consumption and production.

results in the import of additional capital and intermediate goods (i.e., the usual and conventional case of aid designed to lead to increased investment). Where non-food aid reduces the price of capital and foreign exchange, there is an incentive for more capital-intensive and import-intensive methods of production. Where supplies of food are increased, and as a result food prices are lowered, this makes it possible to attain a given level of real wages at a lower level of money wages. Thus, there is an incentive for more labor-intensive methods of production or composition of output. Also, unlike aid for capital equipment, food is not tied to the particular (generally highly capital-intensive) technologies embodied in equipment imported from developed countries. In the interests of employment policies... it seems clear that the 'distortion' introduced by food aid is in some respects less undesirable than that of conventional financial aid."

"A related point is that the lowering of food prices is likely to benefit the poorer sections of the population, both urban and rural... A lowering of the price of capital goods, on the other hand, will improve the relative position of the upper-income groups. Hence food aid—assuming the same degree of 'incentive' impact of food aid and financial aid—is likely to lead to more equal income distribution as well as to greater employment."

This study summarizes<sup>99</sup> by saying that "food aid, balanced with non-food aid, [can] contribute to increases in investment, employment, and output." We may remark again that, in general and on a necessarily smaller scale, it seems possible to read these arguments as they could apply to used-clothes aid, or indeed, to the commercial import of cheap used clothes.

#### ***Another point of view on food aid***

Another study (Dawson 1985), interestingly titled "In defence of food aid: Some answers to its critics", nevertheless points out many of the problems with food aid—and by extension, of used-clothes aid—starting with emergencies:<sup>100</sup> "The first problem with food aid is its bulk... Where food is needed in a hurry, e.g. for emergency relief, it is too costly for most donors to send it by air... Much food aid arrives (by surface) far too late to be of help in emergencies, and it is often more by luck than by design if its arrival coincides with a remaining need for food associated with rehabilitation works."

This study also compares project food aid (such as food for work, or by analogy, clothes targeted towards "the poorest of the poor") with bulk supply food aid (or perhaps, by analogy, with commercial used-clothes imports). The latter "seems less open to criticism than project food aid in terms of bulk and perishability<sup>a</sup> because it is handled by much the same distribution and marketing facilities as normal commercial supplies, with more or less comparable efficiency. Project food aid has to be carried to project sites far and wide, through non-commercial, less experienced channels, and distributed under administrative control to specified beneficiaries, rather than through the market to any buyer."

This study later<sup>101</sup> describes "another problem with food aid, which applies particularly to project aid, what might be called the 'surplus disposal mentality'. It is tempting to think that a surplus product... has little value of any kind and can be treated as such... This attitude can be seen all the way down from the project manager who loses his copy of the project agreement to the warehouseman or dockworker who handles cans of meat roughly, considering that if they are dented or punctured there is little loss because they are 'free'. Another manifestation of the surplus disposal mentality is that projects

<sup>a</sup>Or what may be the equivalent for used clothes, theft and pilferage.

prepared simply in response to the availability of food aid are generally weaker in conception, design and execution than are projects prepared in response to the availability of financial aid. The effectiveness of project food aid can therefore be enhanced as a rule if it is more frequently combined with financial aid.”

This study lucidly describes how disincentive effects from food aid can be avoided or mitigated, however,<sup>102</sup> and with some imagination one can understand a similar argument with regard to used-clothes aid, or even commercial used-clothes imports:<sup>a</sup> “Any factor lowering prices, or rendering them unstable, will be most discouraging to marginal [producers]—those with above-average production costs and least resources. They will not, however, readily give up farming [or tailoring] unless they have some other source of livelihood to turn to; they may be able to switch to other [products] not competing with the [imported] commodities in the market. Of course, they may seek employment in... other sectors receiving higher priority for investment... If other sectors are expanding, the employees there will increase their demand... and help to keep up prices; it is when the proceeds from [the imported] commodity sales have not been invested in employment-expanding ways that [imports] can have their most injurious effect on local [production].”

The study concludes<sup>103</sup> with “a grave note of warning...in regard to pure relief distribution of food aid commodities in emergency situations without charge to the recipient. Such humanitarian aid is vital to the poor who are very young, old or infirm, to widows with young families, and to the able-bodied whose chances of earning a living are temporarily dislocated by the emergency. But if aid is provided on a long-term basis in situations which are not urgent but chronic, and is channelled through governments that *could* make their economies less vulnerable... the incentive to individuals and governments to make a maximum effort to provide for themselves will be dangerously blunted. Free distribution of food without a *quid pro quo* should be minimized and provided for short periods following exceptional, serious and non-chronic disasters. All other food aid commodities should either be sold to fill food deficits and alleviate balance-of-payments and financial problems, or be distributed free only in return for some effort which is the best the recipient can make.”

### **Some suggested guidelines for food aid**

While the studies above are far from totally negative, they show an awareness of widespread criticism and of many potential problems even beyond those that they especially highlight. Thus, at best, we can conclude that food aid is troublesome, requiring very careful planning and implementation in the best of circumstances. Some previously suggested guidelines for the use of food aid include the following:<sup>104</sup>

1. Is there a great need for food relative to other development needs, such that food is a constraint on growth or on a more equal income distribution?
2. Is the food substitutable for commercial imports, thus releasing foreign exchange for other purposes?
3. Is it incorporated in a poverty-reducing, production-increasing development plan?
4. Is continued availability guaranteed?
5. Is it complemented with other aid, such as financial aid and technical assistance?
6. Does it provide normal products for the indigenous diet?
7. Are sales receipts available for development?

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<sup>a</sup>This passage has been edited to make the analogy to used clothes even easier to imagine.

8. Is there high income-transfer efficiency, that is, is there a high ratio of the value to the recipient to the total acquisition and delivery cost?<sup>105</sup>

The evidence from analogy with food aid should probably cast some doubt on the advisability of subsidized used-clothes aid. Food is a generally higher value commodity (per volume or weight) than used clothes, is more homogeneous and exchangeable, is consumed in larger quantities, and is thus of even more basic use. If it is not clear that food aid is useful in most circumstances, how much less so must used-clothes aid be, given that administrative costs must be similar?

## Appendix 9: The Used-Clothes Trade in Eighteenth Century Britain

Lemire's book extracted here<sup>106</sup> is also summarized briefly in Chapter 7.

"The demand for new clothing, textiles, pottery, metal-ware, and other consumer goods extant in Britain [in 1700] was not the total sum of the consumer impulse. An equally powerful market-demand was manifested not through the purchase of new commodities, but through the sale, trade, and purchase of second-hand merchandise... British men and women routinely assuaged their needs and wants with the purchase of used merchandise. Demand was two-tiered. At the top was the open and apparent consumer demand... Beneath this lay the most numerous of Britain's families, with an income of less than... £50 per annum., the minimum that would enable intermittent participation as a consumer... Throughout Britain there [was] a well-established, organized system of redistribution, founded on the demand of those in more straitened circumstances. The trade existed because the needs of the whole population could not yet be met within the existing structure of production... The second-hand trade was a key intermediate trade, using barter as well as cash sales, in the movement of goods through the nation... The influence of this largely hidden trade and of those who sustained it are fundamental factors at work in the development of the cotton industry and in the diversification of its products to meet the needs of the whole of Britain's population.

"Undoubtedly the second-hand trade existed, at least in major centres, for generations or even centuries before it came to the notice of commentators... The second-hand trade developed as a source of substitutes, enabling millions of lesser folk to make do with second-hand as long as the cost of new materials kept those items out of their reach. The scope of the second-hand trade was dependent on the time it took for industrialized production to lower costs sufficiently to offer fashionable new clothing to the mass of the population at prices they could afford...

"The second-hand trade was a commonplace to people of the eighteenth century, requiring no explanation, accepted as a familiar component of everyday life... Used apparel was frequently the most practical alternative, providing the poor with cheap covering and offering the ambitious or the more prosperous with the opportunity to dress in clothes that bespoke a higher station.

"The appearance of clothing [was] important..., as too [was] the cost of a garment; both requirements could be met through the purchase of a second-hand article from a clothes-broker, pawnbroker, itinerant hawker, or local salesman.<sup>a</sup> Second-hand clothing was sold by specialist dealers, as well as by many other traders large and small... The latest London dress was not always appropriate in rural communities, but clothes a year or two old would not offend. Thus, clothes outmoded by the calculations of one group would be in demand and thought desirable by another...

"Much of the trade in used clothing remains uncharted, though some points of this process are well known and well documented, such as the making of routine gifts of [used] clothing and linens to servants, and the lively clothing trade along Monmouth Street, Rosemary Lane, and Petticoat Lane in London... It was a vital conduit for the people of this era, both as an avenue through which they could barter or sell their used

<sup>a</sup>Lemire footnotes that "'Salesman' was a term routinely used to describe someone who traded in clothing, usually used, though new goods could also be found in their inventory... Other terms used to describe tradesmen of similar interests were sometimes peculiar to geographic regions: for example, in Cheshire a dealer or broker in household goods implied also a trade in clothing a furnishings..."

items and as a source of inexpensive garments of every sort, at every price. The mountains of gowns, jackets, aprons, stockings, and breeches brought to the salesmen or brokers, were not seen as valueless, fit only for charity, but as articles of varying worth that would bring a profit to the trader and add to the assortment of clothing available to the consumer. The trade in used clothing and textile items developed precisely because of the value and utility of these items... and the high level of demand at all levels of society... This trade operated on the fringe of the textile and clothing industries and began where the involvement of all first-phase manufacture and sale ended, after the consumer had bought and worn... new clothing and then, for whatever reason, decided to sell it. When fashions changed, when fortunes waned, or when new clothes became imperative, tradesmen were ready to buy the soiled, shabby, or *passé*, redistributing them in a trading network that spanned Britain, her colonies, and Europe.

"Britain was well served by retail tradesmen, whether they were chapmen or shopkeepers, while many fairs and markets continued to function as additional centres of commerce throughout this period... [Various authors] have uncovered the extensive interwoven grid of middlemen that operated in the early modern period, wherein chapmen, retail shops, and fairs all served to distribute goods among tradesmen as well as carry goods directly to consumers... As retail distribution spread throughout Britain, so too would tradesmen profit from the unwanted articles of an increasingly prosperous society, redirecting apparel to satisfy the demand of a less affluent segment of the population.

"... aside from the sporadic sale of used apparel, shopkeepers in the provinces may also have participated in the collection of used textiles from their consumers... The London and national market as a whole exerted a strong demand for used clothing... tradesmen operat[ed] nationally, buying and selling wardrobes and used clothing. The gentry and middling ranks bought clothes for reasons other than necessity, and when no longer needed these clothes found their way back on to the market.<sup>a</sup>

"...crockery sellers... exchange[d] new goods for old, a process as old as the tale of Aladdin's lamp. The crockery sellers walked their routes around London and its environs, crying 'any old clothes to sell or exchange'—a cry that had been familiar to residents of London for centuries...

"... customers were offered the opportunity to buy new... textiles through cash payments or the exchange of old goods... for new... The exchange of new for old persisted through the Industrial Revolution as a remnant of an older barter system; an antique appendix to a rapidly changing economic structure, but still of use in this intermediary period.<sup>b</sup> The persistence of this method, like the non-cash payments and

<sup>a</sup>Here Lemire quotes an advertisement of the time: "John Matthews, Salesman from London, buys Ladies and Gentlemans cast-off Cloaths, either laced, embroidered, or brocaded, full-trimmed, or not, of every Colour and Sort, and will give the most Money for any: As I can deal for London, the Country, and Abroad, nothing can be out of my Way, according to the Price and if any Person has any thing to dispose of and will favour me with the Sight of it, they may depend on having the full Value of their Goods... I likewise buy all Sorts of old Linnens, Gold and Silver Lace, burnt or unburnt, School Boys Cloaths and Servants Liveries."

<sup>b</sup>Similar to the examples from Britain in the 1700s, at least one up-market company in the U.S. today offers credit towards new purchases for used clothes returned. The Hanna Andersson company of Portland, Oregon, advertises "Swedish quality" clothes, and says: "Hannadowns are a great way to teach children about sharing. Saving money is one great reason to use our Hannadowns program. But even better is the good it does for children. When your kids outgrow their Hanna clothes, send them back in good condition and we will reserve your credit for 20% of the purchase price. That is a real head start on your next order! Meanwhile, we will donate your clothes to kids in need, where they will become favorites

perquisites among employees,<sup>a</sup> extended the capacity of the common people to participate in this advancing consumer society... The hawkers, peripatetic dealers in rags, and the like, bridged the cash-based system that was becoming the norm and brought a greater range of products within the reach of common people, putting a significant level of purchasing-power within their grasp.

"Tailors regularly sold their client's superfluous garments and with the proceeds produced new goods at reduced cost for the customer...<sup>b</sup> The nature of a tailor's business would require some channel to dispose of used or unsatisfactory garments, bringing some sort of earnings back to the business. Thus, discounts on new items were probably available through tailors in towns and cities throughout Britain, simply because a return on the used garments was so assured, whether the tailor resold the goods locally or to the passing wholesalers who toured the country. The refund granted customers on their old clothes encouraged the purchase of new clothing and contributed to the stock of used apparel that would then circulate through the lower levels of society.

[Thus] "middlemen... traveled through Britain buying goods as they went, peddlers exchanged new items for old clothes, rag-gatherers and local shopkeepers played their part in the accumulation of stocks of second-hand clothes, and tailors accepted old suites of clothing in part-payment. In addition to these measures, pawnbrokers operated as buyers of used clothing...<sup>c</sup> Laborers, artisans, and servants usually owned few items that could more readily be turned into cash than their clothing. Pawnshops offered small sums at times essential for a family budget; in exchange for a coat, bonnet, or shawl, a vital sixpence might be loaned the customer...

"Shopkeepers, pawnbrokers, chapmen and tradesmen all contributed to the collection of second-hand clothing, at the same time providing cash or goods in exchange. Some of the merchandise accumulated would have been transported to London, the heart of the British trading network in used clothes, while the rest would have been dispersed through local or regional distributive networks... Through circuitous or direct routes, vast stocks of second-hand clothes circulated, a great portion of which were brought to London to be sorted, graded, and resold yet again in a further specialization of the rag trade.

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all over again. My grandmother, the original Hanna Andersson, would have loved this program. 'Never waste,' she said."

<sup>a</sup>Here Lemire footnotes that "non-cash payments not only freed wages for purchases in the market-place by supplementing income, but they could also be translated into cash. The payment of the foreman of the tailors... [was] two-and-a-half guineas per week, plus his clothes and other unspecified perquisites... But it must be remembered that... the payment in kind to the foreman did not only have value in its use; all these items could be turned into cash and were themselves almost a currency, in the way certain commodities still are today."

<sup>b</sup>Here Lemire quotes the advertisement of a tailor: "Any Gentleman that chuses to favour me with their Commands, may save a considerable Sum in the Yer, and on the other hand have three times the Choice... [If they do not know] how to dispose of those Cloaths they never intend to wear more, this will be a Means of preventing any Loss to them." Lemire notes that the used clothes would probably have been passed on to a clothes-broker at a profit.

<sup>c</sup>Lemire quotes the advertisement of one such pawnbroker: "Most Money given for rich and plain Cloaths. Whoever may have any to dispose of, by directing a letter to... shall be waited on within ten miles of London... Secrecy may be depended upon." She also notes another pawnbroker who had clothing displayed prominently on his trade-card.



“The retail portion of the second-hand trade was equally diverse, and it was in this segment that the traders obtained their [ultimate] profits. The sale of [used] gowns, breeches, aprons, waistcoats, and caps, repeated thousands of times over, at market-stalls or tailor’s shops, salesmen’s stores or London’s Rag Fair, was a constituent part of the clothing trade in this period—public demand met by second-hand merchandise... Advertisements for auctions appeared with some regularity in eighteenth-century London newspapers, auctions both for unclaimed pawned apparel [frequently including clothes] and for entire wardrobes...<sup>a</sup> [In 1843 came] the formal establishment of an Old Clothes Exchange.

“Among those who came to London to supplement their stocks of used apparel were clothes-brokers or salesmen from provincial towns and cities.<sup>b</sup> Unlike their London confederates operating shops and stalls in the metropolis, they did not have access [in the countryside] to the wholesale supplies of used garments available in London. Thus, some with an expanding trade would look to the London second-hand market to supply those goods in greatest demand. Whether provincial dealers in second-hand clothes relied on local supplies or obtained stock from London, they ensured that used apparel could be bought throughout Britain. Shopkeepers designated as dealers in old clothes, salesmen, clothes-brokers, slop-sellers, and old-clothes men could be found in ports, industrial centres, and market-towns large and small throughout Britain.

“Aside from the unknown numbers of anonymous dealers in second-hand clothes, there were hundreds [of larger dealers] listed in the many directories of the late eighteenth century. Over 250 shopkeepers and traders were catalogued as dealers in second-hand clothes in the four-volume *Universal British Directory*; in addition, almost 330 pawnbrokers were listed in that and other contemporary directories...

“The sale and exchange of used clothing appears as an intermediary trade characteristic of a society in the throes of expanding production, wherein volume and variety are increasing, but productive techniques do not yet allow prices to fall [or wages to rise] to the level that permits generalized access to new goods. As a result of this flourishing commerce, patterns of buying were altered: The poorer segments of the population could become accustomed to more frequent buying and selling as a consequence of this trade. The challenge for the cotton industry was to manufacture greater numbers of inexpensive, even cheap textiles, to tap the second tier of demand, to bring the majority of British society into the interplay of production and consumption that would come to characterize industrial Britain.”

<sup>a</sup>Sometimes of the deceased, including occasionally the entire stock-in-trade of a deceased pawnbroker.

<sup>b</sup>Lemire notes that “overseas traders came as well to deal in used clothing.”

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- <sup>6</sup>See, for instance, Hislop (1992).
- <sup>7</sup>Haggblade (1990), p. 511.
- <sup>8</sup>Per Ed Stubin, president of a U.S. exporting firm and chairman of the Council for Textile Recycling—in a personal communication, June 1995.
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- <sup>10</sup>Swedish Environmental Protection Agency (1995), p. 55.
- <sup>11</sup>Statens Naturvårdsverk (1995), p. 17.
- <sup>12</sup>P. 22.
- <sup>13</sup>Statens Naturvårdsverk (1995), Appendix 3.
- <sup>14</sup>P. 23
- <sup>15</sup>Haggblade (1990), p.508.
- <sup>16</sup>P. 509.
- <sup>17</sup>Pp. 513-514.
- <sup>18</sup>Pp. 510-518.
- <sup>19</sup>Haggblade (1990), pp. 517-18.
- <sup>20</sup>From the terms of reference.
- <sup>21</sup>See, for instance, Bagchi (1994).
- <sup>22</sup>Per Peter Johnston, chairman of the ZCC, in a personal communication, June 1995.
- <sup>23</sup>Latinamerica Press (1993).
- <sup>24</sup>Aug. 3, 1995.
- <sup>25</sup>Pp. 109-10.
- <sup>26</sup>P. 78.
- <sup>27</sup>According to Göran Larsson, chairman of PS, personal communication, September 1995.
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- <sup>29</sup>Abrahamsson (1988), English version, p. 7.
- <sup>30</sup>Pp. 9-10.
- <sup>31</sup>P. 4.
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- <sup>33</sup>Pp. 21-22.
- <sup>34</sup>According to Göran Larsson, chairman of PS, personal communication, October 1995.
- <sup>35</sup>The information in the next three paragraphs comes primarily from Eva von Oelreich, head of the Africa Section of the SRC, in personal communications, October 1995.
- <sup>36</sup>Pp. 4-5.
- <sup>37</sup>P. 92.
- <sup>38</sup>Pp. 94-95.
- <sup>39</sup>Development Aid from People to People (1994).
- <sup>40</sup>P. 6.
- <sup>41</sup>P. 7.
- <sup>42</sup>P. 13.
- <sup>43</sup>P. 19.
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- <sup>45</sup>P. 28.
- <sup>46</sup>P. 36.
- <sup>47</sup>Per Martin Zak of the IFRC & RCS, Geneva, in a personal communication, April 1995.
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- <sup>52</sup>See, for example, Krugman (1991), especially Part 3 on Regions and Nations.

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- <sup>53</sup>P. 244.
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- <sup>55</sup>See Abrahamsson (1988), p. 6; Denconsult (1993), p. 28; and Development Aid from People to People (1994), p. 6.
- <sup>56</sup>P. 515.
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- <sup>65</sup>See, for example, Boulding (1985).
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- <sup>71</sup>This and most of the following quotes regarding African countries are from U.S. Department of Commerce (USDOC) Market Research Report: Africa—Used Clothing Market Profile (1995).
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- <sup>73</sup>P. 47.
- <sup>74</sup>Pp. x-xi.
- <sup>75</sup>Riddell (1994), pp. xi-xii.
- <sup>76</sup>P. 78.
- <sup>77</sup>P. 79.
- <sup>78</sup>P. 80.
- <sup>79</sup>P. 82.
- <sup>80</sup>P. 3.
- <sup>81</sup>P. 9.
- <sup>82</sup>Included as Appendix 4 in Swedish Red Cross (April 1992).
- <sup>83</sup>P. 28.
- <sup>84</sup>P. 11.
- <sup>85</sup>P. 21.
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- <sup>87</sup>SRC (April 1992), p. 7, and (May 1992), p. 6.
- <sup>88</sup>SRC (April 1992), p. 7.
- <sup>89</sup>SRC (May 1992), p. 6.
- <sup>90</sup>P. 4.
- <sup>91</sup>P. 82.
- <sup>92</sup>P. 6.
- <sup>93</sup>Taken from Maxwell and Singer (1979), p. 226.
- <sup>94</sup>Food Aid Monitor (1995).
- <sup>95</sup>Taken from Farzin (1991), p. 261, and from Maxwell and Singer (1979), p. 226.
- <sup>96</sup>P. 219.
- <sup>97</sup>P. 221.
- <sup>98</sup>P. 222.
- <sup>99</sup>P. 223.
- <sup>100</sup>P. 20.
- <sup>101</sup>P. 26.
- <sup>102</sup>P. 22.
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- <sup>105</sup>This concept is suggested in Reutlinger (1984).
- <sup>106</sup>Lemire (1991), pp. 61-76.



# Economic Theory and the Social Realm: Communities and Social Goods

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## ABSTRACT

The social realm of communities and social goods is defined and their importance and motivations are explored. Largely because of effects related to markets, many observers see the social realm as in distress, perhaps even at the end of a 10,000 year epoch, with no clear way forward. Communities are affected by scarce marketable (and public) goods, and the social goods which communities produce are themselves scarce, while, on the other hand, markets -- and even the study of economics -- seem to affect the provision of communities and social goods. Thus there is a scientific puzzle: Economics is variously defined as either 1) the study of choice under scarcity constraints, or 2) the study of markets. Logically and empirically, then, economic theory -- including especially welfare economics -- *must* include communities and social goods, but, with minor exceptions, it has entirely left them out. How and why communities and social goods have been left out of economic theory are explored, and various methodological (and public) complaints about economic theory are related to this "oversight". A number of unfortunate rhetorical consequences of the omission of communities and social goods are reviewed. Are the ideas of "universal markets" or "complete contracting" meaningful if we haven't considered social goods, which can have no markets and no contracts? How "fundamental" are welfare theorems which haven't considered social goods? How "social" are "social welfare functions"? Some possible benefits of recognizing the social realm in economic theory are explored. **JEL:** A11, A12, A13, A20, B41, B50, D00, D20, **D52**, D60, D62, D64, H10, H40, I31, Z12, Z13.

**Key words:** Altruism, caring behavior, club goods, communitarian, communities, complete markets, complete contracting, economic ideology, economic theology, general equilibrium theory, inherent non-marketability, methodological individualism, neoclassical economics, rational choice, religion of the market, rhetoric of economics, separability, social capital, social economics, social environment, social goods, social institutions, social realm, social values, social wealth, social welfare, three realms, universal markets.





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## 0. Economics and the missing social realm: communities and social goods

Communities and the social goods which they provide: yield us utility; are subject to scarcity; and are affected by markets. At the same time, especially since September 11, 2001, understanding "community" in all its manifestations has become more important. Thus I am struck by a glaring inconsistency in economic theory: the missing "social realm" (Bell 1976, p. xi). Communities and social goods seem almost totally absent from economic theory.

As Merritt Ruhlen (1994, p. 195) says, "the indispensable first step [in any science] is classification, or taxonomy." Noting Roy Bhaskar's (1979) "three-phase schema of [scientific] development in which, in a continuing dialectic, science [1] identifies a phenomenon (or range of phenomena), [2] constructs explanations for it and empirically tests its explanations, leading [3] to the identification of the generative mechanism at work", Edward Fullbrook (2001, pp. 7-8) writes: "[T]he blockage of the first phase – the identifying of phenomena – has stalled economics..."

Fullbrook continues: "Passive identification of economic phenomena not covered by existing theory is... insufficient for getting economists to take them into account... Reformers must find a way through the defense mechanisms, mis-education, and indifference with which... the profession encases itself... [T]he first stage of Bhaskar's schema has been trumped by devotion and obedience to an obscurant metaphysics." In other words, there seems to be a willful negligence to consider all the phenomena reasonably related to markets or scarcity.

But there is plenty of evidence, both empirical and theoretical, that market systems are not separable from communities and social goods, and scarcity is no stranger to them either. It would seem then that a theory of communities and social goods cannot be avoided in economics, either logically or empirically.

### 1. Claims regarding communities and social goods

What I am saying might seem obvious and trivial to some, but perhaps not to those sufficiently trained in economic theory. (Of course what I'm saying has also been said before, though perhaps not in exactly this way.)

What I'm saying is

- that there is a special type of good ("social goods") produced by a special type of organization or enterprise ("communities"), and
- that these social goods provide us with utility directly (unmediated by markets), and
- that these social goods are inherently unmarketable (though they are generally not public goods or club goods).

Further, I claim

- that these social goods, as well as the communities which produce them:
  - are subject to scarcity themselves and are affected by the scarcity of marketable resources and goods;
  - are affected by markets and by production for markets (as well as by the production of public goods); and
  - are even affected by the study of economics and the nature of current economic theory; and further

- that there is evidence that -- as a result of the development of markets (and perhaps even as a result of the nature of economic theory) -- this social realm of communities and social goods is in distress. (Though communities are necessary for human survival and well-being, they are not sufficiently provided by rationally-maximizing, purely self-interested individuals, due to free-rider problems, and they cannot be much provided by government either.)

And yet I claim

- that -- with minor exceptions -- economic theory ignores social goods (and the communities which produce them), especially where it matters most, in fundamental discussions of utility, and in welfare conclusions derived therefrom; and further,
- that a variety of methodological criticisms of standard economics can be seen as having their root -- at least partly -- in the omission of communities and social goods from economic theory; and further,
- that a number of unfortunate rhetorical consequences follow from the omission of communities and social goods from economic theory; and finally,
- that both public understanding and general welfare suffer as a result of the omission in public debate of an economic point of view regarding communities and social goods.

"Social capital" -- i.e., social goods used as inputs into the production of private (or public) goods, or into the process of market exchange -- is an interesting and important related theoretical development which in no way detracts from these claims.

## 2. Are these claims plausible? (the organization of the paper)

Unless you're already convinced of the plausibility of the claims above, if I'm to have any hope of convincing you, I'll have to make clear what *social goods* are, and the *communities* that produce them (section 3). Then I'll try to make clear, first why this social realm of communities and social goods matters to us as people (also section 3), and then why communities and social goods should matter to us as economists (section 4).

First, are communities and social goods in fact useful to us (as people) directly? Then, are they scarce (i.e., not available in "unlimited" quantity)? Are they affected by the scarcity of marketable resources and goods (and public goods)? Are they plausibly affected by markets and production for markets? Are they even affected by the nature of economic theory?

If I can convince you not only that communities and social goods are scarce and affected by scarcity, but also that they are plausibly affected by markets and production for markets, and perhaps even by economic theory, then I hope to convince you that this social realm should matter to us as economists too. Because whether we define economics as the science of scarcity and choice, or as the study of markets, either way I believe that social goods and communities are unavoidable. Further, there is empirical evidence of distress in the social realm, making a response from the economics profession more urgent (also section 4).

But how would markets or economic theory affect the provision of communities and social goods? We will explore possible mechanisms of influence of the market realm (and of economic theory) upon the social realm (section 5). Nevertheless, I will point

out the absence of communities and social goods in economic theory, citing a number of well-known textbooks (section 6). We will then explore how economic theory has managed to omit communities and social goods (section 7), followed by a review of some methodological criticisms of economic theory and practice (section 8). Many of those criticisms can be seen as resulting at least partly from the omission of communities and social goods. I will argue in particular that this omission has damaging rhetorical consequences.

By then I hope you will understand that both public understanding and general welfare also suffer because of the omission of the social realm from economic theory, and because of the resulting lack in public debate of an economic perspective on communities and social goods.

Then we can turn to the most important questions: Can neoclassical economics incorporate a theory of communities and social goods (section 9, including the question of what motivates communities)? (Or alternatively -- to be honest and rigorous -- mustn't the omission of the social realm be clearly acknowledged, both in basic discussions of utility, and in welfare conclusions derived therefrom?) Finally, what would be gained from incorporating communities and social goods in economic theory, and what specifically needs to be done (section 10)?

Economics changed during the 20<sup>th</sup> century, becoming more abstract and mathematical, and in many ways more isolated from reality, even "autistic". (A movement dedicated to "post-autistic economics" is online at <http://www.paecon.net>; see especially Devine 2002.) Neither incorporating communities and social goods into economic theory, nor openly and clearly acknowledging their omission, would definitively satisfy those critics who see economics as "autistic", though either might be a step in the right direction. Nevertheless this paper must be seen as a rather narrow critique, "focussed chiefly on getting [my] preferred effects included" (Wolff 2002), or at least on getting them acknowledged, not on reforming or reinventing all of economics.

### **3. What are communities and social goods, and why are they important today?**

#### **3.1 What are communities and social goods?**

In his book *The Gift*, Lewis Hyde describes the coming-into-being of *society* (i.e., community): Imagine many patrons sitting at a long table, each with a bottle of wine. Each person will end up with wine in their own glass. But if each pours wine for their neighbor instead of for themselves, then although "in an economic sense nothing has happened" because "no one has any more wine than [they] did to begin with" (and everyone has both poured and received wine in either case), nevertheless "*society* has appeared where there was none before" (quoted in Senauke 2000, p. 16, emphasis added).

Society, or the social realm, thus consists of groups (*communities*) with which we identify. Families and ethnic groups (based on *kinship*) are communities, as are neighborhoods (based on *location*), and even religious or ideological groups (based on *belief*).

The *social goods* produced by communities include *a sense of identity, belonging, and status, meaning and purpose, love and friendship, and even social norms such as tolerance and common courtesy* -- which are not marketable and yet may be

private goods, and even when public goods are generally not government- or club-providable. Their distinguishing characteristic would seem to be inherent non-marketability, not because of non-excludability and resulting property-rights problems, but simply because they disappear -- i.e., their character and value are changed unrecognizably -- if one attempts to market them. Social goods are not necessarily social *capital* (conceived as "inputs" into the production and exchange of market goods, or even into the provision of public goods), but rather can provide consumers with utility *directly*.

In his classic book *The Quest for Community* from half a century ago, sociologist Robert A. Nisbet (1953/70) wrote about "the primary associative areas of society" (p. 47), for example the family, neighborhood, and church (p. 49), based on kinship, locality, and faith (p. 54). These are:

- "the small social and local groups within which the cravings for [the social goods of] psychological security and identification [can] be satisfied" (p. 53);
- "the kind of social groups which create a sense of belonging, which supply incentive, and which confer... a sense of status [all social goods]" (p. 71);
- "the small areas of association within which... values and purposes [social goods] can take on clear meaning in personal life and become the vital roots of the larger culture..." (p. 70).

Nisbet further explained (p. 50): "This is the area of association from which the individual commonly gains his [sic] concept of the outer world and his sense of position in it. His concrete feelings of status and role, of protection and freedom, his differentiation between good and bad, between order and disorder and guilt and innocence, [all] arise and are shaped largely by his relations within this realm of primary association... What was once called... the social nature of man is but the product [social goods] of this sphere."

In *Communitarianism and Its Critics* (1993), Daniel Bell "the younger"<sup>1</sup> similarly associates the social realm with such social goods as community spirit, friendship, and traditional identity (pp. 7-8). More abstractly than Nisbet, he defines three types of "constitutive communities" (pp. 14, 118, 170):

- *psychological* communities (where we experience trust, cooperation, and altruism in *face-to-face* interactions, including Nisbet's "kinship");
- *geographical* communities (those of *place*, Nisbet's "locality");
- and communities of *memory* (strangers with whom one shares a "*morally significant*" history, like Nisbet's "faith").

Besides families, *psychological (face-to-face)* communities could include church groups, small towns, work units, long-lasting civic associations, etc. *Geographic* communities are the places where we were born and grew up, went to or go to school, live and work now, etc. Communities with a *morally significant history* are, for example, linguistic, national, and religious groups, as well as "interest groups" of any kind. Of course there is overlap in the definitions. And among other things, these "Tocquevillian intermediate structures" (p.174) help to restrain the centralized state, creating a bulwark against Hobbesian mass society -- a point which Nisbet also emphasized.

Amitai and Oren Etzioni define community (1999, p. 241) as having two attributes: *bonding* ("a web of affect-laden relationships that encompasses a group of

<sup>1</sup> To distinguish him from the well-known sociologist Daniel Bell, also referenced.

individuals -- relationships that crisscross and reinforce one another, rather than simply a chain of one-on-one relationships"); and *culture* ("commitment to a set of shared values, mores, meanings, and a shared historical identity"). *Networks* -- even more than communities as such -- are also noted for *bridging* effects (e.g., see Barabási 2002); both bridging and bonding are considered characteristic aspects of social capital.

There are undoubtedly many other definitions of communities and social goods, but hopefully these will suffice for now to establish what we're talking about.

How are communities different from markets? In a convenient 4-way chart, Samuel Bowles (1998, p. 86) describes *ideal markets* as anonymous and ephemeral, in contrast to "ascriptive markets" (which are personal but ephemeral) and bureaucracies (which are anonymous but durable), while *communities* are personal and durable.

### **3.2 Why are communities and social goods important today?**

Today when individuals might be seen as able to survive without closely identifying with any particular group -- and even to reproduce without much concern beyond family, if that -- why should we care about communities? The simple answer is that humans, like other primates and other mammals, are not reptiles. In terms of Paul MacLean's (1990) triune-brain classification, it's not the relatively huge and sophisticated rational neocortex in humans which matters so much, nor the primitive self-centered brainstem we share with reptiles, but the intermediate "limbic brain" we share with all mammals. Mammals nurse their young and take care of their families; and such limbic connections -- i.e., close emotional interactions -- remain essential for proper brain functioning, and hence for life-long well-being and continued human development (Lewis, Amini, and Lannon 2000). (Cory 1999 attempts to apply this triune-brain perspective to economic theory.)

Thus we seem to have a deep need for communities and social goods, even though it may not always seem "rational" to invest in them. Many aspects of traditional culture may have co-evolved in order to guarantee satisfaction of these needs despite their apparent "irrationality" (Chwe 2001).

Even after we grow up, emotional connections to other people -- expressed through communities of all kinds -- are essential for our psychological and thus physical survival. As even the extremely "right-wing" economist Steven E. Landsburg notes (1997, p. 160, emphasis added), "other people -- our friends and our children and sometimes even *strangers* who do us unexpected kindnesses -- are among the luxuries that make life worth living". Even if we hadn't included those strangers in any of *our* communities, they must have included us in *theirs*.

## **4. Why should economists care about communities and social goods?**

Why should this social realm matter to us as economists? Economics defines itself as the science of utility, scarcity, and choices -- or alternatively (and commonly) as the science of markets (or, more broadly, of "provisioning"). Thus I argue that we must incorporate communities and social goods in economic theory *if*:

- they provide us with utility and are scarce themselves (i.e., not available in "unlimited" quantity); or if



- they are affected by the scarcity of marketable resources or goods (or public goods); or if
- they are affected by market production or exchange; or (to be responsible) even if
- they are affected by the study of economics and the nature of economic theory.

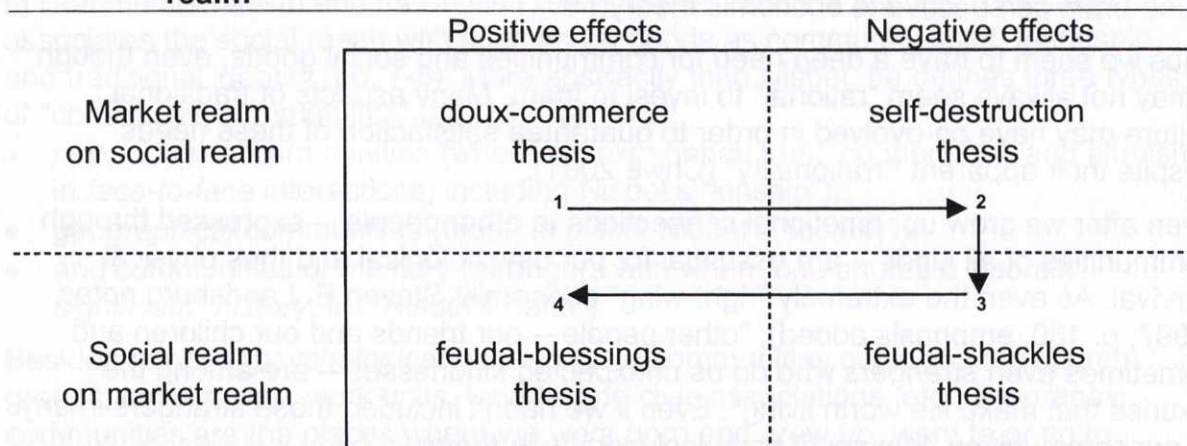
Or, if we don't deal with communities and social goods theoretically, mustn't we then -- to be honest and rigorous (and responsible) -- spell out as clearly as possible the consequences of their omission, at least in the places where it matters most, in fundamental discussions of utility, and in welfare conclusions derived therefrom? Economics in One Lesson (from Henry Hazlitt, cited in Simon and Simon 1993, p. 24): "The art of economics consists in looking not merely at the immediate but at... longer effects..., and consists in tracing... consequences... not merely for one group but for all groups."

Given the definitions and examples above (section 3), I hope you will agree that communities and social goods are both scarce themselves and affected by the scarcity of marketable resources and goods (and public goods), so (besides noting their scarcity and nonseparability), I won't devote more space to those issues here. But are communities and social goods affected by the processes of market production or exchange (or by the nature of economic theory)?

#### 4.1 Hirschman's four possible interactions between the market and social realms

Albert Hirschman (1986/1992) discussed four possible "opposite" relationships between the market realm and the social realm, diagrammed below (with arrows indicating "opposite" relations of a sort, as well as the order of discussion here).

**Diagram: Four possible interactions between the market realm and the social realm**



Adapted from Hirschman (1986/92, p. 136.)

##### 4.1.1 The "doux-commerce" thesis

First, markets might not only provide direct benefits -- through specialization and exchange, flexibility, individual choice, etc. -- but in addition they might have a "civilizing" influence on the social realm as well. This optimistic view (called the "doux-commerce" thesis) was apparently common in the last half of the 1700s -- when Adam Smith was writing *The Wealth of Nations* -- and even as late as John Stuart Mill, three-quarters of a century later.

#### 4.1.2 The "self-destruction" thesis

But *second*, it could instead be that in fact markets have corrosive effects on society, so that capitalism actually destroys its own social and moral foundations, inherited from earlier (in Europe, from feudal) times. George Bernard Shaw dated a "great conversion" (resulting in a negative attitude towards markets) to about 1848, though Hirschman (pp. 45-7) placed the change already half a century earlier, beginning shortly after publication of *The Wealth of Nations* in 1776. Before that turning point (whenever it may have occurred), people may have generally been proud of their recent bourgeois achievements, but after that, many looked back fondly to "the faith, the art, the humanity" of the previously despised Middle Ages (McCloskey 1998, pp. 298-9, quoting Shaw). Thus Thomas Jefferson, when purchasing the Louisiana Territory for the U.S. in 1803, "saw trade, manufacturing, and cities as corruptive forces" (Alden 1966, p. 149).

Variations of this self-destruction thesis seem to have been common in the nineteenth century, when Marx wrote *Das Kapital* and the socialist movement got under way, based on awareness of "the devastation caused by a social anarchy which turns every *economic* progress into a *social* calamity" (Marx 1887/1954-86, pp. 457-8, emphasis added).

This was also the predominant view of Schumpeter (1943/76), Durkheim (1933/64), Karl Polanyi (1944/68), Fred Hirsch (1976), and the sociologist Daniel Bell (1976).<sup>2</sup> To this day, many who would not identify themselves as Marxists (among them, for example, many environmentalists) look with great suspicion upon both capitalism and the economic theory that they see as its "running dog", defending and abetting it.

Polanyi (1944/68) suggested that, with capitalism, the social and political realms were becoming increasingly and irrationally embedded in economic institutions (see also Gary Hamilton 1994, p. 188). Durkheim held that, with ever-expanding market economies in the last few centuries, rules and regulations which create solidarity and social cohesion have not kept pace, resulting in *anomie* and unlimited greed (Smelser and Swedberg 1994, p. 12). Individuation, abstract rational thought, and new freedoms have disrupted loyalties and created a treacherous fluidity in human relations. Markets and capitalism, money and the division of labor have disrupted primordial forms of life. Michel Callon (1998) summarizes the turn-of-the-last-century German sociologist Georg Simmel: There are (p. 38) "orders of reality, social spaces organized according to incommensurable and antagonistic logics...", but (p. 33) "money dissolves social ties, founds a society based on pure rationality, and kills personal relationship...".

It seems that everyone has a complaint (DiMaggio 1994, p. 40): Marxists see *labor* markets as creating alienation, while *commodity* markets engender "commodity fetishism". Liberals see *consumer* markets as degrading culture to its lowest common denominator, while conservatives see markets *in general* as destroying the traditional bonds that restrained greed.

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<sup>2</sup> Here I am referring to the "senior" Daniel Bell; the younger Daniel Bell referred to earlier may also share this view. As far as I know, they are not related.

#### 4.1.3 The "feudal-shackles" thesis

But *third*, it could be that -- rather than being necessary for society, though threatened by capitalism -- the institutions and values inherited from pre-capitalist times might actually hold back markets and prevent them from being as beneficial as they might otherwise be. This view is clearly related to the first, but emphasizes the importance of eliminating the remaining "feudal shackles", similar perhaps to the conventional "get the prices right" prescription for economic development.

Thus Douglass C. North (1996, p. 18, emphasis added) comments on "economies that have failed to develop. These are cases in which the belief system, reflecting the historical experiences of that economy, fails to overcome the critical hurdle -- the creation of institutions, economic and political, that will permit *impersonal* exchange." Whereas the self-destruction thesis sees *negative* effects of markets on social, inherently *personal* institutions, there could thus instead be *positive* effects allowed by the creation of *impersonal* economic and political institutions which remove feudal inhibitions on markets.

#### 4.1.4 The "feudal-blessings" thesis

But a *fourth* ("feudal-blessings") thesis maintains that, in fact, markets work *best* specifically where feudalism *had* preceded (and left some especially conducive social institutions, including values). This could relate to the current concern in development theory for social capital: What are the necessary social institutions and moral values for efficiency in production and exchange? (Of course, if market production and exchange tend to destroy these institutions, then we're back to the self-destruction thesis.)

### 4.2 Variations and questions about Hirschman's four theses

David Haddorff (2000) substitutes "religion" for the social realm more generally and reclassifies Hirschman's *four* theses in terms of *three* principles: *opposition* (of religion and the market), *absorption* (of religion by the market), or *ambiguity* between the two. (What's the connection? As Philip Selznick says (2002, p. 68): "Religion helps people make sense of a world beyond their control, enriches cultures and causes communities to flourish, creates strong identities and passionate loyalties.")

The self-destruction thesis is clearly a case of opposition: The market destroys its religious (social) base. Haddorff sees *doux-commerce* and *feudal-shackles* as the market absorbing religion (the economy itself becoming "sacred"), whereas *feudal-blessings* is an ambiguous relationship, in which each can influence the other.

So there is an empirical question: What in fact are the effects of markets on the social realm, as well as vice versa? As Hirschman discusses (pp. 137-9), it seems possible that several or all of his four possible theses (and more?) apply in different ways. Ambiguous (dialectical or co-determined) may in fact describe the relationship of markets and the social realm (or religion) most accurately.

But since negative effects of markets on communities and social goods do not seem to have been addressed in economic theory -- whereas positive effects of the social realm on markets are at least covered under the term "social capital" -- the focus here will be on the possible socially self-destructive effects of markets (and even on the possible destructive effects of *studying* economics and of "thinking economically").

### **4.3. Empirical evidence of distress in the social realm**

#### *4.3.1 Evidence from modern America*

Edward Glaeser (1998) asks "Are cities dying?" because it is widely recognized that the social realm of communities and social goods is in distress in America. The reasons are commonly thought to relate to markets. If it weren't already evident from seemingly daily headlines about school and workplace (and now even random area-wide) shootings, Robert Putnam's 1995 article and 2000 book *Bowling Alone* powerfully made the point that American social cohesion seems to be in decline. In recent years, three-fourths of Americans have viewed selfishness, declining trustworthiness, and the resulting breakdown of community as serious problems, reporting that they saw their own situation as worse than during the previous generation because of less community involvement (Putnam 2000, p. 25).

Putnam (p. 287) says: "By virtually every conceivable measure, social capital has eroded steadily and sometimes dramatically over the past two generations... Americans have had a growing sense at some visceral level of disintegrating social bonds... [Yet] we [believe] that at a profound level civic virtue and social capital do matter... [because they] help make us healthy, wealthy, and wise".

Francis Fukuyama (1999) has also written on "the great disruption" -- family breakdown, loss of community, and social malaise -- as have a multitude of others. Robert Wright notes (1994, pp. 100-1) that "serial monogamy" (such as Western societies have recently slipped into) equals "polygyny" (multiple wives per husband, though successively) which, he believes, tends to result in more mateless and violent men, "homeless alcoholics and rapists". Further (p. 104), "Whenever... divorce and unwed motherhood are rampant, and many children no longer live with both natural parents, there will ensue a massive waste of the most precious evolutionary resource: love."

The communitarian movement of Amitai Etzioni and others thus views American society (and perhaps Western society more generally) as off-balance, leaning too far towards individual freedom, not enough towards community responsibility. Etzioni (1993/95 and 1996) provide popular presentations; Etzioni (1988 and 1999) and Etzioni and Lawrence (1991) are more academic and theoretical presentations.

#### *4.3.2 Evidence from elsewhere and earlier*

Examples from American experience could be cited endlessly, but the problem isn't just in America. Britisher Anthony Giddens (1998, p. 18) notes that "in premodern times my relationship to society... my social identity, was constrained and limited by tradition, kinship, and locality... [T]oday... I am surrounded by traditions of every conceivable kind, I no longer inhabit the locality of my birth, and my name [kinship]... means nothing [to most people]... [M]y social identity has become unglued from the contexts, communities, and expectations that once circumscribed [it]."

Thus in recent political debate, not only former American President Clinton but also British Prime Minister Blair and German Chancellor Schroeder have all advocated a "third way" based largely on a renewal of civil society. (In Milbank 2001 the current U.S. President Bush is also described as a communitarian.) The reason for the widespread political attention is clearly that the social realm seems to be in distress not only in America, and it's not limited to the highly industrialized world, either.

Sam Quinones (2001, p. 151) says: "Perhaps this is part of what's behind these killings [of 'the (86) dead women of Juárez', Mexico]: that growth does not necessarily equal development or sanity, or Juárez's expansion was too quick, tore too many bonds that give life balance... [T]hese cases reflect Juárez's anonymity. No one knows, or seems to care, what happened to most of the dead women of Ciudad Juárez."

Commenting on "the attachments of Africans" (which he describes generally as "family, [residential] community, tribe, ethnic group, and religion, not nation"), William Pfaff (1993, pp. 154-5) worries that "as urbanization continues, alienation from those attachments increases, with sober implications for the future".

Or as anthropologist Wade Davis (2002) says more generally: "In reality, development for the vast majority of the peoples of the world has been a process in which the individual is torn from his past, propelled into an uncertain future, only to secure a place on the bottom rung of an economic ladder that goes nowhere... We live in an age of disintegration... Outside of the major industrial nations, globalization has not brought integration and harmony, but rather a firestorm of change that has swept away languages and cultures, ancient skills and visionary wisdom."

The process of social dislocation and reaction has been going on for a long time. Pfaff (pp. 138-9) notes that the "Indian (or Sepoy) Mutiny" of 1857-58 (known in India as "the Great Rebellion") "acquired its power from the popular distress caused by the threat the British presence posed to the religious and social values of both Hindus and Moslems". Of course that presence was motivated commercially, by the desire for markets and trade. "[T]he popular reaction was caused not simply by abuse of Asian religious conventions but by reform itself, progressive and enlightened in British eyes."

Similarly, revolts in Java early in the 19<sup>th</sup> century, and in Bali early in the 20<sup>th</sup>, were "primarily cultural in character rather than political, motivated by popular distress at the Europeans' challenge to the cultural underpinnings of Asian societies" (Pfaff, p. 139). (We see similar revolts today, when for example French farmers see and attack American-based McDonald's franchises as threats to French culture.)

Even further back, Neil McKendrick (1982, p. 9) describes a "consumer revolution [that] was the necessary analogue to the industrial revolution, the necessary convulsion on the demand side of the equation to match the convulsion on the supply side. We are only just beginning to realize how pervasive were the social... effects of that change... [T]he results were such as to bring about as great a change in the lifestyle of the population as was brought about by the Neolithic revolution in agriculture" some 10,000 years earlier.

#### **4.4 The future**

Now, despite precursors and nay-sayers (and terrorist reactions, as well as other protests), the globalization of capitalism, partly driven by innovations in information and communications technology, seems to be surging on. It's not clear whether Western civilization is taking over everywhere, or to what extent cultural differences will persist. Indeed, more than two centuries later, it's still not even clear whether *markets* or the *state* led the original break from traditional to modern modes of thinking, relating, and producing (G. Hamilton 1994, p. 185). Nisbet (1953/70) argues strongly that it was the state.

Yet we now seem to be entering a *post*-modern phase in which global capitalism is further fragmenting traditional authority and cultural relations, so that individuals are becoming even less tied by geography or history, further eroding both community and democracy (Biggart 1994).

Those familiar with the critical literature since the beginning of the Industrial Revolution (for a summary, see Nisbet 1953/70) -- and even with literature from other periods of disorganization in earlier centuries and millennia -- may be tempted to dismiss current complaints as "*déjà vu* all over again". After all, according to recent archaeological evidence (Wilford 2002), "the rise of agriculture and urban living" gave rise to an almost immediate "widespread decline in health". "Farming tended to limit the diversity of diets, and the congestion of towns and cities contributed to the rapid spread of disease", and yet we know that many if not most humans went on to bigger and better things.

Still there is the gnawing possibility that current social problems may be cumulative, over both time and space. While the "war on terrorism" has created a coalition of the willing (and the semi-willing), true global community is conspicuous by its absence. Why is it that the 20<sup>th</sup> century was haunted by what Ray Monk -- in his remarkable biography of Wittgenstein (1990/91, p. 316) -- calls a "sense of cultural decay and the desire for a New Order"?

#### **4.5 Are we at "the end of an epoch"?**

The British historian J.H. Plumb (1972/1988) gave added weight to the self-destruction thesis with his suggestion that it is not simply the rise of capitalism from feudalism that we are concerned with now, but rather, as McKendrick also suggested above, at the end of the Neolithic technological epoch and the uncertain beginnings of a new one. The New Stone Age, which began with the introduction of agriculture, pottery, and some metal-working about 10,000 years ago, also created the basic social forms of civilization: the family, religion, schools, government, and of course, about 5000 years ago, the city (Manzanilla 1987).

Certainly all these institutions had roots in "the ancestral environment", life in pre-agricultural, nomadic hunter-gatherer bands. Plumb's suggestion, however, is that they then took on characteristic forms which have held us in good stead through 5-10,000 years, but are now being undermined by science and technology (largely purveyed through markets). Plumb sees us as unknowingly cutting away our social foundations (communities and their values, as well as the state itself) upon which we have relied since the beginning of agrarian civilization.

The American social and political commentator Walter Lippmann noted already early in the last century (1914/61, p. 92) that we "move in a strange situation. We are not used to a complicated civilization, we don't know how to behave when personal contact and eternal authority have disappeared. There are no precedents to guide us, no wisdom that wasn't made for a simpler age. We have changed our environment more quickly than we know how to change ourselves."

Like Lippmann and Durkheim, the early-20<sup>th</sup> century American sociologist William Ogburn (1922/50) thus saw a "cultural lag", as social and political institutions hadn't kept up with economic changes. But rather than obstructing the economic changes -- as was done extensively during the Industrial Revolution in England (Polanyi

1944/68) -- Ogburn advocated speeding up the social and political changes (p. 201): "Make the cultural adjustments as quickly as possible." But how to do so?

The Australian economic historian Graeme Snooks (1996, pp. 240, 403) also thinks in terms of epochs, each based on its own characteristic technological paradigm. The earliest human epoch was based on scavenging plus gathering (which he dates until about 1.6 million years ago); the Paleolithic epoch was based on gathering plus hunting and fishing (until about 11,000 years ago); and the Neolithic on agriculture (until about 200 years ago). Quite apart from any social concerns having to do with the end of the Neolithic epoch, Snooks believes that we are already nearing exhaustion of the fourth (industrially-based) technological paradigm, as we seem about to be overwhelmed with environmental problems at the same time that our fossil-fuel reserves must decline (Snooks 1997, chs. 12-13; see also Snooks 1998a, 1998b, and 1999).

However, as Snooks sees it, the way out is to go full-speed ahead with technological change, in order to create a *new* (fifth, postmodern, post-industrial) technological paradigm. He prescribes intense competition among "dynamic strategists" based in the various nation-states as the driving force that will open up and develop the new technology, which he believes will probably involve direct utilization of solar energy. He is confident that, if not blocked by neo-liberal or environmental "reformers" (or by world government), this new technology will emerge and will allow still greater prosperity, while social institutions will necessarily adapt as needed.

This would seem to be an example of Hirschman's first (*doux-commerce*) thesis, perhaps qualified by a variant of the third (with "feudal shackles" replaced by "neo-liberal or environmental -- or even world-federalist -- shackles"). But can we rest assured that market economics is wholly benign and constructive with regards to communities and social goods? Or, if the market realm has negative effects upon the social realm, how would it accomplish them?

## **5. What are the mechanisms of negative influence of the market realm upon the social realm?**

We are familiar with the idea of social *capital*, that the social realm of communities provides social goods which act as "inputs" for production and exchange processes in the market realm. But how would the market realm in turn influence the social realm -- especially negatively?

### **5.1 Mechanisms through market production, exchange, and consumption**

The Preamble to the Communitarian Network's Responsive Communitarian Platform (<http://www.communitariannetwork.org/platformtext.htm>) states (emphasis added):

Neither human existence nor individual liberty can be sustained for long outside the interdependent and overlapping communities to which all of us belong. Nor can any community long survive unless its members dedicate some of their attention, energy, and resources to shared projects. The *exclusive pursuit of private interest* erodes the network of social environments on which we all depend...

The words "exclusive pursuit of private interest" suggest that many see the capitalist economic system as having something to do with increasing social malaise. Putnam (2000, p. 184, emphasis added) continues along similar lines:

"Grassroots groups that once brought us face-to-face with our neighbors... are [now] overshadowed by... staff-led interest groups purpose-built *to represent our narrower selves*. Place-based social capital is being supplanted by function-based social capital. We are withdrawing from those networks of reciprocity that once constituted our communities."

E.J. Mishan (1967/93, ch. 16-30) analyzed and condemned many of the social consequences of economic growth, while Staffan Burenstam Linder (1970) and Fred Hirsch (1976) eloquently detailed the mechanisms of shifted effort -- via changed marginal productivities and resulting time-pressure -- from communities and production of social goods to market production and consumption. Oded Stark (1995/1999, p. 14) similarly refers to the possibility that "the introduction of markets could crowd out altruistically-motivated actions to such an extent that the group concerned may actually be worse off". Stark (p. 80) points out similar possible effects of government action: "The provision of care for the elderly by the state weakens incentives to inculcate [caring] values in children... If inculcating [those] values has the effect of producing better citizens in general, then the benefits arising from the state's care-giving functions may have to be weighed against an additional cost."

With regards to markets, Samuel Bowles (1998, p. 104) summarizes this point with a "norm-related analogue to the second-best theorem of welfare economics: *Where contracts are incomplete (and hence norms may be important in attenuating market failures), more closely approximating idealized complete-contracting markets may exacerbate the underlying market failure (by undermining the reproduction of socially valuable norms such as trust or reciprocity) and result in a less efficient equilibrium allocation.*"

Putnam's huge empirical study (2000) considered a variety of possible underlying causes for civic decline (p. 187), almost all of which are either directly "economic" or at least closely related to markets:

- "busyness and time pressure;
- economic hard times;
- the movement of women into the paid labor force and the stresses of two-career families;
- residential mobility;
- suburbanization and sprawl;
- television, the electronic revolution, and other technological changes;
- changes in the structure and scale of the American economy, such as the rise of chain stores, branch firms, and the service sector, or globalization;
- disruption of marriage and family ties;
- growth of the welfare state;
- the civil rights revolution;
- 'the sixties' (most of which actually happened in the seventies), including Vietnam, Watergate, disillusion with public life, or the cultural revolt against authority (sex, drugs, and so on)."

Putnam eventually (p. 284) ascribes most of the recent decline in civic engagement in America about equally to:

- changing living and working patterns,
- changing consumption patterns (TV), and



- generational change (the decline of the generation that found comradeship in fighting World War II together).

Several of the culprits identified by Putnam (living, working, and consumption patterns) are clearly "economic". Yet, as he points out (p. 282), "America has epitomized market capitalism for several centuries, during which [American] stocks of social capital and civic engagement have been through great swings." If civic engagement reached a recent highpoint in America in the 1950s, then it's hard to make the generic argument that capitalism causes social decline. As Putnam says: "A constant [capitalism over the last several centuries] can't explain a variable."

Then again, Putnam wasn't looking at all forms of community, either. The 1950s was just when Nisbet was writing *Quest for Community* about its destruction, both by markets and by the rise of the nation-state. And in 1970 Roy Harrod was commenting (1971, p. 2) upon the already well-known "downgrading of certain areas... of American cities... into slums, de-housing on a large scale, the lack of a decent community spirit in neighborhoods, and racial tensions".

### **5.2 Mechanisms through the nature of economic theory and belief**

Paul DiMaggio (1994, p. 46) says: "If one constantly speaks as if people are individualistic self-interested optimizers, does one eventually begin to act as if this is the case?" Does studying economics make us act more "rationally" (i.e., self-interestedly, and thus selfishly)? In the article "Economists free ride: Does anyone else?", Marwell and Ames (1981) offered experimental evidence that it does, as did Frank, Gilovich, and Regan (1993). And William James long ago (1902, pp. 204, 271-2, 367-8) pointed out the destructive effects of materialistic beliefs (self-seeking and wealth-getting) on happiness through the weakened development of spiritual consciousness and higher (i.e., community) values.

To the extent that selfishness is not our *only* motivation and yet economic theory seems to justify the view that it *is*, then economic theory is not just describing reality but is also reflexively self-fulfilling; that is, it is itself part of the process, actively contributing to what many see as cutting away at the moral foundations of society.

Bell (1993, pp. 7-8) notes criticisms that the "liberal atomism" (methodological individualism) underlying economic theory offers no support for community and social obligations, thus contributing to the negative social and psychological effects of modern fragmented societies. The theory allows *too much* government intervention, which undermines our communal attachments, yet -- because of the notion of "state neutrality" -- it disallows government action aimed at developing or restoring some sense of community. Elaborating (p. 11), he notes loneliness, divorce, rootlessness, political apathy, and everything else connected with the breakdown of community in contemporary Western societies -- a narcissistic, superficial world without deep or persistent commitments, threatening to make "all the world like California"! And all this (or at least some part of it) because of economic theory! Among many others, Jean-Pierre Dupuy (1996) critiques and offers alternatives to this methodological individualism.

Putnam (p. 378) notes that "the dominant public ideology of the Gilded Age [~1870-1900] had been social Darwinism... that social progress required the survival of the fittest -- with little or no interference by government with the 'natural laws of the marketplace'... [T]his philosophy foreshadowed the libertarian worship of the

unconstrained market that has once again become popular in contemporary America." K.C. Cole (1998, pp. 115-6) notes that "the idea that greed is all to the good has become encoded in a kind of religion of U.S.-style capitalism: The more you're out for yourself, the better off the whole society [is thought to] be... [F]ailure to be selfish is [taken as] akin to economic treason." But psychological studies show that even the personal results may not be all good. "[P]eople who focus on the pursuit of money and goods may suffer from an underlying feeling of insecurity, have poor interpersonal relationships, and have a low or contingent sense of self-esteem" (Kasser and Kasser 2001, p. 693).

## **6. Is the social realm really ignored in economic theory?**

Given the widespread concerns about the effects of markets (and economic theory) on communities and the production of social goods, there's a "scientific puzzle" (Kuhn 1962/96). Economics presents itself as dealing with the maximization of utility subject to scarcity constraints. But when people choose to die for an ethnic or religious cause -- as well as in a multitude of less dramatic ways, such as getting married -- they certainly "reveal a preference" for identification in communities, which are scarce and from which we derive utility.

Communities produce utility, as noted above, via social goods such as a sense of identity, belonging, status, meaning, and purpose -- not to mention love and friendship, even tolerance and common courtesy -- all of which are invaluable for our social, psychological, and thus even for our physical survival. Such social goods are *scarce* themselves, and their sources -- communities -- seem to be affected not only by the *scarcity* of market resources, but also by the action of markets directly, and even by the study of economics. It would seem then that economics *must* deal with communities and social goods -- but does it?

I argue that economic theory is deeply inconsistent and incomplete because *markets* affect communities and social goods, both of which are also *scarce*, and yet economics (the science of markets and/or the science of scarcity) essentially leaves out communities and social goods. Is this really the case?

### **6.1 Is the social realm addressed in general textbooks, or in public or welfare economics?**

Read through an entire general textbook in economics (for example, Stiglitz 1993-97) and, despite extensive treatment of utility, you will find no mention of social goods or of utility derived from community. In fact, all of the examples in Stiglitz's introductory economics text refer to physical commodities; even discussion of *services* -- which might otherwise have led one to wonder about *non-marketable* services -- is limited to a single brief reference (p. 251) to the recent rise of the "service economy".

Discussing the historical development of economic theory, Stiglitz recognizes the problem in a general way (2000, p. 1467): "All that makes life interesting and difficult was omitted." But despite his possible implication there that those "interesting and difficult" aspects have now been included -- thanks to information economics -- he still provides no theoretical discussion of social goods or their source, communities. (Stiglitz makes it clear in *Globalization and its Discontents* (2002) that in practice he is very aware of broader social problems, of course.)

One might at least expect that a specialized theoretical text in public economics such as Jha (1998), which begins with a full section (three chapters) on welfare economics, might at least mention social utility, but no. Or consider Myles (1995), which begins with Parts I and II on "Foundations" and "Analysis in the Competitive Economy" (eight chapters altogether), before getting to Part III, "Relaxing the Assumptions" (four chapters). But nowhere in "relaxing the assumptions" (nor elsewhere) do we find any discussion of communities or of utility derived from social goods.

Of course it's *not* the case that social goods *should* be covered in economic theory under public goods, because some social goods (such as love and friendship, for example) are private (though non-marketable). In fact, as noted earlier, *their distinguishing characteristic would seem to be inherent non-marketability*, not because of non-excludability and resulting property-rights problems, but simply because they disappear -- i.e., their character and value are changed unrecognizably -- if one attempts to market them. This is not to deny that some social goods also may exhibit non-excludability or non-rivalrousness. Some, but certainly not most, are even providable by government, and many more -- e.g., the "mutual sympathy and consideration among citizens" that Dasgupta (1993, p. 106) refers to -- may have positive (or negative) externalities, and to that extent may also be considered public goods (or bads). So some aspects of social goods *could* be covered under public goods, but the point here is that they don't seem to be currently addressed in economic theory *anywhere*.

## **6.2 Is the social realm addressed anywhere else in economic theory?**

The closest economics now comes to community and social goods is probably in the theory of clubs and club goods (e.g., Cornes and Sandler 1986/96) and in the economics of religion (Iannaccone 1998), but both of these approaches simply attempt to understand social groups as markets (via utility-maximization and exchange theory), rather than dealing with them on their own terms (i.e., they provide utility, but disappear if marketed). In any case, the theory of club goods focuses on the provision of such relatively trivial things as sports facilities, and seems inadequate to the provision of fundamental identity and belonging, meaning and purpose. The "economics of religion" must deal with meaning and purpose, but its approach also seems fundamentally flawed.

Other partial exceptions are:

- Gary Becker's (and others') attempts to apply utility-maximization to families and other social institutions, including social norms (e.g., Becker 1976; Elster 1989; Coleman 1990/94); and, as mentioned earlier,
- the related idea of "social capital", as recently formulated in development economics (e.g., Platteau 2000; Becker and Murphy 2000) -- i.e., social institutions which produce values as "inputs" into production or exchange processes.

But in none of these cases are communities understood on their own terms, as something other than markets (or government). Becker's rational-maximization approach, while interesting and enlightening, often surprising and fun, can hardly provide a complete analysis of community. Community cannot be thoroughly accounted for on the basis of maximization of self-interest (at least not without recourse to *evolutionary* self-interest in the ancestral forest, which can change the

*current* analysis considerably; see for example Wright 1994; Sober and Wilson 1998; Boehm 1999; more on this below).

Ultimately, it was solidarity based on ethical considerations that has made possible the achievements of man, even in the field of material endeavor (Clark and Piggott 1965/85, p. 52). As Marcel Mauss (1925/1967, p. 75) wrote: "The mere pursuit of individual ends is harmful to the ends and peace of the whole, to the rhythm of its work and pleasures, and hence in the end to the individual."

How then -- if communities and social goods are vital for human life, are scarce and affected by markets, yet are omitted from the science of scarcity and markets -- how did it happen?

## **7. How did economic theory omit communities and social goods?**

Jagdish Bhagwati (2000) refers to "morally driven arguments... social agendas... what sophisticated economists call 'noneconomic' objectives." And Kenneth Arrow (2001) comments on "variables such as the quality of the government and culture, not usually thought of as economic..." But if those variables are desirable, they must yield *utility* (by revealed preference), so why aren't they *obviously* economic?

There seems to be some kind of a disconnect, perhaps something wrong with our usual definition of economics as the science of utility, scarcity, and revealed preference. We have seen, however, that even if we were to limit economics to "matters concerning markets", we still wouldn't be able to avoid effects upon communities and social goods.

What do we mean by "economic", anyway? This question is "a lot less banal than it seems, for the ways in which we answer it will profoundly affect the methodologies thought to be appropriate for economists to use" (Kristol 1981, p. 203). Similarly, Philip Mirowski (1994, p. 70) says "the specification of what it is that precisely constitutes the economy is not so abstract or removed from practical consequences..."

### **7.1 History: Walras, Pigou, and the development of welfare economics**

Walras, who originated general equilibrium theory, *intended* to deal with "social wealth". The subtitle of his *Elements of Pure Economics* (1874-1926/1954) is "the theory of social wealth", and by social wealth he meant (p. 65; original italics) "all things, material or immaterial... that are *scarce*, that is to say, on the one hand, *useful* to us and, on the other hand, only available to us *in limited quantity*." But in fact he left out social goods, which, though immaterial, are useful to us, as we've discussed, and scarce. Only ordinary private and public goods have been included in economic welfare-analysis ever since.

A.C. Pigou, "the father of welfare economics", set the standard. Following in the Marshallian tradition, he of course recognized in principle that there were other social factors which influenced welfare besides what he called "the national dividend", or, essentially, GNP, but he nevertheless took the policy position (1920-1932/1962, p. 20, original italics) that:

"When we have ascertained the effect of any cause on economic welfare, we may, unless, of course, there is specific evidence to the contrary, regard this effect as *probably* equivalent in direction, though not in magnitude, to the effect

on total welfare... In short, there is a presumption -- what Edgeworth calls an 'unverified probability' -- that qualitative conclusions about the effect of an economic cause upon economic welfare will hold good also of the effect on total welfare... [T]he burden of proof lies upon those who hold that the presumption should be overruled."

Pigou's position seems to beg at least two fundamental questions:

- *Given* that non-market welfare variables may be affected by economic changes, *why* are we justified in assuming that, in the absence of specific evidence to the contrary, increased GNP necessarily implies increased overall welfare? and
- *Whose duty* is it to look for "evidence to the contrary"? *Why* should the presumption of economists always be in favor of economic growth, with no consideration of the social consequences of economic actions and attitudes?

With respect to the *first* question, one of the most important factors in increased GNP is clearly technological innovation. But as E.J. Mishan pointed out (1986, p. 283), anyone who believes in *optimization* must also recognize at least the *possibility* that technological "progress" has gone "too far". Thus, while we might agree to accept Pigou's probability assessment (at least tentatively) with respect to *less*-industrialized countries, to accept it for *highly*-industrialized countries would seem to need further justification. (On the other hand, highly-industrialized countries might be thought to have the least to lose socially, since they may have already lost most of it.) We might also want to take note of "the Easterlin hypothesis" (Easterlin 1996; see also Cornish 1997) -- that happiness doesn't increase with increasing GNP, because expectations also rise, so that only *relative* wealth really matters. (And beyond these, of course, is the possibility of *unequal* growth, with greater inequality undermining social cohesion.)

With respect to the *second* question above, the ethical position of the economics profession seems precarious. Many (e.g., Ward 1979) already see economics as more of an adversary process -- like the practice of law -- rather than as a more objective, dispassionate, truth-seeking science. But while such an adversary process might be an acceptable (perhaps even inevitable) method for truth-seeking *within* economics, the profession as a whole would seem to run a grave risk by adopting this position *vis a vis* its "clients", the general public. By adopting a method of analysis that appears to be (and purports to be) perfectly general -- but is not -- and by then basing welfare conclusions thereon, the profession virtually invites loss of credibility.

A *third* question we might want to ask is: Even if Pigou's "unverified probability" with respect to *total* welfare is correct, are we not duty-bound to explore the social consequences of economic changes anyway? Not to do so seems akin to asserting compensability with no concern for whether compensation actually occurs. (It may not be much comfort to me that my country's GNP grows a lot if my village is destroyed in the process.)

A *fourth* question might be: What kind of "compensation" would be appropriate when communities are undermined or destroyed? Can economics find ways for markets to support and foster communities, perhaps even encouraging their generation?

## 7.2 *Philosophical technicalities: expected consequences, "welfarism", externalities*

But besides Pigou's pragmatic rule discussed above, how (and exactly where) were communities and social goods left out of economics? Because of course the classical economists, from Adam Smith onwards, were aware that markets neither existed in a vacuum nor constituted (even with government) the entirety of social space, and (as noted), even the great neoclassical Alfred Marshall seems aware, for example, on almost every page of his *Principles of Economics* (1890-1920/1961), that there is a wider social context, often difficult to measure, but highly significant for human life nevertheless, and thus necessarily inseparable from economics.

Olof Johansson-Stenman (1998) attempts to get at "the problematic link between fundamental ethics and economic policy recommendations" but, although he ends up (p. 301) pointing out that "humans act in a social context, and hence... we may need to go beyond reductionist individualism", even his conscientious approach somehow misses the utility derived directly from communities and social goods. When he immediately thereafter (still p. 301) points out that "a well-working economy needs well-working institutions", and that "the development of proper institutions is particularly important for the developing world and transitional economies", it is clear that his conclusion concerns social *capital*, not social *goods* providing utility to people directly.

Communities would certainly seem to have something to do with inculcating and fostering the "intrinsic values" that Johansson-Stenman discusses (pp. 282-3) on the way to that conclusion, but yet, as he points out, those values must ultimately be explainable in terms of expected consequences, "indirect, dynamic and complicated" as they may be. As will be discussed further below, however, it's not always clear that it's the expected consequences to an individual *now* which matter; it may well have been the expected consequences in the "ancestral environment" in which we evolved that shaped our needs. In any case, as Johansson-Stenman notes, "to rule out non-consequentialist ethical theories, and that actions may have intrinsic values, are serious restrictions". The problem he is pointing to, then, is that the consequences of ruling out those non-consequentialist ethical theories are rarely if ever explored even theoretically, let alone when it comes to practical policy recommendations, and certainly not at the level of general education or of communication with the public, who are, after all, the ultimate consumers of policy recommendations based on economic theory (Mayer 2001, especially pp. 78-80).

Johansson-Stenman's discussion of "welfarism" (pp. 285-7), including *individualistic* or *welfaristic* social-welfare functions, also comes close to the issue of communities and social goods without quite finding it. It's as though economic theory has been carefully crafted to avoid any visible sign of communities and social goods, leaving almost no clue that they've been left out.

Thus Johansson-Stenman doesn't point out, but might agree, that we can accept considering *only* the welfare of individuals without in any way denying the importance of the welfare of communities, because if the communities suffer, so will the individuals. If my marriage suffers, you can bet that I will too; if my religion or my city or country suffers, very likely I will too. Similarly, we might be willing to exclude ethical considerations that can't be considered as affecting welfare or utility (if there are any such), without thereby excluding welfare or utility derived from social goods produced by communities.

Ironically, where we seem to finally eliminate the social realm of communities and social goods is in the restriction to the Bergson-Samuelson “social-welfare” function (SWF), which considers only private and public goods. Johansson-Stenman acknowledges (pp. 287-9) that such an SWF excludes externalities, but proceeds immediately to a long discussion of *relative consumption*, apparently on the grounds that “conventional externalities” such as air pollution and noise are thoroughly discussed elsewhere. But although the “social externalities” accompanying the development of market society have been thoroughly discussed in the sociological literature (e.g., Polanyi 1944/68), they are conspicuous by their absence in the economics literature (except in Mishan 1967/93, Burenstam Linder 1970, Hirsch 1976, and of course Hirschman 1986/92, all of which seem almost totally ignored by later economists). Thus the Bergson-Samuelson “social-welfare” function eliminates communities, while social externalities (e.g., negative effects of markets on communities) are to my knowledge nowhere addressed in current economic theory, nor are social goods directly.

### **7.3 Frank Knight and methodological individualism**

Perhaps because they’re economic sociologists rather than economists, Smelser and Swedberg (1994) have an easier time of recognizing that community has been left out of economic theory, and explaining how it happened. They blame Frank Knight! As hinted at earlier, the key is of course “methodological individualism” (p. 4), which they characterize (p. 5) as “the actor is uninfluenced by other actors”, or, as economic anthropologists Mary Douglas and Steven Ney say (1998, p. 5), the actor is “a generalized human individual conceived as nonsocial or presocial”.

Frank Knight himself laid out the basic assumptions of economics this way (1921/40, p. 78, italics added): “Every member of society is to act as an individual only, in entire independence of all other persons. To complete his [sic] independence, he must be free from social wants, prejudices, preferences, or repulsions, or any values *which are not completely manifested in market dealings*. Exchange of finished goods is the only form of relation between individuals, or at least *there is no other form which influences economic conduct...*” (or, presumably, which economic conduct influences).

So that spells it out pretty clearly: Via the adoption of methodological individualism, economic theory omits the social realm entirely, simply assuming that communities and social goods don’t exist. Of course Smelser and Swedberg didn’t really accuse Frank Knight of responsibility for the omission; actually, they credit him with being honest enough (and thorough enough) to express it openly and clearly.

Roy Harrod (1971, p. 64) also mentions an old definition (which seems to have gone out of favor) of economic goods and services simply as “those capable of being exchanged”, thus excluding “goods like friendship or mystical experiences”. That too limits the field quite clearly, though still begging the question of possible effects of “economic” activities on those other goods.

## 8. How has omission of the social realm contributed to criticism of economics?

### 8.1 Some general criticisms of markets and economic theory

Both economics and markets have poor reputations among many segments of the public. Steve Keen asserts (2001, ch. 2) that "economics is deeply unpopular, and its unpopularity spans all social spectra". And Alan Greenspan (2000), chairman of the U.S. Federal Reserve, noted that "there remains considerable unease among some segments [of the public] about the way markets distribute... wealth and about the effects of raw competition on society". (See also Korten 1995, as well as much of the literature on "economics and religion", including, for example, The Think Sangha 1997-98.)

Is the problem with economic theory that using mathematics obscures the inherently social nature of the subject? Keen argues instead (in ch. 12, subtitled "Why mathematics is *not* the problem") that "economists have obscured reality using mathematics because they have practiced mathematics *badly...*" (emphasis added).

But Alexander Rosenberg (1994, p. 230) says economics simply *is* mathematics: "Much of the mystery surrounding the actual development of economic theory -- its shifts in formalism, its insulation from empirical assessment, its interest in proving purely formal, abstract possibilities, its unchanged character over a period of centuries, the controversies about its cognitive status -- can be comprehended and properly appreciated if we give up on the notion that economics any longer has the aims or makes the claims of an empirical science of human behavior. Rather we should view it as a branch of mathematics..."

In the introduction to his *New Directions in Economic Methodology* (1994), Roger Backhouse summarizes many similar and related recent criticisms. "[Terence] Hutchison sees [economics] as having turned inwards, away from real-world relevance" (p. 16). As Hutchison (1994, pp. 27-29) says: "[I]nterest in policy problems has declined significantly... replaced... by games-playing... or by technical virtuosity in the form of empirically vacuous mathematical 'rigour'..." Summarizing Meriel and Thomas Bloor (1993), Backhouse says (p. 11): "The real world... appear[s] not to be regarded by economists as central to their field..." David Colander (1994, p. 46) similarly lists "do not worry about real-world applicability" in his list of "unwritten rules for academic economists".

Of course allegations of unreality are nothing new for economic theory: Durkheim (echoing Comte) saw most of economics as pure metaphysics (Smelser and Swedberg 1994, p. 11). But things haven't gotten better in the century or more since. Backhouse (1994, p. 15) summarizes Thomas Mayer (1993): "Economists have devoted excessive attention to the strongest links in their chains of reasoning, neglecting the all-important weakest links, and [yet] have claimed an unwarranted degree of precision for their results." Mayer (1993, p. 18) says that "economists... take an important problem and work primarily on those aspects of it that can be formalized, and hence treated rigorously. The other aspects of the problem are then handled by arm-waving."

Consequently, as James C. Scott (1998, p. 294, emphasis added) says: "Taken together, the parts of the landscape *occluded* by actual [economic] practice -- the blind spots, the periphery, and the long view... constitute a formidable portion of the



real world." Anthropologist Keith Hart (2000, p. 261) concludes that "economists are traditionally committed to obfuscation".

Mayer (1993, p. 7) concludes more diplomatically that "economists often draw policy conclusions from models that, for reasons of tractability, deal only with a part of the problem... Schumpeter called... that failing... the 'Ricardian vice'... [A] more modest economics" would be more appropriate. As Deirdre McCloskey (2000, p. 219) also notes: "Economists would be less arrogant and less dangerous as experts if they had to face up to the facts of the world. Perhaps they would become more modest, as modest even as the physicists of renown." But as Franklin M. Fisher (1989, p. 123) explained: "There is a strong tendency for even the best practitioners to concentrate on analytically interesting questions rather than on the ones that really matter for... real life... The result is often a perfectly fascinating piece of analysis. But so long as that tendency continues, those analyses will remain merely games economists play."

But why would economic theory have taken a course that exposes it to such criticisms? Backhouse (1994, pp. 6-7) summarizes E. Roy Weintraub (1991), who "aims... to understand the way the [general equilibrium] literature evolved", and (p. 12) Alexander Rosenberg (1992): "General equilibrium theory explains very little, it is not a necessary precondition for undertaking partial equilibrium analysis, and it generates no useful predictions." While this may be an exaggeration (but how would we know, if we've neglected to consider an entire huge category of possible consequences?), Rosenberg's point is that "the rationale for general equilibrium theory is clear... as part of a normative enterprise" (Backhouse, p. 12). In other words, in line with the normative views of most economists, general equilibrium theory appears (rightly or wrongly) to defend the market system (just as the public perceives, and often resents).

Economist Robert Nelson (1991, p. 121) comments that modern economic theories typically offer an outward denial of theological content, while inwardly exhibiting the essential characteristics of religion. Sociologist John Boli (1995) argues that neoclassical economics "contains all of the major elements of a religious system, including a worldview or cosmology, a coherent value system, a logical belief system, factual claims about the empirical world, determinist laws of causality, and common rituals and practices" (described in Haddorff 2000, p. 492).

General equilibrium theory is of course based on the notion of "rational choice". As Daniel Hausman (citing J.S. Mill and Lionel Robbins) also explains (1994, pp. 206-8): "Economics is defined in terms of the causal factors with which it is concerned... [It] has a distinct domain [the "economic realm" of markets], in which its causal factors predominate... Economic [i.e., market] phenomena are the consequences of rational choice that are governed predominantly by pursuit of one's own consumption and profit. In effect, economics studies the consequences of rational greed." Keen (2001, ch. 2) says "this hedonistic, individualistic approach to analyzing society is a source of much of the popular opposition to economics".

Amartya Sen (1977) is also dissatisfied with the term (and the concept) "rational choice". But why are economists hooked on it? Backhouse (p. 12) summarizes Hausman (1991) to the effect that "economists are concerned for the separateness, or autonomy, of their science -- that it should not depend on sociology or psychology as would be the case if economists were to turn to these disciplines for their

behavioral assumptions. This desire that economics be separate accounts for economists' attachment to the notion of rational behavior."

But does it really matter whether economists focus exclusively on rational choice, as long as the results -- the resulting predictions -- match observed reality fairly well? Besides the fact that they may not, Backhouse (p. 16) says: "How do the mathematical tools used by economists influence the content of their theories? ... Is economic thought a simple reaction to changes in the 'economy', or is the [economy] constituted by our inquiries?" Philip Mirowski (1994, pp. 62-3) answers that "it is not at all clear, either historically or now, that the subject matter of economics is 'naturally' quantitative... Mathematical discourse itself influences the very content of the social theories it supports and maintains... [through] an excessively deterministic conception of order."

Given all these methodological criticisms of economics, is it any wonder that much of the public also views economics with some skepticism? Rather than dealing with markets in all their aspects and ramifications (as one might have imagined), or even with utility and scarcity in all their aspects and ramifications (as it presents itself as doing), economics has in fact reduced itself to utility-maximization (or "rational-choice") theory -- but still without considering all the consequences. This is not what the "patient" (the public) expects when it turns to economic "doctors" for help with social problems relating to markets, and the public is naturally often disappointed in the results.

## **8.2 How these criticisms relate to the omission of communities and social goods**

As I've argued and hopefully demonstrated to your satisfaction, one central aspect of the real world that is missing in economics is the social realm of communities and social goods. In Mayer's (1993) terms, "universal markets" thus seems to be an obvious *weak link* in general equilibrium theory: There are, and can be, no markets for social goods.

With regards to economics as theology (e.g., Boli 1995), Robert Whaples (1995) notes positive "changes in attitudes among college economics students about the fairness of the market". Should we interpret this result as being due to their having become better informed, better educated -- or better indoctrinated? As religion, the only thing missing from economics would seem to be something usually considered central to religion, a real understanding of, and high valuation upon, community. (For more on economics as ideology or theology or religion, see for example Everett 1946; Walsh and Gram 1980; Finn 1983; Block, Brennan, and Elzinga 1985; Block and Hexham 1986; Brennan and Waterman 1994; Loy 1997; Dean and Waterman 1999; Oslington 2000; Klamer 2001; see also Turney, 2001, p. 232, on science in general as religion.)

Not only mathematics (Rosenberg 1994) but the appearance of formal logic has also been abused in economics. Besides the examples already given, consider Boadway & Bruce's well-known and much-used text on Welfare Economics (1984/93): Read through it carefully and try to discover -- in all the logical permutations -- exactly where it is that communities and social goods are left out. Such excessive formalism (without actually dealing with all the real issues) is presumably one of the reasons why Deirdre McCloskey (2000, p. 211) refers to an interest in abstract general-equilibrium theory as "necrophilia".

Contra Hausman (1994) above, economics doesn't seem to even study *all* the consequences of rational greed; rather -- violating the otherwise seemingly-sacred principle of accounting for *all* the effects, even the *indirect* ones -- economics leaves out the effects on communities and social goods. Hausman then goes too far when he asserts (p. 206-8, emphasis added) that economic theory provides a "unified, complete, but inexact" ... "account of *all* economic phenomena", by which he instead means that economic theory provides an account of all phenomena in the "economic realm" (p. 206), i.e., "market phenomena" (p. 208) -- but not an account of all phenomena significantly affected by "economic" causes.

### **8.3 Criticisms of economic rhetoric based on omission of the social realm**

How does the omission of the social realm affect the language used in economics?

Deirdre McCloskey advocates clear awareness and thorough ongoing review of the "rhetoric of economics". In the original (1983) article by that name, and elsewhere since, she has suggested that greater rhetorical awareness would result not only in better writing, better teaching, better "foreign relations" (with both humanists and other scientists), and better dispositions (for the economists themselves), but also in better science. Gunnar Myrdal (1969, pp. 42) also noted a trend towards "scientism", of social scientists increasingly using "unnecessarily elaborate and strange terminology". And Hal Varian (2001, p. 133) says: "I hate to say it, but economist terminology is terrible."

Backhouse (p. 11) also cites methodologists' concerns about "the nature and implications of the language... used in scientific papers [and] textbooks..." Charles Bazerman (1988, p. 279) refers to "a kind of hypocrisy of the discourse that leads important issues... to appear in only covert ways. The official style of contemporary economics seems to exclude a wide range of ... traditional moral, social, and policy questions about economic choices... [T]hese excluded forms of discourse have not vanished; they have just become hidden, making their discussion fragmentary and insufficient."

Frank Hahn, in the introduction to his book *Equilibrium and Macroeconomics* (1984, p. 8) also says: "There are... those who believe that definitions and language do not much matter as long as they are consistently employed, [but] definitions... have an immediate and potent influence on the analysis which follows, and language has enormous potential for good or ill."

For example, because economics misrepresents itself (even to itself) as we've seen, economists often use terms and concepts which appear to others to be patently false and inappropriate. Theoretical analysis of "social welfare" typically gives no consideration of any kind whatsoever to effects on communities and social goods, which one might otherwise have thought were "social". As Mirowski (1994, p. 54) says: "What is so 'social' about social science?"

Similarly, "general equilibrium analysis" is only "general" with respect to market goods and perhaps public goods, not to social goods. As Uskali Mäki (1994, p. 243) says: "Walrasian analysis is partial [not general] in excluding culture and gender" -- and, we might add, in excluding communities and social goods more generally.

The assumption of "universal" or "complete" markets is necessary to reach the "Fundamental Theorems of Welfare Economics" (Arrow 1977/83), and yet the fact that social goods are neither private marketable goods nor public goods -- and thus

are not included in the analysis at all -- is nowhere mentioned. How "universal", "complete", or "fundamental" is that analysis?

So we have general equilibrium theory, but what's "general" about it? We use the theory, including the fundamental theorems of welfare economics, to draw conclusions about social welfare, but what's "social" about it? Nowhere to be seen are true social groups (communities), such as families, neighborhoods, and religious groups. We make a pretense of axiomatizing all the assumptions and analyzing their variations and consequences in infinite detail, and we talk about "universal markets" or "complete contracting", and yet the social goods which communities provide are not included in the analysis, and the lack is not even mentioned. What's "universal" or "complete" or "fundamental" about that?

A basic lesson of economics is to consider not just the most obvious effects, but to root out even the indirect effects. Have we done that? Should we accept the implicit assertion that we've thoroughly covered all the significant exceptions to "universal markets"?

## **9. Can economic theory incorporate communities and social goods?**

If communities don't fit into economics easily because they aren't represented adequately by utility-maximization models, what motivates community, what is its evolutionary basis (Stark 1995/99)? Is something other than utility-maximization required (Wright 1994, Sober and Wilson 1998, Boehm 1999)?

### **9.1 What motivates communities?**

Humans (like most other primates) have always lived in groups. In the "ancestral forest" in which humans evolved away from the common primate ancestor, the primary community was the hunter-gatherer band (British Museum 1980, p. 73). And individual survival was closely dependent upon the survival and prosperity of the band, so that self-preservation can be an ultimate motive for human interest in communities. Even today, as anthropologist Wade Davis (2002) says, "in most of the world the community still prevails, for the destiny of the individual remains inextricably linked to the fate of the collective", though "a culture that celebrates the individual at the expense of family and community has difficulty understanding that".

But even if individuals originally cared only about themselves, theoretical biologists W. D. Hamilton (1963) and Maynard Smith (1964) pointed out that "inclusive fitness" or "kin selection" (altruism towards relatives) would evolve, and beyond that, "reciprocal altruism" (altruism between friends; Trivers 1971). But further, both altruism towards relatives and altruism between friends are special cases of group selection, which would also operate for the group as a whole (Sober and Wilson 1998), so that any group in which some individuals exhibited altruism towards others in the group might survive and reproduce more successfully than those in which none did. Even if the altruists were less reproductively successful than were others in their own group, their success (assuming a non-zero reproduction rate) would be strengthened by the success of the group as a whole, so that their genes could eventually predominate (or at least play a significant role) in the general population.

Furthermore, it seems likely that, in humans but not in other primates, an early political revolution reversed the normal dominance of "alpha" males in favor of a coalition of "underdogs", who thereby instituted the egalitarian democracy universally

noted among hunter-gatherer bands (Boehm 1999). During the hundreds and even thousands of following generations before the advent of agriculture, the reduced reproductive success of alphas would have further skewed psychobiological evolution in these bands in the direction of band-altruism. Boehm suggests that the tendency to develop cultural mores and institutions reinforcing egalitarianism and altruism (and thus community) would similarly have evolved at the biological level (e.g., see Nathanson 1992), because of low cost and high pay-off to those doing the reinforcing.

Of course band-altruism is not generalized goodwill for all humans. Rather, it is focussed on maintaining identified communities, which can also have undesirable consequences (especially for non-members). But some of the consequences are desirable; a requirement for their expression is the presence of identifiable communities, and the identification by individuals with them. Can economic theory find ways to incorporate these communities?

### **9.2 Other issues and questions regarding inclusion of communities and social goods**

We have noted a lack of confidence in current economic theory, not only amongst the general public, but amongst specialized economic methodologists as well. One way to get back its credibility might be for the economics profession to recognize its responsibility to reiterate constantly the limitations of its analysis, i.e., rather than denying their existence, to point out frequently and clearly that communities and social goods have been left out of the analysis. Another way would be a further attempt to analyze and model "non-economic" (i.e., social) areas, so that at least the general nature of those areas would be recognized in welfare analysis.

It's not difficult to conceive of communities of all kinds -- whether based on kinship, geography, or belief -- as productive organizations, producing social goods such as (to repeat) a sense of identity, belonging, and status, meaning and purpose, love and friendship, and even social norms such as tolerance and common courtesy (there are undoubtedly social bads produced as well). How do such communities and the related production of social goods interact with markets and the production of private and public goods heretofore focussed upon by economics?

Social-capital theory suggests that some social goods may act as positive inputs both to private (and public) productive processes and to market exchange. Is it possible that some social *bads* also act as *positive* inputs for market production and exchange? Conversely, is it possible that some social *goods* (as well as some social bads) may act as *hindrances* to market production and exchange?

In other words, we can conceive of social needs and desires (as distinct from "economic" needs and desires, i.e., those potentially met via markets) as being met by social goods. Is it then possible that some of those social goods incidentally serve as inputs to market production and exchange, while others serve as hindrances? And likewise, is it conceivable that some things we might consider social *bads* (i.e., in relation to our *social* needs), might nevertheless serve as *positive* inputs for market production and exchange (while others might serve as hindrances)? It would seem then that social-capital theory might be somewhat more complex than usually considered.

But so far this only covers the effects of social goods (and bads) on market production and exchange. As we've discussed throughout this paper, what about reverse effects, of private (and public) production processes -- and of market exchange itself (and even of the study of economics) -- on communities and the social goods (and bads) they produce?

Putnam used the term "social capital" (above, section 4.3.1) as a source not just of wealth, but also of health and wisdom. For economic theory to embrace that understanding of social capital would seem to require an understanding of "social goods", as distinguished from market and public goods. As Partha Dasgupta (1993, p. 87) similarly points out, life expectancy at birth is a major constituent of utility which isn't always correlated with per capita income (e.g., Mauritius, Sri Lanka, and China) -- but which we may suppose probably has more to do with communities and social goods (as well as with public goods, which in turn may depend on communities and social goods).

If communities and the production of social goods are positively or negatively affected by private (or public) production processes (or by the process of market exchange, and even by the study of economics), how should those effects be incorporated into economic theory? Can they be modeled, and if so, how? (This paper doesn't aim to answer these questions, merely to pose the challenge. And if communities *cannot* be thoroughly incorporated into economic theory, how should we then warn our students, policy-makers, and the public about the omission of the social realm from our analyses and conclusions?)

Some further questions include:

- How can we understand (and model?) the current social decline?
- Is "jihad" (nationalism) as a reaction both to the rise of nation-states, and now to globalization, a healthy or unhealthy attempt to maintain community (Barber 1995; Friedman 1999/2000)? What are the alternatives?
- Beyond the typical microeconomic and macroeconomic concerns (including equity), are there other ways in which economics and markets can contribute to healthy social development? How can communities be maintained or provided in the face of the globalization of markets? If communities are needed, how can they find the economic resources which they in turn undoubtedly need?
- Have wages, rent, and profits exhausted the economic pie, or was the problem mis-specified, so that, as seems to be implied in social-capital theory, community should be included as a "factor of production" as well (Gudeman 2001)?

#### **10. What could be gained from including the social realm in economics?**

Analyses such as Becker's, and the others discussed in section 6.2 above, may be a beginning, but they haven't yet succeeded in incorporating utility derived from social goods into *welfare economics*, and thus any conclusions based on welfare economics would seem to be fundamentally flawed. This is the basic message of this paper, similar to -- though not identical with -- "the peculiarity of traditional welfare economics in insisting... both that social judgments be based only on utility information *and* that the utility information used be in a particularly poor form..." (Sen 1979, p. 336).

Our social environment seems to be every bit as profoundly affected by markets as is our natural environment (Mishan 1967/93). Economic development is now forced to confront the idea of environmental sustainability -- but what about *social*

sustainability? This is the second major point of this paper: Impacts of markets (and economics) on our social environment may be large, and thus cannot be ignored.

There are undoubtedly even interaction effects between social and environmental problems. The "Ecosocialist Manifesto" (<http://www.joelkovel.org/ecosocialist.html>) maintains that "the crises of ecology and those of societal breakdown are profoundly interrelated and should be seen as different manifestations of the same structural forces". And Jonathan Boswell believes (1990, p. 197, emphasis added) that "the 'green tendency' is a... potentially favourable current which badly needs a democratic *communitarian* framework; ...a concern for man's *habitat* and for future generations cannot stand apart from other expressions of *community*."

Thus there is a paradox in that we need to study the implications of utility-maximizing behavior so as, when possible, to make use of them for the good of all (the "invisible hand") -- and conversely to protect ourselves against naïve reliance on universal goodwill -- but if focussing on utility-maximization destroys communities and social goods (values) on which we depend at a deeper level (Marwell and Ames 1981; Frank, Gilovich, and Regan 1993), then we may have lost in the long run. Since solutions to many *environmental* problems may depend on communities and social values, we may have compounded our problems.

But while environmental economics has in recent years become a major field of economics, "social economics" inexplicably continues to languish. As David Kiron says (1997, p. 69): "The effects of the market on social relationships... are inappropriately excluded from the realm of economic discourse, just as pollution once was."

As noted above, Becker and Murphy's recent (2000) book "Social Economics" is merely an exercise in utility-maximization and social capital, focussed on social effects on markets, not the other way around. The phrase "social economy" is starting to be used in a practical way in Sweden (e.g., see <http://www.se-malmo2002.nu>), but it seems to refer to the "non-profit" or "non-governmental" sector -- including cooperatives and many other organizations that could be either public or private -- perhaps without much theoretical basis in what makes social goods unique.

On the other hand, there are some resources available. For example, there is a small, little-known school of "social economics", represented by the Association for Social Economics (ASE: <http://www.socialeconomics.org/>), incorporated in 1941 as the Catholic Economics Association, but open to all since the 1960s, and which also uses the term "personalist economics" (O'Boyle 2000). ASE is associated with the journal *Review of Social Economy*, and there is also an *International Journal of Social Economics*.

Some other heterodox (i.e., non-neoclassical) schools of economics are also relevant: e.g., feminist economics with the study of "caring behavior"; institutional economics with its general concern with institutions of all kinds in their relations to markets (e.g., Solo 1967; Stretton 1999); and Marxian economics' concern with alienation due to the destruction of community, as well as community aspects of economic class, and even the "heroic, altruistic or even irrational" deeds (Baumol 1970, p. 23) which it is believed can shape history.

And, because so much about the effects of markets has been left out of economics, there is also a vast literature in both economic anthropology (e.g., Gudeman 1986 and 2001; Douglas and Isherwood 1979/96) and economic sociology (see Smelser

and Swedberg 1994). The Society for the Advancement of Socio-Economics (SASE: <http://www.sase.org/homepage.html>) founded by Amitai Etzioni includes both sociologists and economists.

### **10.1 What could be gained generally from including the social realm in economic theory?**

There is undoubted value to be derived from economic theory, and thus a major concern here is that economics, because it misrepresents itself, is poorly understood and under-appreciated -- in fact, deeply mistrusted -- not only by much of the public (as noted above), but also by many heterodox economists. If economics can understand and present itself better (Mayer 2001), it will likely be more modest -- a good thing in itself (Johansson-Stenman 1998) -- and it might also be more effective in its market-oriented goals. It might even be able to help us adjust to the post-industrial, post-modern age we seem to be entering.

If during the Neolithic epoch (now ending, or recently ended) we learned how to satisfy our ancestral needs for community and identity, meaning and purpose, friendship and status, etc., via nuclear and extended (but perhaps not split) families, and through particular forms of religion, schools, government, and cities, would it be wise to dispense with them all at once? Complexity- (chaos-) theory (e.g., Kauffman 1995) teaches us about the possible catastrophic effects of even small changes. What about large ones? At the least we might want to devote some thought and effort to whatever could take the place of the social institutions (communities and their values) that we seem to be fast losing.

It might behoove us all to pay some attention to what we will rely upon for social order and stability in the future (Ogburn 1922/50; Nisbet 1953/70; Lifton 1993). Markets and utility-maximization will not satisfy our deepest needs (Sen 1977; Etzioni 1988; Schwartz 1995), but they may have profound impacts on how -- and whether, and to what extent -- those needs are in fact fulfilled (Rodrik 1997). To the extent that they are not fulfilled, we will likely see further growth of Islamic (as well as other sorts of) fundamentalism and further terrorist backlash against globalization (Friedman 1999/2000; Lindsey 2001; G. Rosenberg 2001).

Of course social concerns are recognized even now, but largely tacitly. For example, as Roy Harrod (1971, p. 72) points out, we could probably reduce the cost of production and thereby increase GNP by instituting more "shift-work" -- two (or even three) shifts of workers per day using the same equipment -- but we don't do so, largely for social reasons.

The "real-world" challenge is how to develop economically without destroying the social (as well as the natural) environment (and sometimes how to encourage the recovery of either or both where they have already been destroyed). Even in terms of strictly economic development (in LDCs) -- which is of course not a straightforward function of transfers made or capital invested -- development aid could undoubtedly contribute, for example, to increased education and better healthcare (Stiglitz 2002). But development aid in turn is largely a function of political will, which might be facilitated if economics were perceived as less deterministic and more truly social.



## 10.2 Specific points for consideration and action

1. For economists, who often seem not to even know that communities exist, the first point to establish is that in fact society can be well understood as composed of three main realms: social, economic, and political -- or community, markets, and government (the state) -- based, respectively, on identify, on impersonal exchange, and on power. Although seemingly unknown in economic circles -- with the notable exception of Kenneth Boulding (1978, 1980, 1985, 1990), who used it repeatedly to good effect -- this simple taxonomy pops up almost everywhere, once one starts watching for it. Even economists, when doing practical analysis, will very often refer, seemingly unconsciously, to "the political, economic, and social factors". (An obviously conscious example is Yujiro Hayami 1989). According to Goodman's (1985, pp. 79, 81) "principle of objectivity", something (like communities) which have real effects should thus be acknowledged as real themselves.
2. Many discussions of government versus markets could usefully be broadened to include consideration of the social realm and possible impacts on (or even uses of) communities and social goods. While most types of communities cannot be created by markets or government directly, they can certainly be influenced by markets and government -- perhaps even destroyed, and presumably supported as well. How can (and should) markets -- and government policy about markets -- influence community? A whole field of study awaits. As with trade policy (Bhagwati 2000, p. 210), it may well be that economists will want to point out better and worse ways to intervene -- but not if we haven't even recognized the problem and the possibility of intervention.
3. The first "intervention" would be simply the fact of recognizing the existence of the social realm of communities and social goods, of *something* existing in the world besides markets and government. An immediate payback, which at least parents of small children might recognize, could be the realization that families are fundamentally social (i.e., identity-based), not political (i.e., power-based), and hence (ironically) that they cannot be expected to be "democratic" in all their details.
4. Can economics model communities and social goods thoroughly, including the utility derived directly from them, and the effects of markets upon them? To do so will probably require using what Etzioni (1999, ch. 4) calls "multiple utility", i.e., some basic ethical standard, some sense of duty, or what I've called above "band-altruism", in addition to calculated self-interest. But even in neoclassical terms, Burenstam Linder (1970) and Hirsch (1974) provided insight into the decline of community which may be helpful, and, as noted above, there have been initial attempts at rational-maximization analysis of identity, status, and social norms. What seems yet to be totally missing is any awareness of these concerns in welfare economics or in explications of basic utility theory.
5. While we wait for such a thorough analysis, it could be good to change "deceptive" language, such as the use of "social welfare" when perhaps "collective economic welfare" is really meant (with "economics" clearly defined *not* as referring to scarcity in general, but to marketable wealth in particular). It can't be good for economics, or for economists, to be seen as deceptive.
6. Any discussion of "universal markets" or "complete contracting" would be more thorough (and honest) if they noted the lack of social goods. Similarly, any

discussion of "utility" could include a discussion of utility from social goods and how it might be different from utility derived from marketable goods (or from public goods). Are they separable or competitive, substitutable or complementary, or what? More generally, any discussions of "general equilibrium theory" or of the "fundamental theorems of welfare economics" would also be more thorough (and more honest) if they too noted the lack of social goods, and discussed the ways in which marketable, public, and social goods interact. Again, especially given our pretence of formalization and thoroughness, doing this much would seem to be the minimum to avoid charges of blatant deception.

7. If community (social capital) is considered as an input into the production process (or even into the exchange process), then it would seem reasonable that some remuneration be paid to that input, whereas leaving it out of consideration would result in misspecification, and too much remuneration paid to the remaining factors. Thus the political argument frequently heard (at least in the U.S.) that "it's *my* money" may not be quite correct. Society may have a legitimate claim on some of the gross earnings of the firm even beyond that part which the government extorts directly or indirectly for political purposes. (For Benjamin Franklin's support for this position, see Dorfman 1946, p. 227.) Perhaps it would be logical that such social "factor remuneration" be paid directly from productive enterprises, rather than as a tax on labor, however. How that "social remuneration" could and should be directed to the support of community awaits further research and debate.
8. The need for diverse small-scale communities with real functions and real significance in people's lives, and thus the need for pluralism and political decentralization (Perrin 1999, p. xviii), might also militate (*contra* Snooks) in favor of *larger* political structures, such as the European Union or world federation, or some structure intermediate between them (Streit 1939). Federation, for instance at the European level, not only provides a larger sense of "community" (while attempting to build upon the sense of community already existing), but it also reduces the "garrison mentality" that has characterized the growth of modern centralized states, thus allowing a greater possibility of internal decentralization. This has been demonstrated most noticeably so far in Britain, with devolution of powers to Scotland and Wales. Further decentralization, creating or strengthening federal systems, may be in the offing, even as larger federal systems are also aborning. Greater inter-national cooperation in governing cross-border communities, or in special situations such as Northern Ireland (where Great Britain and the Republic of Ireland are cooperating), may also result.
9. Finally and most generally, social commentators have for centuries pointed out the alienating effects on society from the onslaught of science and technology, capitalism, industrialization, and urbanization. Even without the mythological aspects of traditional religions, "the search for wisdom" goes on (James 1902, Schwartz 1995, Wright 2000), and despite some anti-religious interpretations of evolutionary theory, it seems that we may be "at home in the universe" after all (Kauffman 1995). But our socially-constructed personality structure may need to be rebuilt, or allowed somehow to "float" (see Lifton 1993; also Nathanson 1992, chs. 30-1). It might not be totally inappropriate for economists to at least be aware of how markets and even economic theory have contributed to current social and psychological problems, and of the importance of efforts to reconstruct the social realm of communities which is so important for personality

development. Perhaps we as economists can even find ways to contribute to solutions.

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