Palabras: 10,401
Caracteres: 69,187
24.X.14

**SOCIAL POLICY GAPS**

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**Abstract**

The concentration of income and wealth and the erosion of labor markets translate into a lack of protection for populations. Social contracts are broken, wages shrink and labor surpluses persist, and translate into unemployment or informal jobs, preventing social policy from providing society with essential security and legitimizing governmental policies in the process. On a global and national scale, the time has come to supplement or substitute the old harmonizing functions of labor markets between economy and democracy. At the same time, governments must to recover the capacity to protect general interests and stop defending exclusively those of the elites. This paper presents limited suggestions for policy change, and recognize that large distance separtes the formulation of new paradigms on the global and national socio-political orders. However, it is time to analize alternatives in the face of increasing income disparities and a seemingly endless global crisis.

**Introduction**

Saying that social policy of any given country is a historical product is quite a common place. What is not always highlighted is the gap between the large or small accumulative political and economic adjustments, derived of the changing circumstances, and the frequently invariant protections that are offered to the population.

Social policy performs irreplaceable functions, from legitimizing governments to providing security for the population, especially for the social segments with least resources. Relieving poverty is not the only purpose of these policies; rather, they are designed to reduce the impact of social contingencies, create collective services, and provide citizens with public goods. It is a matter of preventing or mitigating risks, and then compensating them when they do appear according to agreed standards, while sustaining accepted norms – although always in dispute – regarding income and wealth distribution.

Social policies, especially when they gain stability, are the inevitable result of political compacts. Governments and elites agree to or impose common denominators, which are frequently minimal, of social protection given to their populations. These policies perform functions such as safeguarding the legitimacy of the governments and the peace of the citizenry, to providing security for the different social strata. In other words, they pursue multiple objectives which are not confined (nor may they be confined) to relieving poverty, correcting or compensating for social risks – disease, old age, unemployment, income insufficiency – following to known regulatory standards. In this light, social policy is not reducible – as often occurs with salaries – to a cost of production which affects the international competitiveness of producers.[1]

Historically, the social upheaval created by the Industrial Revolution in the eighteenth and nineteenth centuries, together with the multiple constraints of the Great Depression of the 1930s, the Cold War, and chanllenge of the Soviet world, introduced an enormous social shift, the construction of welfare states, and, with Keynesianism, i.e., the acceptance of full employment as a governmental responsibility and the labor market as the fundamental institution of social cohesion. The basic shift was the opening the doors security and public or private benefits for labor in exchange for its labor market insertion accepting the discipline of the capitalist economic system.[2]

That commitment matched, point for point, the socioeconomic situation which prevailed for most of the past century and with it the prevailing paradigmatic rules. On a general level, governments, while enjoying broad

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[1] Given the huge salary differences and the surplus of labor among countries, the focus of social protection as a drag on competitiveness, unless it is exceptionally compensated by similarly enormous spreads in comparative productivity, condemn this protection to minimum international standards ("race to the bottom"). This dilemma, as old as globalization, partly explains the displacement of investment-production to areas with cheap labor and supplies. (See: Amsden, A. (2001), *The Rise of the Rest: Challenges to the West from Late Industrializing Economies*, Oxford University Press, N.York; Connelly, M. y Kennedy, P. (1994) "Must it be the Rest Against the West?" *Atlantic Monthl*y, Vol. 274, No. 6, pp. 61-84; Noah, T. (2012), *The Great Divergence*, Bloomsbury Press, New York;Ibarra, D. (2006), *La reconfiguración económica internacional*, UNAM. Faculty of Economics, Mexico).

[2] See, Webb S. and Webb B. (1910), *English Local Government: English Poor Law History*, Longmans, Green, London; Polanyi, K. (1944), *The Great Transformation*, Rinehart, New York; Titmuss R. (1963) *Essays on "The Welfare State,"* Allen and Unwin, London;Evans, E. (1978), *Social Policy 1830-1914, Individualism, Collectivism and the Origins of the Welfare State*, Routledge and Kegal, London; Ullman, H. (1981),*German Industry and Bismarck´s Social System*, Croom Helm, London; Fraser (1981), *The English Poor Law and the Origins of the British Welfare State*; Esping-Andersen, G. (1985), *Politics against Markets*, Princeton UniversityPress, Princeton; Swenson, P. (2002), *Capitalism against Markets*: *The Making of Labor Markets and Welfare States in the United States and Sweden*, Oxford University Press, Oxford; Ibarra, D. (2007) "Limitantes a los servicios nacionales de salud" in *Derechos humanos y realidades sociales*, UNAM, Faculty of Economics, Mexico.

economic autonomy, assumed responsibility for employment, growth and the distributive cohesion of society. Business management was the realm of administrators and advisors who mainly sought companies growth and capitalization, while banks and financial institutions fulfilled the subordinate role of financing businesses, governments, and families. The massive concentration of workers in factories and productive centers foster unionism, collective bargaining and homogenous working conditions. That in itself underpinned the family division of labor: the women were in charge home affairs, far from the labor market, and the men were the breadwinners. The public finances of the First World were mainly fed through progressive direct taxation which was considered to be an instrument of social equality, rather than a drag on business competitivness. Pensions for the ageing population had not yet constrained public budgets or business finances, as long as the rapid incorporation of young labor, fed by migration and demographic maturing, contributed to financing the welfare state and the pension payouts.

This entire construction of realities, norms and institutions began to crumble with the change of the international and domestic orders that subsisted until the last quarter of the past century. A combination of circumstances undermined it especially labor markets as a mechanism for social armony. Here, the transformations of the international and domestic orders are expressed alterations in their demographic and technological structures, in the international division of production and finance, as well as, in the political choosing of the great socio-economic priorities, according to rules that were becoming global. That accumulation of structural transformations and the underlying economic and political crises, have prevented social protection from transforming itself correspondingly in ways that which would allow it to recover its lost hierarchy. In particular, there would be need to supplement and perhaps even to substitute the traditional functions of the labor markets and begin to construct the social protection institutions of the future.

Therefore, it is worth by highlighting the factors which led to the erosion of the old social policy orders.

**The Labor Market**

The symptoms of the obsolescence of labor markets are impossible to hide, both in political as well as economic terms. It is notorious their shortcoming in fighting unemployment and informality. The high international mobility of capital, along with the oligopolistic globalization of production chains, offshoring, outsourcing and investment displacement towards countries with lower costs, have detracted influence from worker organizations, weakened union membership, collective bargaining and their defense of employment and salaries, politically, the movement away from the economic priorities of full employment and growth towards the quest for international competitiveness reveals the depth of the ideological movement and the resulting collapse of workers' political influence at country and world levels.[3]

The described changes have different consequences, especially the nearly universal concentration of income and the uneven productions benefits

[3] The gap in compliance with labor rights as an intrinsic component of human rights is a constant that should seek to reverse itself in the globalized world. According to the Global Rights Index of the International Trade Union Confederation (ITUC) with 176 million members, of the 139 countries analyzed, 87 do not recognize the right to strike, 53 have fired employees in order to reject labor negotiations and 35 have jailed workers for demanding their rights.

distributions.[4] In industrialized areas, unemployment appears to be long term and endemic even before the 2008 crisis and especially affecting youth and women. In emerging or developing countries, contrasting demographic phenomena prevail. In some, like China, underemployment has contracted substantially and with it, the poverty. Other regions, however, have been harmed by the informal labor explosion and distributive gaps between low and high income strata.

In the year 2000, global unemployment reached 176 million people, that is, more than 5% of the active population. By 2013, it had surpassed more than 200 million (6%) and, according to projections, would reach more than 8% of the working force between 2016 and 2018. The outlook for youth unemployment (15 to 24 years of age) is even worse. By 2013 it was estimated at 13% and in Europe at 18%, while the numbers of young people who are neither studying nor working continue to increase. Naturally, female unemployment surpasses that of males (6.4% and 5.8% respectively in 2013). Unemployment, accompanied by precarious working conditions (are temporary jobs, part-time, low quality, one low wages) or desertion as a result of discouragement in the labour market are high in industrialized countries and particularly in the European Union. There, total

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[4] See: Piketty T. and Saez, E. (2003)"Income Inequality in the United States," *Quarterly Journal of Economics*, 118, No. 1, pp. 1-39; Piketty, T. (2014), *Capital in the Twenty First Century*, Harvard University; Stiglitz, J. (2012), *The Price of Inequality*, WW. Hampton, New York; Noah, T. (2012), *The Great Divergence*, Bloomsbury Press, N. York; Zalewski, D. and Whale C. (2010) "Financialization and Economic Inequality," *Journal of Economic Issues*, No. 44 (3), pp. 757-777; Pickett, K. and Wilkinson, R. (2009), *The Spirit Level*, Allen Lane, London.

unemployment (2013) is estimated at 8.7%, surpassed only by the Middle East and North Africa.[5]

Moreover, in a growing number of countries, the ageing population swells social security outlays and endangers pension sustainability, while the economic crisis weakens public finances of most economies and in response fiscal consolidation policies are strengthened.

Another related phenomenon is the collapse of industrial employment in the First World which, along with that of agriculture, displaces occupations toward services with some job insecurity and to the detriment of union organizations. Between 2000 and 2013, manufacturing jobs have fallen from 27% to 22% of the total compensated worldwide by its rise in Southeast Asia, while in Latin America it has weakened or stagnated.[6]

As mentioned above, in many developing countries the erosion of the labor market takes different paths. In many, there is economic recovery or development without employment. In others we have increasing under employment, with extremely limited access to social protection. Informality is related to poverty, inequality[7]and educational gaps, but above all, reflects the incapacity of the

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[5] See: ILO (various numbers),*World of Work Report*, Geneva; ILO (2012), *Eurozone Job Crisis*, Geneva; ILO (2012), *Statistical Update in the Internal Economy*, Geneva; CEPAL (various numbers),*Panorama social de américalatina*; Torres, R. (2010) "Incomplete Crisis Reponses,"*International Labor Review*, Vol. 149, No. 2, pp. 127-137. However, Northern Europe appears to have emerged better from the serious general employment problems which characterized the nineties and the current crisis in comparison with the United States. In France, the probability of adult employment (25 to 55 years of age) is high and there is greater social mobility, as is the case in countries with extensive welfare states, such as Sweden, Holland, Denmark or Germany. Of course, youth unemployment is higher than that in the U.S., but student scholarships are higher and tuition costs less.

[6] See: ILO (2014), *Global Employment Trends*, Geneva.

[7] In Latin America 40% of the lowest income has access to 15% of the product and 4 out of every 10 workers lacks access to social security.

modern sectors of the economies to expand workers demand. Between 1991 and 2011, the global poor population – with income up to four dollars per day – only decreased by 0.1% annually. In contrast, the middle class and better situated strata saw their income rise at a rate of 5%-6% each year, causing serious distributive disparities.[8]

It should be reiterated that in Latin America and other places[9] informality is gaining ground and worsens what is known as underemployment in marginal activities with low productivity. In many places, the semiparalysis of economic modernization is giving rise failed labor markets. In the year 2000, informality covered more than 75% of Asian labor, more than 55% in Africa, and more than 50% in Latin America. Today, in spite of significant local progress in certain regions (China, Taiwan, Korea), the figures fluctuate between 30% and 80% of employment among those groups of countries.[10]

That issue masks secondary repercussions liberalized markets. Through national borders, globalization has thrown big numbers of unqualified workers to compite in national job markets, while technology is displacing others from automatized activities, and doing likewise for increasingly complex tasks. Recall that the growth of employment is equivalent to an increase in the GNP, minus that in labor productivity. Consequently, industry, the backbone of productivity is generally a poor employer, especially when modern manufacturing in Third World countries must face competition from the best international suppliers.

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8 See: ILO (various numbers), *Global Employment Trends*, Geneva; ILO (2013), *Beyond Macroeconomic Stability*, Geneva.

9 In Mexico, according to the INEGI, since 2005 informality has stabilized around 60% of the workforce, with females surpassing males by 1% and 2%.

10 See: ILO-WTC (2009), *The Globalization of Informal Jobs in Developing Countries*, Geneva; ILO (2013), *Global Employment Trends*, Geneva.

Moreover, the opening up of markets broke many of the industrial links that were employment multipliers in developing countries. Thus, the lower capacity for industrial absorption of workers has weakened the transfer of labor from low to high productivity activities, causing informality to swell.[11] In addition, international competition forces modern companies in developing areas to concentrate in achieving efficiency, through capital deepening, with erosion of wages, worker´s displacement or less employment.[12]

**TABLE 1**
**PRESSURES IN LABOR MARKETS: POTENTIAL SEEKERS OF FORMAL EMPLOYMENT IN THE WORLD**
*(Millionsof workers)*

| Workers | Amount |
|---|---|
| Unemployed | 200 |
| Informal | 1200 |
| Women 1/ | 330 |
| New entrants to the labor market 2/ | 100 |

1/ Calculated based on a reduction of the 40% in the differential participation of women and men in the next 10 years.
2/ Estimate of the growth of the working population in the next decade.
SOURCE: ILO Database, World Bank, CEPALand International Monetary Fund.

In sum, the imbalances in the global labor markets have reached impressive proportions. Table 1 shows a crude quantification of the tasks to be performed at world level in order to offer minimally decent jobs to those who have none: 200

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11 In Mexico the collapse in the industrial growth rate is dramatic. Between 1950 and 1982, increased at 7.3% annually. Afterward it decreased slowly, afflicted by the lost decade of the eighties and the adjustment to neoliberalism, and did not average more than 0.99% annually in the period 1982-2014. As a result, industrial employment is only growing 0.78% annually between 2000 and 2014.

12 See: Ocampo, J. A. *et alia* (2009), *Growth and Policy in Developing Countries: a Structuralist Approach*, Columbia University Press.

million unemployed, 1.2 billion informal or underemployed workers to whom it shall be added – within ten years – 330 million women and 100 million youth (who shall reach working age).

The prospect for labor market recovering their former functions seems to be an extremely difficult endeavor. Even if one ignores possible political tensions, solutions would take too long, without important changes in social protection institutions and policies.

Like Piketty[13] has indicated, the distributive polarization of income – which prevails whenever the profit rate surpasses the rate of economic growth – there is an analogous dilemma in the labor market. When the growth of production, subtracted from the productivity increase, is lower than the workforce expansion, the labor surpluses cannot be reduced, as evidenced by unemployment, informality and the slow incorporation of women and youth into modern productive occupations.

**Demography and Associated Changes**

Country differences in income, wellbeing and security, as well as low employment in many developing areas, create enormous migratory pressures which First World Countries seek to contain for social, cultural and political reasons, and in order to regulate their markets and budgets. In 2005, 191 million people were involved in international migration; by 2013, that figure had risen to 232 million in spite of new restrictions. In addition, there is a growing migration

[13] See: Piketty, T. (2014), *Capital in the Twenty First Century*, Harvard University Press.

of undocumented minors from Latin America to the United States, generating an unprecedented moral issue. Between 1990 and 2013 migrants from the South who have settled in the North rose from 42 to 80 million, and those displaced in the South to other southern locations grew from 59 to 82 million, while those who moved within the North fell from 90 to 70 million. These figures are neatly demostrative of disparities in living standards, poverty and unsatisfied needs, as well as in life insecurity. At the same time, they highlight labor market pressures in the countries relatively prosperous, giving rise to defensive ideologies which frequently run contrary to human rights. This is why the United Nations has formulated multiple agreements in order to harmonize country's labor policies with universal goals and, at the same time, ensure protection for migrant workers by extending social coverage, hiring rules, and fighting discrimination. These efforts try to validate – unfruitfully, so far – labor rights as an inseparable component of human rights.

Likewise, labor markets and public finances are affected by demographic changes and social habits. Notably, the ageing population and the reduction in youth employment – the latter sustains the retirement system -generates significant costs which must be partially or entirely covered by government spending. This has lead to the pension systems changes that are designed to transform defined benefit systems into defined worker´s contributions. The swap systems may relieve company or government budgets; however, it submits workers to the capitalizing risks of their pensions in uncertain financial markets -currently with depressed interest rates –in addition to job instability in labor markets that are just as depressed or volatile. These changes run against distributive justice, precisely when income and wealth disparities intensify and the counter cyclical stabilizers of country demand are weakened.

On the other hand, the ageing population overburdens the social protection systems by increasing costs of degenerative diseases. Here, the relief on public and enterprise budgets has taken the path of reducing coverages, resorting to private insurance, or to increases in out of pocket expenditures. Again, workers lose rights, face increased costs or assume greater risks. At the same time, weaknesses in formal labor markets, such as that of Mexico's, often nullify the "demographic bonus" associated with dependents reduction and the increase of the working age population.[14]

The erosion of distributive equality would be less serious if they did not coincide with the nearly universal decrease in growth rates (see Table 2) and with lower budgetary margins for maneuvering when the crisis hit along side bank bailouts. Comparing the years 1950-1973 with those of 1973-2012; the global contraction in growth reaches 35% with more than 30% in the United States, 63% in Europe and 72% en Japan. Of course the cases of Japan and Europe are influenced by the end of the reconstruction period after World War II. Nevertheless, both regions are equally affected by changes on the macroeconomic policies at world regional and national levels. Only China have played a compensatory role, it is average rate of growth went up 58% between those periods, but nowdays is weakening.

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14 See: Cornwell, C. *et alia* (1998), *Pensions and Productivity*, Upjohn Institute for Employment and Research, Michigan; Blinder, A. (1982), *Private Pensions and Public Pensions: Theory and Fact*, , Working Paper No. 902,NBER, Michigan; Ham, R. and Ramirez, B. (2006), *Efectos económicos de los sistemas de pensiones*, Colegio de la Frontera, Plaza y Valdés, Mexico; Neil, B. and Frank, J. (2010), *US Pension Reform: Lesson from other Countries,* Peterson Institute for International Economics, Washington.

**TABLE2**
**REAL PRODUCT GROWTH RATES**

| Period | World | United States | Europe | Japan | Germany | China | Mexico |
|---|---|---|---|---|---|---|---|
| 1950-1973 [a/] | 4,91 | 3,91 | 4,81 | 9,29 | 5,68 | 4,92 | 6,37 |
| 1973-2003 [a/] | 3,17 | 2,94 | 2,19 | 2,62 | 1,72 | 7,34 | 4,32 |
| 2004-2012 [b/] | 3,90 | 1,71 | 0,51 | 0,81 | 1,52 | 10,55 | 2,72 |
| 1973-2012 [c/] | 3,20 | 2,61 | 1,78 | 2,18 | 1,64 | 7,81 | 3,58 |

[a/] Base figures from A. Maddison, *The World Economy*, OECD, Paris.

[b/] Base figures from the IMF.

[c/]The results are the combination of the two data sources which could respond to somewhat different methodologies.

On the other hand, economic pressures might have strengthened or forced the participation of women in labor markets. In a sense, there is progress in equalizing rights and opportunities between the sexes, as well as in releasing female talent and energy. However, the positive effects remain subject to the – non-discriminatory – absorption capacity of labor markets, to the organizing house services for the children, sick and elderly.

Doubtless, orthodox macroeconomic policies aimed at fiscal consolidation, recessive adjustment hamper the incorporation of women in labor markets. The lack of services for homes imposes exorbitant costs on women and disorganize family life. Ironically, the overcome of obstacles to female employment, now accentuates other labor imbalances, especially those of youth unemployment.

**Technological Change and Income Distribution**

The quasi-chronic unemployment in the industrialized world has been attributed to technological change, as well as in lesser degree, informality in developing nations. It is often said that there is a technology bias which favors the population well qualified and punish workers without skills.[15] At the same time, it should be noted that education might not easily erase income disparities. Even advanced countries not always provide enough employment for all university and college graduates.[16] Without a doubt, the intensified of movements in the methods of production, the revolution of communications and financial innovations, among many factors, have led to intense inter-sector and intra-sector displacement of jobs, as well as to compensations to the best educated groups.

In particular, it is alleged the substitution of labor for cheaper capital goods (taking advantage of the innovations incorporated into new machinery), as well as the automation induced also by an ageing demographics or lack of manpower in certain countries. It is also important to note that computers and better communications have provided room for self-employment, both in services, or as an alternative to office or factory-based occupations.

Along with technological change, influence is wielded by the geographic-structural displacements of production, technology and capital allocation, inseparable companions in the opening up of markets. In more than one sense, it is a matter of innovations, of cheaper methods for producing and marketing goods

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[15] See: IMF (2007), *World Economic Outlook*, The Globalization of Labor, Washington; OECD (2011), *Divided we Stand: Why Inequality Keeps Raisin*g, Paris; OECD (2012), *Employment Outlook*, Paris.

[16] Cappelli, P. (2008), *Talent on Demand: Managing Talent on an Age of Uncertainty*, Harvard University Press.

and services. To that effect, transnational companies geographically fragment production into parts and components which are later assembled, with lower labor and input supply costs in increasingly larger networks, fed by intense processes of mergers and acquisitions.[17]

Notwith standing, the digital revolution so far is failing to deliver better jobs and higher productivity. This problem known as the Solow paradise has been explained by the long lags between real advances in production and productivity. However, we have also to recognize that with abundant cheap labor due to globalization- there is lack of incentive to invest in labor enhancing productivity by the rich countries. Today´s technological change might not create enough jobs to compensate those it destroys. In fact, technology is creating few new jobs, while directly or indirectly erasing perhaps more through automation.

As a result, the substantive portion of the technological change consists of alterations in institutions and policies attached to the new international economic order that favor certain activities, methods of organizing which open new ways of doing things. Allocating greater functions to markets, restricting state interventionism, removing protection, substantially affected geographically and sectorially production as well as factorial and cross-country distribution of income. Moreoften, than not, this even created perverse incentives to the increase of wages and, consequently, deterrents to employment wherever compensations were comparatively high. Depression of real wages is pragmatically equated with a genuine rise in labor productivity.

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[17] See :World Bank (1993), *The East Asia Miracle*, Oxford University Press, Oxford; Stiglitz, J. and Yasu, H. (2003), *Rethinking the East Asia Miracle*, Oxford University Press, N. York; Amsden, A. (2001), *The Rise of the Rest: Challenges to the West from Late-Industrializing Economies*, Oxford University Press, New York; Ibarra, D. (2006), *La reconfiguración económica internacional*, UNAM, Mexico.

In fact, a myriad of adjustments are occurring to shape the postmodern practicing of politics and economics. Therefore, instead of trying to unravel the impact of this tangle of factors in labor institutions on a case-by-case basis, the analysis is focused on examining their consequences, either in terms the absorption capacity of labor markets – as has already been done – or of their impact in the factorial and cross-country distribution employment, as an index of concentration or dispersion of economic and political power.

In industrialized or developing countries, it is undeniable that growth of labor participation in GNP shows clear trends to contract. Table 3 shows, without exception, negative figures in the comparison between the eighties and the 2000s, shortly before the global crisis. It unravels roots of the alarming income concentration which affects all nations regardless of their development degree.[18] The corollary is the rupture in the stability of the labor participation of industrialized countries in GNP, which had remained unscathed between the Second World War and the unify eighties. In the United States in spite of significant changes in the weight of different activities, between the first postwar years and 1980, worker participation did not stray far from the average of 64% of GNP, highlighting the stability in political power among the factors of production and a fair distribution of productivity gains.

**TABLE 3**
**WORK INCOME PARTICIPATION IN COUNTRY INCOME**
*(Percentages)*

18 The case of Mexico is scandalous. Minimum wage and salaries in the modern section of the economy between the seventies in the past century and today have contracted in real terms by more than 70% in the first case and more than 20% in the second. On the other hand, salary participation in output has fallen from 41% to 28% between 1980 and 2008.

| Country | Early 1980s to Early 1990s | | Early 2000s to Early 2008s | | Difference |
|---|---|---|---|---|---|
| Argentina | 38.42 | (nineties) | 32.79 | | -5.63 |
| Australia | 66.70 | | 62.57 | | -4.13 |
| Brazil | 43.33 | (nineties) | 39.64 | | -3.69 |
| Canada | 66.89 | | 63.75 | | -3.14 |
| China | 15.58 | | 10.82 | | -4.76 |
| France | 71.44 | | 65.87 | | -5.57 |
| Germany | 67.11 | | 63.37 | | -3.74 |
| India | 34.03 | | 32.18 | | -1.85 |
| Italy | 68.70 | | 62.37 | | -6.33 |
| Japan | 72.38 | | 65.75 | | -6.63 |
| Republic of Korea | 81.62 | | 76.97 | | -4.65 |
| Mexico 1/ | 40.60 | (1976) | 28.10 | (2008) | -12.50 |
| Russian Federation | 45.87 | (nineties) | 45.56 | | -0.31 |
| South Africa | 56.65 | | 50.18 | | -6.47 |
| Turkey | 48.07 | | 50.34 | | 2.27 |
| United Kingdom | 72.98 | | 70.73 | | -2.25 |
| United States | 68.20 | | 65.87 | | -2.33 |
| United States2/ | 64.00 | (Mid-80s.) | 58.00 | | -6.00 |

Sources: Lavoie, M. and Stockhammer, E. (2013), *Wage-Led Growth*, Palgrave, England; 1/For Mexico, NacionalFinanciera (1985) *La economíamexicana en cifras1984*, Mexico; INEGI (various numbers) *Sistema de CuentasNacionales de México*, Mexico; 2/ For the United States the second measure was taken fromElsby, M. *et alia* (2013) "The Decline of the U. S. Labor Share,"*Brookings Papers on Economic Activity*, pp. 1-52, Washington.

In any case, the relative shrinking of work remuneration is too general to be explained by lower prices of capital goods and the innovations that have been incorporated therein, --as inducers of automation and replacement of workers by machinery-- with the resulting reduction of wages in the face of profits.[19] More than capital deepening, we observe geographic inter-sectorial supply changes in

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19 Contrary to this hypothesis, in the United States the sector activities with the most depressed wages do not match those where capital deepening has taken place. There also appears to be a mismatch between the sectors with greater decline in the prices of capital goods with the sharpest reductions in wage participation in output.(See: Elsby M. *et alia* (2008), *Unemployment Dynamics in the OECD*, NBER, Working Paper No. 14617).

generated value added which intern change the weight of worker participation in income. Indeed the disturbances in world production centers give rise to a costly adjustment processes mainly borne by workers and unions. In addition, there is a clear erosion of the workers political weight, which prevents them from fighting wage deterioration or income concentration, within the countries and, of course, at a global scale.[20] The resulting adjustments have a price in human suffering, unemployment, insecure wages and an unequal distribution of increased productivity.[21]

**The differential impact of investment and savings**

With the exception of China and a few other countries, general deindustrialization or a decrease in industrialization growth rates and the sharp rise in services, cause displacements outside activities with relatively high work compensations.[22] Overall, the most significant fact in labor participation-trends is related to globalization effects in the distribution of production and investment around the world. The fact that over considerable time, the Chinese economy has grown at rates close to 7%-10% and with less intensity the same occurs in several emerging countries, while a good part of the industrialized nations records are poor or recessive, give rise to huge movements in the gravitational centers of the

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[20] For illustrative purposes, between 1994 and 2013, there was a moderate increase in Mexican labor productivity which is the second in Latin America. In contrast, real minimum wages have fallen at least 25% and contractual wages are down by 20%.(See: Moreno-Brid, J. C. (2014), *Vecinos distantes: productividad laboral y salarios mínimos reales*, unedited, Friederich Ebert Foundation, Mexico).

[21] See: Hollweg, C. *et alia* (2014), *Sticky Feet, How Labor Market Frictions Shape the Impact of International Trade on Jobs and Wages*, The World Bank, Washington.

[22] In Mexico, between 1950 and 2014, the industrial growth rate fell from over 7% to 1% annually. In contrast, since 1982 services – the refuge of most informal jobs – have maintained a rate of growth that is nearly double the industrial rate (1.76%). When examined over a shorter period (2000-2014) and from the point of view of employment, industrial occupation only grew by 0.8% annually, while services grew at 2.15%.

world economy.[23] Concentrating global investment in the countries with high underemploment or labor poorly paid, a places the heart of global competition in labor markets.

The differences in growth rates among coutries are associated with marked discrepancies in productive investments and in generating savings. In developed economies, investment and, slightly behind savings have fluctuated around 22% of output since 1984. In contrast, in developing countries those same variables are between two and four points greater. However, in the emerging nations of Asia, they rise significantly from 35% (savings) and 28.7% (investment) in the averages of 1984-1991to 36.8% and 31.1%in the period from 1992-1999, until they reached,between 1999 and 2007, 44.1% and 42.0% (see Table 4).The difference in rhythms of savings and capital investment are transforming the capacities for employment among countries as a inherent globalization phenomenon.

[23] Since the sixties in the past century, the emerging Asian countries are growing at a rate of 6% or more per year, while industrialized countries on average do not pass 3%. This is why, and based on its demographic weight, China is expected to match the size of the U.S. economy.

**TABLE4**
**GLOBAL SAVINGS AND INVESTMENTS**
*(Percentages of output)*

| | 1984-1991 | 1992-1999 | 2000-2007 |
|---|---|---|---|
| World | | | |
| Savings | 22.9 | 22.7 | 23.1 |
| Investment | 23.7 | 23.5 | 23.1 |
| Developing Nations | | | |
| Savings | 22.3 | 23.7 | 28.8 |
| Investment | 23.0 | 28.8 | 26.2 |
| Emerging | | | |
| Asian Nations | | | |
| Savings | 35.1 | 36.8 | 44.1 |
| Investment | 28.7 | 31.1 | 42.0 |

SOURCE: IMF (various numbers) *World Economic Outlook*, Washington.

With integrated financial markets, direct foreign investment increases in importance as a distributive vehicle global production. At the same time, its ideological significance changes as it is viewed, not as a means of dominance, but as an escape route from the financial limitations that are part of underdevelopment. From figures no greater than 2%-3% of that total worldwide capital formation, foreign investment has come to represent more than 18% of the total and its annual magnitude has not fallen below 6%-7% (see Table 5). China as main recipient of foreign flows, with also huge surpluses in trade accumulates around 34% of the world international reserves and becomes capital exporter (5% of GNP).

**TABLE5**

**GLOBAL FORMATION OF CAPITAL AND FOREIGN INVESTMENT FLOWS**

*(Billions of dollars and percentages)*

| Year | Global Formation of Capital | Direct Foreign Investment | |
|---|---|---|---|
| | Dollars | Dollars | % |
| 1992 | 5,553.5 | 166 | 3.0 |
| 1993 | 5,770.7 | 223 | 3.9 |
| 1994 | 6,437.9 | 256 | 4.0 |
| 1995 | 7,165.4 | 344 | 4.8 |
| 1996 | 7,403.3 | 391 | 5.3 |
| 1997 | 7,419.9 | 488 | 6.6 |
| 1998 | 7,174.8 | 706 | 9.8 |
| 1999 | 7,337.5 | 1,091 | 14.9 |
| 2000 | 7,596.6 | 1,413 | 18.6 |
| 2001 | 7,367.1 | 836 | 11.3 |
| 2002 | 7,612.9 | 626 | 8.2 |
| 2003 | 7,927.3 | 601 | 7.6 |
| 2004 | 9,300.6 | 734 | 7.9 |
| 2005 | 10,452.0 | 990 | 9.5 |
| 2006 | 11,660.5 | 1,481 | 12.7 |
| 2007 | 13,485.6 | 2,003 | 14.9 |
| 2008 | 14,837.5 | 1,816 | 12.2 |
| 2009 | 12,716.6 | 1,216 | 9.6 |
| 2010 | 14,653.9 | 1,409 | 9.6 |
| 2011 | 17,058.5 | 1,652 | 9.7 |
| 2012 | 17,692.9 | 1,351 | 7.6 |

Source:UNCTAD and IMF databases.

**TABLE6**
**DIRECT FOREIGN INVESTMENT HOLDINGS**
*(Billions of dollars)*

| | 1990 | | 2000 | | 2013 | |
|---|---|---|---|---|---|---|
| | Dollars | % | Dollars | % | Dollars | % |
| World | 2078.3 | 100 | 7511.3 | 100 | 24536.1 | 100 |
| Developed | 1563.9 | 75 | 5682.0 | 76 | 16053.1 | 65 |
| Developing | 514.3 | 25 | 1771.5 | 24 | 8483.0 | 35 |
| China | 20.7 | 1 | 193.3 | 3 | 956.8 | 4 |
| Latin America and the Caribbean | 111.4 | 6 | 507.3 | 7 | 2568.6 | 10 |

SOURCE: UNCTAD (various numbers) *World Investment Report*, Geneva.

Worldwide foreign investment holdings grew spectacularly between 1990 and 2013 (twelve times), more than foreign trade (4 or 5 times) feeding differential development between countries, as well as an intense process of mergers and acquisitions as part of the oligopolization of world production (see Tables 6 and 7). The change of direction leans toward developing countries with cheap labor and inputs and broad domestic markets. The participation of the latter group in total world holdings has grown significantly by 10%, the same percentage lost by industrialized countries. Of course, the most attractive country has been China, whose holdings grew 46 times over the studied period, although achieved from initially reduced levels. Latin America has been favored with growing investments which multiplied 23 times. However, the impact of foreign investment on development in both regions has yielded notoriously different results. In the Chinese case it is high, but is much less relevant in the Latin American case.[24]

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[24] Perhaps the fundamental difference is that foreign investment in China – along with other regulatory controls – is aimed at developing previously non-existent supply and employment

**TABLE7**
**CROSS-BORDER MERGERS AND ACQUISITIONS**
*(Billions of dollars and percentages)*

| Year | Direct Foreign Investment Flows | Cross-Border M & A | | Global M & Ain terms of DFI | Developed Countries M & A in relation to the total |
|---|---|---|---|---|---|
| | | Global | DevelopedCountriesDollars | | |
| | Dollars | Dollars | | 2/1 | 3/2 % |
| 2000 | 1413 | 1144 | 1088 | 81 | 95 |
| 2001 | 836 | 594 | 534 | 71 | 90 |
| 2002 | 626 | 369 | 323 | 59 | 88 |
| 2003 | 601 | 297 | 244 | 49 | 82 |
| 2004 | 734 | 381 | 317 | 52 | 83 |
| 2005 | 990 | 716 | 605 | 72 | 84 |
| 2006 | 1481 | 880 | 728 | 59 | 83 |
| 2007 | 2003 | 1045 | 916 | 52 | 88 |
| 2008 | 1816 | 626 | 480 | 34 | 77 |
| 2009 | 1216 | 285 | 237 | 23 | 83 |
| 2010 | 1409 | 349 | 260 | 25 | 74 |
| 2011 | 1652 | 556 | 439 | 34 | 79 |
| 2012 | 1351 | 332 | 269 | 25 | 81 |
| 2013 | 1451 | 349 | 240 | 24 | 69 |

Source:UNCTAD,*World Investment Report*,various numbers

Alongside foreign investment in the past two decades the parallel process of mergers and acquisitions gained traction, shaping and consolidating large networks of production and trade and explaining in part the geographic displacement of the demand for labor. In recent years, mergers and acquisitions

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capabilities and establishing association and integrative linkages with internal and external networks of trade and production.In contrast, in Latin America the sale of public and private companies absorbs a good part of the foreign remittances, without domestic policies systematically aimed at reinforcing intra and inter-sectoral domestic or international linkages. Over the past three decades the notable expansion of the Chinese market required supplementing its supply with repetitive foreign investment as though the resources were new or greenfield in the country. Likewise, the different industrial and macroeconomic policies have also influenced inequal impact of foreign investment between Latin America and China in terms of employment and growth. On the other hand, the role played by the enormous dimensions while Latin American savings has remained low and stable in terms of its output weight.

represent no less than a quarter of global foreign investment and, although they tend to drop, in eight of the thirteen years analyzed, they grew fast than half (see again Tables 5, 7 and 8), driven mainly—although decreasingly—by companies from industrialized nations while building their global oligopolistic networks.

**TABLE 8**

**GREENFIELD PROJECTS AS A PERCENTAGE OF FOREIGN DIRECT INVESTMENT FLOW**

*(Percentages)*

| Year | Latin America | China |
|---|---|---|
| 2008 | 8.9 | 47.0 |
| 2009 | 10.2 | 25.5 |
| 2010 | 11.5 | 20.7 |
| 2011 | 8.5 | 40.1 |
| 2012 | 3.7 | 19.2 |
| 2013 | 6.3 | 19.3 |

Source: Prepared with data from UNCTAD (2014), *World Investment Report*, Geneva.

Having seen the phenomena at play, the decrease in worker participation in countries income mainly obeys the exposure to international competition, accentuated by the geographic differences in capital formation and changed weight of world centers of production. Then, the activities most compromised by foreign competition or those excluded from the large transnational networks are those which have had to reduce production, and those which had to lower employment and wages. This does not mean that technological change, weakened collective bargaining power, reduced union membership, financial bubbles, are unimportant. They are, however, the fundamental distributive factor stems from the international order with its trade and financial openness, as well as from institutional policies which have made it possible on domestic and global scale.

**Conclutions and final remarks**

In most of the world, social policies face a mismatch and growing limitations to offer propper populations protection and to legitimize government policies. In particular, labor markets, as a harmonizing institution between economy and democracy, face weaknesses in its function of canaliating social classes, governments and large corporations. Unlike other critical times few new paradigmatic approaches are discussed in order to labor markets and social protection policies on domestic and global scale.

The universal reduction in growth rates, the sharp rise in income concentration and relative shrinking wages (see Tables 2 and 3 again) typify the narrowing of conditions to create jobs and to validate new investment. The world supply outpace the limited purchasing power of the populations. As a result, globalization and technological change create dislocations in national labor markets beyond national protection policies.

Today, instead of focusing on their citizens demands governments must accommodate, as best as they could the interests of external actors – world leaders, corporations and transnational authorities, – as well as those of private domestic elites, frequently allied with foreign actors. Even the language changes; fewer mentions are made of government commands and more of governance, that is, of power shared with factual powers. At the same time, the notion of sovereignty is replaced, for public-private co-governance. That reinforces the competition paradigm and weakens internal political cohesion.

Alongside with social vulnerability, such phenomena runs against democracy processes. Recall that the great social twentieth century pact between democracy and the market consisted in establishing safeguards from the abusive interference of economic power and in granting autonomy to governments in decisions involving social protection and employment. The intention was to prevent or to moderate the destabilizing effects of social conflict and those no less damaging of financial crises. This fundamental agreement was broken by neoliberalism, which gave the supremacy to finance over policy, as the only route to development of the globalized world. Simultaneously, it managed to avoid that political decisions would not interfiere with market functions, granting transformation of economic power into political power. As a consequence we observe the gradual detachment of populations from democratic processes, evidenced by decreased voting participation.

Inequality and some policies implemented around the global crisis (fiscal consolidation, indirect taxes, wage reduction, acceptance of high unemployment, financial populism, in sum, differentiated austerity), places the adjustment costs on the shoulden on the citizens shoulders and, at the same time, discredits parliaments, governments, and the representativeness of electoral results.[25] In the Western World since the seventies, perhaps as a response, with almost no exception, participation in parliamentary elections in has fallen between 10 and 20 points.[26] It should also be noted high income and better education citizens tend to vote more than the rest of the population. Then the bias in favor of the public policies which are sensitive to such voting ballots.[27]

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25 See: Mair, P. (2006) "The Hollowing of Western Democracies," *New Left Review 42*, pp. 25-51; Wood, C. (2002) "Voter Turnout in City Elections," *Urban Affairs Review*, No. 38, pp. 209-231; Norris, P. (2011), *Democratic Deficit*, Cambridge University Press; Gilens, M. (2012) "Affluence and Influence," *Economic Inequality and Political Power in America*, Princeton University Press; Schafer A. and Streeck, W. (2013), *Politics in the Age of Austerity*, Polity Press, Cambridge.

26 A similar phenomenon occurs in union membership which is decreasing around the world, as a reflection of the effectiveness exhaustion of the oppositional force of worker organizations.

27 In Mexico, despite the complex political problems – political alternations rise of the left, return of the PRI -, a similar situation seems to be forming. Voter participation in terms of the electoral vote has fallen from 77.2% in 1994 to 63.1% in 2012 in the presidential elections.

The 2008 crisis brought in stark relief the fact that labor markets, far from facing only cyclical problems, disregarded structural imbalances (chronic unemployment in industrialized countries and informality in developing economies, see Table 1 again). That is why projections anticipate a mediocre global recovery which would make a small dent in absorbing global labor surpluses.[28] Work, stripped of protective standards, is seen as just any other product to buy or sale and wages as a cost of production which must be brought low for the sake of competitiveness.

Technological change and international competition have various positive effects, but they depresse demand for labor in industrialized and many developing countries. It should also be noted that technological and institutional change alters the leading sectors of the economies, and displaces factories as the concentration and coordination of labor centers in favour of individual jobs. It is also clear that open markets favors to chanel of global investment and employment in emerging nations with low costs and large markets, and the integration of production and trade in large networks -these facts are somehow create constraints to developmental action of national governments.

On the other hand, we must add -demographic changes, migratory pressures, erosion family structures, budgetary constraints – all of which contribute to weaken labor markets. Then the dislocation of social protection to

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Furthermore, the current divisions within the parties on the left and right and, until now, the government's inability to reactivate growth, create a scenario which could possibly intensify voting abstinence. There is, however, a clear inclination toward grassroot participation, evident in the numerous and repeated citizen protests to demand public policy actions.

28 See: Daly, M. *et alia* (2012) "Did the Natural Rate of Unemployment Rise?" *Journal of Economic Perspectives*, Vol. 26, No. 3, pp. 3-26; Daly, M. and Hobijn, B. (2010), *Okun´s Law and the Unemployment Surprise of 2009*, Federal Reserve Bank of San Francisco. (See again: Elsby, M. *et alia* (2008), *Unemployment Dynamics in the OECD*, NBER, Working Paper No. 14617).

the State, business and families, recreating the inequality of fortunes which was believed to have declined. The first fails given the chronic lack of resources, and excessive debt; the second, by making wages a burden to be lowered by the competition; the third, due to unemployment, informality and female inclusion in the overbunden labor market.[29]

This is why the historic conciliation of democracy and markets was left behind when the new global economic order delivered less growth, repeated crises, and income inequality. It was forgotten that open markets requires regulations, priorities, which must be agreed between states in order to limit the transformation of economic power into political power. Competition only at risk of social malformation may take the place of democracy in safeguarding justice and equality affordable for all citizens. Consequently, macroeconomic management, along with the health of financial systems, must foster with equal priority, investment, growth, employment and planetary scarcity management of natural resources. Of course, these and other policy changes face nearly insurmountable obstacles within the established international order.

Yet little advancement would be made to reconstruct social pacts and to save the global crisis, without giving democracy the opportunity to play a greater role. It might be premature to undertaken a complete overhaul of the international economic order, and it may also be premature to undertakenat the domestic level to hope, that governments will general interest prevail over private ones.

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[29] See: Esping-Andersen (1985), *Politics against Markets*, Princeton University Press; (2004), "After the Golden Age? Welfare State Dilemmas in a Global Economy," *Welfare States in Transition*, SAGE Publications, London.

Of course, the treatment of such questions are far beyond the scope of this essays. Thus, the analysis shall be limited to issues directly related to employment and to social protection. Here, the focus is on the Welfare States, as imperfect or worn out as they may be, in order to provide new needed foundations for the exercise of basic human rights.

In times of deep technical and institutional change, it is politically unavoidable to renovate the social protection networks, as well as, to adjust economic policy features. But if that results in wage increases, job market response will reduce employment demand creating a vicious circle that also has to be broken.

At the level of employment and social protection, it would be necessary to address politicies that would be hard to assimilate under dominant ideologies, even though they might be necessary to mend ruptures in social contracts and the obsolescence of labor markets. One relevant action would be to separate the social protection from the incorporation of workers in the labor markets. Future social legislation, instead of being drafted around formal labor, little by little would be woven around social rights that can be demanded by all citizens, as is occurring in several countries.[30] Something of this sort is needed in front of labor market disorders, the spread of groups without rights or with truncated rights to social protection, as well as the long periods required to cancel labor surpluses

[30] See: Pisarello, G. (2007), *Los derechos sociales y sus garantías*, Trotta, Madrid; Abramovich, V. and Curtis, C. (2004), *Los Derechos Sociales como Derechos Exigibles*, Trotta, Madrid; Offe, C. *et alia* (1996), *Basic Income Guaranteed by the State, Modernity and the State,* The MIT Press, Cambridge, Mass. U. S. A.; Ibarra, D. (2012) "Mercado de trabajo y protección social" in *Crisis inacabada*, Faculty of Economics, UNAM, Mexico; Ibarra, D. (2007) "Derechos humanos y realidades sociales," in Orcí, L. and Martínez Bullé, V. M., *Los derechos humanos, económicos, sociales y culturales*, National Commission for Human Rights, Mexico.

(unemployed, informally employed, women, youth, etc.) on the domestic and global scales.

This undertaking would imply new formulas for financing workers social services (labor faxes, bipartite and tripartite contributions, voluntary or philanthropic donations) in order to cover expanded expenditures through the direct progressive taxes. Here, the Income Tax would be required given on its capacity for correcting the primary distribution of concentrated incomes, apart from the need to cover the resulting increased social spending.[31] Then, universal access to health services could be offered to the population, even those affected by unemployment, while strengthening the counter cyclical stabilizers of aggregate demand.

There are advantages to the proposal: it would alleviate or shorten economy depression cycles, it would reduce vulnerabilities of social rights, and would equalize of the benefits of public policies – which today are skewed by low wages – and would avoid increasing labor costs through taxes. In sum, social security would stop being exclusive privilege of salaried workers and become a right of all citizens.

The universalization coverage to essential social services would partially resolve the short scope of protection policies and institutions. However, it would only contribute indirectly to cover the insufficient demand for employment, better pay or wages lack of impetus on aggregate demand. Consequently, if persists the

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31 For illustrative purposes, in Mexico estimates of income concentration place it as one of the countries with the highest rates of inequality. The participation of the richest 1% of the population is estimated at 21.3% of output and coincides with one of the economies with the lowest tax collection (10% of output).(See: Campos, R. *et alia* (2014), *Los ingresos altos, la tributación óptima y la recaudación posible*, unedited, Mexico).

depression wage if there were no quick absorption of surplus labor, if the multiplication of self-employment grows, there would be need to strengthen the purchasing power of the unprotected population strata.[32] The aims will be to improve income distribution and stimulate goods and services markets. The way out would be then establishing of a minimum guaranteed income for all citizens, known as Basic Income, which would strengthen labor and the growth. At the same time, it could end a long list of unnecessary social services, such as subsidies designed to fight poverty, unemployment or cover pensions.[33]

The Basic Income approach has and will have opposition. On the one hand, it would detract from the disciplinary force which companies and labor market exercise over labor and could even be seen as another weakening home of declining union influence. On the other hand, although it would eliminate redundant social spending, the additional collection effort would not only provoke opposition of supporters of budgetary austerity, but also of those who reject progressive taxation.

Without a doubt, the feasibility to grant universal coverage of social services and the right to a guaranteed minimum income, greatly depends on the financial, fiscal and political situation in each country. In any event, it could be implemented step by step. Small steps could consist of providing

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[32] Apart from the references in note 25. (See: Rawls, J. (1999), *A Theory of Justice*, The Belknap Press of Harvard University Press, Cambridge, USA; Pisarello, G. and de Cabo, A. (2006), *La renta básica como nuevo derechociudadano*, Trotta, Madrid; Sen, A. (2006), *El valor de la democracia*, Viejo Topo, Barcelona; Noguera, J. (2001), *La renta básica y el principio contributivo*, Ariel, Barcelona; Raventós, D. *et alia* (2012) "Renta básica ciudadana," *Sin Permiso*, Mexico).

[33] For illustrative purposes, in 2010, the National Council for the Evaluation of Social Policy in Mexico allocated an enormous inventory of 273 palliative social programs which meet in a fragmentary and disorderly manner, unsatisfied social demands. In spite of this, serious deficiencies affect 80.7% of the population, where 46.5% live in poverty and 10.4% are destitute.

income to the elderly segment of the population – as occurred in the Mexico City[34], establishing or extending the period for unemployment insurance,[35] or granting with the partial access generalization to public health, --i. e., unemployed and domestic workers--, especially in the developing countries where these rights are non existing.

With the same gradual focus, it might be advisable to create a financial transactions tax. This would be designed not only for collection purposes, but to reduce financial speculation that is at the root of recent crises.[36] The tax was enacted in Brazil for more than a decade and could also be objected of broad multilateral policies. In this regard, initiatives have arisen, especially in the European Union, but until now prevailed the opposition from international

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34 In Mexico City, nearly half a million people of advanced age receive a subsidized pension, nearly equivalent to the basic food basket, with the sole condition of three years' residence. In addition, the "People's Insurance," available throughout the country, is a modest step toward the universalization of health rights.

35 In Mexico, there is a legislative initiative to establish an unemployment insurance (remember that among the member countries of the OECD, Mexico is the only country whose workers lack this right). In principle, the idea is constructive because it opens a channel to start perfecting labor rights. However, the initiative is notoriously weak. On the one hand, it only considers the workers in the formal sector of the economy (4 out of 10); it excludes public sector workers and imposes requirements to access and enjoy benefits that are extraordinarily strict, according to international practices. In addition, its main source of financing are the contributions to the INFONAVIT housing fund, which of course limits or renders the loans for the workers' houses and departments more costly. Government contributions are limited to 0.5% of the salary. (See: Samaniego, N. (2014), *El largo camino hacia un seguro de desempleo en México*, unedited, Grupo Nuevo Curso de Desarrollo, UNAM, Mexico; Escobar, S. (2014), *El seguro de desempleo en México y la Experiencia Internacional*, unedited, Grupo Nuevo Curso de Desarrollo, UNAM, Mexico).

36 The so-called Tobin Tax is a tax on the exchange of different currencies, with a low rate (0.5% to 0.1%), designed to attenuate the volatility of exchange rates and associated speculative movements. This type of tax could be expanded to include operations with shares, future bonds and derivatives. The initiative has been partially implemented with different modalities in several countries (Brazil established it between 1993 and 2007), in the United Kingdom there is a tax on purchasing shares (British Stamp Duty) and similar cases are found in other countries (Poland, Portugal, Switzerland, Hong Kong, China, New York, Singapore). (See: John, J. (1978) "A Proposal for International Monetary Reform," *Eastern Economic Journal*, Vol. 4, pp. 153-159; Cintra, M. (2009), *A Modern Tax Technology: the Brazilian Experience with Bank Transaction Tax* (1993-2007), University Library Munich, MPRA, Paper No. 16720, Germany).

banking institution and from certain countries where financial services are concentrated (the United States, the United Kingdom and Japan).

A tax on financial transactions could be seen as a step to wards the return to direct progressive taxation or to wealth taxation (suggested by Piketty), with all banks providing full-scale information. It would not directly halt the patrimonialism of large fortunes; rather it would create disincentives to volatil disorders of financial and monetary flows between countries. At the same time, the tax would reinforce the regulatory standards applied to financial institutions. Of course, collecting these taxes would not solve the funding of social policy, but it would contribute to alleviate budget restrictions, by reducing the extraordinary public spending which are often associated by the crises.

Another indisputably moral step would justified a higher minimum wage to initiate the chain of adjustments to the lagging work compensation. The policy would have to be applied domestically in order to take care of the precise conditions in each country. However, a minimum of international coordination would be help to narrow the gap between a idle production capacity and insufficient global demand (see Table 3 again).[37]

The undeniable shortcommings in contemporary social policies is expressed not only in human suffering but also in feeding open expressions of

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[37] Mexico's case is extremely notorious. In real terms, minimum wage has fallen 70% between 1980 and 2008, remaining below (20%) the poverty line. Labor participation in product fell by more than 31% over the same period, the lowest among OECD member countries. (See: Escobar, S. (2014), *El salario mínimo y los salarios en México*, unedited, Grupo Nuevo Curso de Desarrollo, UNAM, Mexico; Samaniego, N. (2014), *Desigualdad y mercado de trabajo en México*, unedited, Grupo Nuevo Curso de Desarrollo, UNAM, Mexico.Esquivel, G. (2014) "Salarios mínimos: debate mezquino," *El Universal*, August 15, Mexico; The Economist (2014), *Mexico's Minimum Wage: Stingy by any Measure*, August 16; Moreno-Brid, C. (2014), *Se me olvidó que te olvidé: productividad y salarios mínimos en México* (included in this magazine number), *Economía UNAM*, Mexico).

disapproval for the current political order. The Arab Spring, the outraged workers in Europe and their counterparts in the United States, the repeated Latin American, Asian or Middle East disturbances, are all commonly rooted in protests against the imposition of economic policies which subsdue the global and domestic democracies with impediments to political participation for their populations. In fact, the unaltered conservative alliance between governments and financial elites is behind of such state of affairs and the resulting social unrest.

There are, of course, options to integrate broad political fronts or political fronts coalitions, even without the prescene of traumatic facts – such as the deepening or repetition of the global crisis. Perhaps there are possibilitles to form partnerships among governments with non-financial productive corporations, with workers, with informal groups and with other members of society interested in blocking market excesses and in devolving ordering power to the states. In any event, an important future political task would need to be directed to armonize both economic and technological polices with democratic and welfare values.Bringing global and domestic democracy out of hibernation is imperative, but it is a utopian desideratum as long as neoliberal policies are in force. However, change will arrive. The persistence or deepening of the world's structural failures will eventually force to democratize the social protection institutions.

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