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The price of protection

It is not just the environment that needs our attention - we have also witnessed a social climate change in recent years.



Henning Meyer

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The European Union last week celebrated a breakthrough in the fight against climate change. It set itself the ambitious target of a 20% greenhouse gas reduction by 2020. One of the desired outcomes of this EU initiative is a to have positive effect on other major environmental polluters such as the US and China. Compared to the level of European commitment, they have to come a long way. But climate change is not the only issue of global importance that needs urgent attention. Similar to environmental decline, we have also witnessed a social climate change in recent years.

The same economic logic that produced the "biggest market failure in history" in the environmental arena (according to the Stern report) fails social protection too. Similar to environmental protection, social protection comes at a cost. The Stern report argues that we are better off bearing these costs now to prevent further environmental decline rather than dealing with the devastating effects and enormous costs of a fundamentally changed climate in the long run. I would argue that this is also true for social costs.

In environmental and social matters, the market fails because the real long-term costs are not reflected in the rather short-term economic costs. China is a good example of this. Anyone who is unaware of the real costs of cheap products from China should read the recent Amnesty International report on the human costs of the Chinese economic miracle. Between 150 and 200 million migrant workers are exposed to the worst of conditions, without healthcare, education, appropriate accommodation and adequate remuneration for their work. With its so-called hukou system the Chinese government provides what is needed for its primary aim of fast economic growth: cheap and powerless labour. The economy, meant to be an engine for wellbeing and human progress, does not work for a huge share of Chinese workers.

These appalling conditions reduce the costs of Chinese products manufactured for our western markets. This comparative cost advantage bought at great human expense has also put European welfare states under great pressure. So when somebody argues that the poorer citizens in western societies benefit from cheap imports this is only superficially true. These manufacturing conditions put enormous pressure on jobs and social protection in the western world and Chinese workers do not benefit to the degree they should. If we do not correct this system, the pressure on jobs and social protection in the western world will further increase. An improvement of conditions in China without intervention seems unlikely at least in the short term.

The welfare states in Europe offer the sort of social protection that should also be offered to workers elsewhere. In a further similarity to the environmental issue, social protection does not just produce costs but also economic benefits. Environmental protection generates demand for new energy efficient technologies which is now seen as a market of the future. And social protection increases overall productivity and economic demand by a healthier workforce and some degree of income security. On the other hand, if we do not bear the costs of social protection systems now, we run the danger of generating powerless and impoverished workforces in developing countries and risk that our own social protection measures are deconstructed by the Zeitgeist of economics.

The global social climate has become rougher with unpredictable human costs. What can be done about it? Our demand for cheap products keeps this system going. The European Union, having the power of the biggest market in the world, should put the positive change of the global social climate together with environmental protection on the top of its political agenda. It should work to maintain its internal social protection systems and discuss social standards for access to its single market. By doing so the EU could re-engage its disenchanted citizens, who complain about the lack of a European social agenda and the union would renew its purpose as a driver for positive environmental and social change in the world. It is an encouraging sign that the environmental issue is now dealt with seriously on the highest political levels but it is time that the issue of social climate change is put on the political agenda too.

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