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The Impending Threat of Rent Globalization and the Defense of Capitalism by Labour

La amenaza inminente de la globalización de las rentas y la defensa del capitalismo por la clase obrera

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Abstract: Globalization does not necessarily lead to a world system of capitalist economies. Under the prevailing conditions of labor disempowerment, capitalism is too weak to transform rent-based underdeveloped economies. Globalization is driven by currency devaluation which transforms new comparative advantage into cost competitiveness. The major check on devaluation, full employment does not work in most cases. In order to globalize capitalism, labor in the South would have to be empowered. At theoretical level, a neoliberal understanding of capitalism as against Keynesianism blocks an understanding of the importance of mass consumption to maintain capitalism. At political level, mass movements, where they exist in the South, are captured by secular or cultural nationalism. An increasingly fragmented multipolar system emerges where rent-seeking is promoted by governments.

Key words: globalization, rent, Keynesian macroeconomics, international relations, class struggle, development.

Resumen: El presente artículo argumenta que la globalización no conduce necesariamente a un sistema mundial de economías capitalistas. Bajo condiciones prevalecientes de desempoderamiento de la clase trabajadora, el capitalismo es demasiado débil para transformar economías subdesarrolladas basadas en rentas. La globalización es impulsada por la devaluación de la moneda transformando la nueva ventaja comparativa en competitividad de costos. El controlador de la devaluación, el pleno empleo, no funciona en la mayoría de los casos. Para globalizar el capitalismo, la clase trabajadora en el Hemisferio Sur tendría que empoderarse. Se concluirá que: a nivel teórico, una concepción neoliberal del capitalismo contrario al keynesianismo bloquea la comprensión de la importancia del consumo de masas para mantener al capitalismo. A nivel político, los movimientos de masas existentes en el Hemisferio Sur son capturados por el nacionalismo secular o cultural. Surge un sistema multipolar fragmentado donde los gobiernos promueven la búsqueda de rentas.

Palabras clave: globalización, rentas, macroeconomía keynesiana, relaciones internacionales, lucha de clases, desarrollo.

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Introduction[1]

The central argument of this article is that globalization does not automatically lead toward a global capitalist system. I define the capitalist system as an economic system in which entrepreneurs make decisions as regards production and investment, and are justified by the rates of return. Return is a special form of surplus. In contrast with income,[2] return is appropriated by capitalist entrepreneurs who compete in anonymous markets. Income is another form of surplus that adapts on the basis of market imperfections –natural or politically created. In a Keynesian– Kaleckian macroeconomic model, the global volume of returns received by entrepreneurs depends on their net investment expenditures. The participation in the total return of each entrepreneur will only depend on their competitiveness.

Globalization is the increasing economic interchange by means of trade and financial flows within an increasing part of the world. By contrast, in previous globalization stages, the underdeveloped countries in the Southern Hemisphere have gained advantages from comparative production costs in manufactured products, simply at first, but increasingly in technically sophisticated workforce or intensive-capital products as well.

There are blockades for globalization in the Southern Hemisphere to prevent the generalization of capitalism at global level, and in this way, the appearance of a relatively homogeneous capitalist global system. According to the Keynesian stance adopted here, one of the social requirements for capitalist growth, namely: the workers' negotiation power has historically become an increase in the incomes of the masses. However, the absence of this factor in underdeveloped economies in the Southern Hemisphere and the relatively weak tendency toward high employment levels in the current global system, significantly compromise the workers' capability to negotiate the increase in mass incomes. The restricted growth of additional exportations, and thereby the transformation of local structures via the scarcity of regular skilled workforce, prevents the economies from becoming classic capitalists.

In many a country in the Southern Hemisphere, the Green Revolution has enabled the creation of food surplus, causing self-sufficiency. Since the comparative advantage allows for competitiveness with no technical

1 I am grateful to Javier A. Becerril Rojas for the Spanish translation and for his support.

2 Schumpeter's "innovation incomes" are, in my analysis, additional technical returns for they tend to disappear when other firms are able to imitate or devise comparable technologies. See Schumpeter (1911: 112).

superiority, there is also the chance of surpassing previous technical levels. In this context, two scenarios are distinguished: a benign globalization and a "race to the bottom" globalization. As regards the latter, governments shall intervene to protect the threatened sectors of their population and to keep their participation capacity in technical innovation. This will further intensify the structures based on incomes.

According to the theory of development, the goal is to suppress the constitutive mark of underdevelopment: labor force surplus. This entails the transference of capitalist structures toward the Southern Hemisphere, a region that is still characterized to a large extent by pre-capitalist structures, based on incomes which capitalist firms are glad to receive, but do not make an actual effort to suppress them. Consequently, I put forward that State intervention to ensure the wise allotment of emerging incomes is a desirable approach, not only to promote a global capitalist system, but also to guarantee a less conflictive world.

The argument presented here is based on the proposal that the increase of the incomes of the masses is a condition for capitalist systems. This idea was produced long before the post-Keynesian debate on this topic (Elsenhans, 1976 and 1983).[3] Previous research works (Elsenhans and Babones, 2017) have demonstrated that this model may be applied to BRIC (Brazil, Russia, India and China), while current contributions apply this model at a global scale.

In foreign affairs, States will defend their income-based strategies, keeping their sovereign rights to determine their national interests in income appropriation with a view to funding domestic peace and technical innovation. Under these conditions, the future international system will be characterized by heterogeneity, fragmentation and limited adherence to global rules, and the political structures will lead an increasingly precarious existence.[4] Therefore, any analysis of political and economic developments necessarily has to focus on the political dynamics.

3 Notice that this stance was clearly opposed to the post-Keynesian contributions to growth on the basis of wages, which has seen the rise in the incomes of the masses not as a condition, but a possibility among the various capitalist growth patterns.

4 Similarities with the new literature on a democracy decline (for example, Diamond [2016]) are only superficial, as this literature deduces the tendencies to the authoritarianism of sociocultural factors and not as a result of economic policy. It is considered that capitalism has worked, while from my approach it has not been successfully transplanted.

The prevailing liberal paradigm implies that globalization intensified in other spheres, not seemingly economic (such as culture), will promote a capitalist global system in which State intervention is limited to facilitate growth, by reducing costs for private firms. According to my model, there will be wide income variations, new ones will appear and the State power will be mainly used for increase the actions along the process to collect incomes. Therefore, I predict that a very specific international system will be developed as a result of the limited transformation capabilities of capitalism. In this system, the periphery will comprise a set of competing States that interact with one another under the general coverage of multipolar power balance and the hegemonic control of close neighbors.

Kalecki and the origins of returns

Kalecki's argument (Kalecki, 1942; Elsenhans, 2011: 8-19) on the origin of returns may be summarized briefly resorting to the usual simplifying suppositions: there are only two categories of products and two of incomes, namely: consumer goods and investment goods, and wages and benefits. Businesspeople obtain managerial profits and wages which they use for consumer purchases. For their part, laborers only receive wages. All the wages, and only the wages, are used for purchasing consumer goods. The public sector keeps balance: all the government's expenses are covered by taxes and are the cost of business and workforce. Foreign trade sector also keeps balance: there is no additional demand creation by exportations that do not match additional importations.

In a so simplified configuration, entrepreneurs in consumer goods industries are able to sell their products with a profit, as long as there is a demand for such products with wages which have not been previously paid in their own production sector, nor in supply production and investment goods previously utilized. In the simplified configuration, such wages can only come from laborers hired in the production of net investment goods, since there is a production surplus of investment goods to replace worn equipment.

Net investment goods production provides the producers of consumer goods with a positive rate of return. No consumer goods producer will create these goods if there is a return rate similar to the investment. Investment goods producers normally have access to technologies to produce consumer goods, in this way, they are always able to exploit their own investment goods entering into consumer goods production. With the profit from the production of consumption goods equal to wages in investment goods production, and with the profits from investment goods production, the total benefit in the economy is the net value of investment goods production.

There is no economically viable technology in capitalism that does not reduce the unit production costs -rationalization investment (Bortkiewicz, 1907: 456-459). In the case of actual constant wages, the addition of all the production factors per production unit decreases. Rationalization leads to the contraction of demand. However, this rule sometimes can be meet by increasing actual wages, which may cause that the oldest technologies become too expensive (this is also known as "defensive investment"). Consequently, globalization will unavoidably reduce the global demand (and profit) if rationalization investment is not compensated by an accompanying defensive investment.

As a response to the threat of reducing the possibilities of increasing net investment capacity in the real economy, firms will unavoidably increase market imperfections. This will make it easy a process of profit globalization. Funding allows releasing the operation from the adjustment in real economy: in the face of lack of demand regarding the production potential leads to a fall in prices (which, up to the 1930 crisis, was the prevailing outcome of crises).

Competitiveness, globalization and currency devaluation and the importance of the prevalence of the price system in the global market

International prices in labor are related not so much with particular production levels among the local labor force segments, but else with its average conditions; and, contrary to existing criticisms on the excessively high labor costs, wages in Southern Hemisphere are not linked to labor relative productivity, in relation with occidental labor force in specific branches that have become competitive.

In point of fact, low international labor prices in the Southern Hemisphere are not so the result of actual low wages. In reality, it is devaluation, a reduction in the exchange rate very often below purchase parity, which is decisive here. (Typically, very poor) areas in the southern hemisphere, such as sub-Saharan Africa, have not been able to take part of industrialization oriented to exportation. Therefore, wage moderation in Occident is of no use against cost reduction in Southern Hemisphere. Only employment increase in this hemisphere will block devaluation.

In a typical capitalist country, productivity level along production lines are very similar, despite the various growth rates in physical productivity over time. Income factors are also similar. However, in a typical underdeveloped country, mass unemployment blocks the increases in remunerations of the workers in most of the production sectors. On the contrary, in some sectors with favorable demand, some increases may take place. If products from these sectors are tradeable, high international prices also lead to relatively high local prices. The result is a wide variety of remuneration levels not so much in the labor sector, but of the other production factors, which is an essential aspect of the so-called structural heterogeneity (Aydalot, 1968: 42).

The differences in the growth of productivity in underdeveloped countries do not necessarily lead to changes corresponding to relative prices. If prices are defined by competitors in the global markets, high productivity may increase the income available for distribution within a branch. This may turn into long-lasting surplus beyond average return rates, "additional profits" or differential incomes. Such surplus may be appropriated by firms with no competitors with comparatively low wage costs or may become visible due to tax payments without compromising the firms' profitability.

The solution suggested by the neoclassic theory of foreign trade refers to the disappearance of the profit factors that are above average, by expanding production with price falls. While products with high profit factors are characterized by low prices and income elasticity in the global market, the likely result would be an income loss per unit sold and only small increments of exported quantities. Any economy with this specialization pattern, therefore, will resort to tax imposition on exporting products to obtain appropriate incomes.

If average wages increase by means of high employment levels (together with a high use of the available production capacity), incomes disappear and wages converge. This is an essential element of transition to capitalism. Convergent prices factors[5] lead to production homogenization in all the economic activities, economic flexibility to react to new demands and a similar economic status among most of the laborers, who may become a working class with political action capacity. This enables the labor sector to suppress all the forms of surplus appropriation, with the exception of profits, and improve its incomes and employment by increasing the demand of consumer and investment goods.

5 Increase in production in high-productivity sectors leads to a diminution in prices from market saturation. While low-productivity ones lose part of their workforce and may increase their prices because of an offer diminution.

Workers cannot redistribute the benefit from consumption, and any increase in this can only be accomplished by increasing production capacity. The increase in consumption beyond the full use of production capacity leads to investment expenditures and new profits. However, the labor sector can suppress incomes and so, establish the domination of capitalists over wage recipients.

Southern Hemisphere's new comparative advantage

The new exportation offensives of the manufacturing Southern Hemisphere have been enabled because of changes in comparative advantage. This does not refer to the delay in the productivity of a receding economy. Ricardo (1951: 135-149) has demonstrated that any country is able to export, even if its productivity is decadent in all its activities, as long as that delay differs in various production areas as regards a more advanced country. For example, Great Britain (GB) may be superior to Portugal in fabric and wine production, however, GB opts for specializing in fabric production because it is more developed in this field.

But, why do Southern Hemisphere countries have a new competitive advantage in production lines with very favorable demand conditions in the global market? How is the comparative advantage turned into international competitive costs?

At the beginning of the Industrial Revolution, early in the XVIII century, Europe had a comparative advantage in industrial products with simple standardized quality. GB managed to enter into the Asian markets with industrially produced inexpensive cotton fabrics.

Mass production of standardized products for average consumers led to innovation in industrialization processes in Europe. New products, previously deemed overly expensive, were now available by virtue of these new processes. Europe eliminated luxury goods from ancient Asian civilizations from European markets and the Southern Hemisphere. On the other side, the already sophisticated economies in the Southern Hemisphere specialized in raw materials.

Raw material deposits close to industrial sectors continuously depleted, in this way, cheaper production sites were sought in the Southern Hemisphere and were exploited with technologies developed in Occident to alleviate the growing costs caused by the impoverishment of nearby raw material deposits. Therefore, production costs in the Southern Hemisphere were much lower than in the West.

Whereas production sites in the West continue operating, the law of a price in the global market provided the producers from the Southern Hemisphere with an additional income, that is to say, a differential income. The appropriation of this income would require control and political power. This initially turned into the formation of power of colonial mining enterprises which, after independence processes, went to the hands of governments increasingly centralized based on the emerging State classes (Elsenhans, 1996: 59-76).

Agricultural raw materials from the Southern Hemisphere had low prices and elastic profits, in this way political control may increase the total exporting incomes. This became attempts to create illicit organizations to control raw materials, and abrogate international agreements as regards fair and remunerative prices. Such actions started in the 1930's, and continued up to the establishment of a supposedly new international economic order in the 1980's, with a view to appropriating incomes. After 1982, Occident was capable of virtually suppressing all these incomes with the exception of oil incomes because occident wanted to protect its own oil political security, though expensive (Elsenhans, 1983: 36-37).

Inevitably, the deteriorated position of exportations, caused by the fall in the prices of raw materials, made room for a new comparative advantage in manufacturing from the intensive use of labor force in the Southern Hemisphere (though this remained in decline in manufacturing production). According to Ricardo's model (1951), Occident's long-lasting technical superiority is not guarantee against competence in low-cost production places in the Southern Hemisphere.

The comparative advantage, in spite of the production delay, turns into cost competitiveness from devaluation (in Ricardo's demonstration, by means of outflows [gold money] and the subsequent deflation). Nowadays, exchange rate variations produce the same effect. Occident has vigorously criticized China for promoting its industrialization oriented to exportation by means of undervalued exchange rates, though Western Germany's "Wirtschaftswunder" (economic miracle) in the 1950's similarly based upon on undervalued German currency (Milward, 1992: 485).[6]

For some time, China has funded its trade surplus by means of buying US Treasury bills, which certainly will devaluate in relation to Chinese currency when China considers selling them. This country, therefore, pays

6 Emminger (1986: 8), president of the German Federal Bank (1977-1979), clearly describes the way national industry opposed to the revaluation of the German currency in 1960-1961, when Germany had reached full employment.

for the possibility to have surplus in the balance of trade with the rest of the world because funding its own exportation surplus is less costly than the alternative mode of regulating its economy by means of an inefficient and parasite State.

There are no criteria for a fair exchange rate, as long as participant countries are not capitalists with similar structures of relative prices between goods and services. Similar delay degrees in Southern Hemisphere countries as regards technically advanced economies in Occident are denied by the very underdevelopment structure. In the theory of development, there has been a great debate on the so-called "structural heterogeneity"

Amin (1973: 186) has demonstrated that this is the result of the transference of the occidental system of relative prices toward these countries. Such system is determined by the relative productivity in industrialized Occident. The devaluation potential of a country that is still characterized by unemployment is, in principle, limited. The exchange rate may keep balance, even if the local purchasing power of work in national currency is higher in the global market (Haichun *et al.*, 1994), as it is the case in most of underdeveloped nations.

The attractive of India as an inexpensive tourist destination is supported on the fact that Indian currency is inexpensive, at least for occidental tourists. Historically, all the countries have been successful in industrialization oriented to exportation had devaluated currencies, even Japan after 1918 (Morimotu, 1918: 144).

On the limits of devaluation or the need to empower Southern Hemisphere workers

Even if there is some increase in employment via low devaluation rates, a large part of the productive labor sector might remain unemployed. The increase of employment in manufacture oriented to exportation by devaluation below purchase parity needs internal material resources for the workers' additional exportation incomes (Elsenhans, 2002: 6-73). Regardless of devaluation rate, the necessary importation of supplies and technology cannot make international prices cheap by devaluating the local currency. With supplies and technologies cannot be easily replaced with local products, the available amount of exportation incomes that can be used for purchasing additional products to supply additional exporting workers decreases faster than exportation incomes.

Additional exportations by devaluation are possible only if additional workers in exporting industries are supplied by salary wages from local production. In almost all the Southern Hemisphere countries, consumption in poor households concentrates on food, with some variations in housing costs, and simple household furnishing: from furniture to cooking utensils, a range of other simple products and some modern such as refrigerators, televisions, bicycles, but also cellular phones, as they are locally made. Food production is a bottleneck here, at least in the main Southern Hemisphere countries.

In point of fact, the Green Revolution has made additional foods available in the Southern Hemisphere, feeding additional workers to exportation industries. If the occidental labor force would try to compete with the cost of labor force in the Southern Hemisphere, it would not have to tighten its belt, but to revert the accomplishments of Green Revolution. This solution may be discarded as it is little realistic, from the political standpoint, by anyone who would not want to be responsible for famines in the Southern Hemisphere.

The other restriction for exportation devaluation is the only possible: the suppression of unemployment in the Southern Hemisphere. When high employment levels are reached, labor force scarcity may take place, this way, firms start to compete for it offering higher wages. It was the case of Western Germany, by the end of the 1950's, with the threat of "imported" inflation.

However, overcoming unemployment in Southern Hemisphere is not a task for Occident. In the case there are strong tendencies toward more equal income distribution, most of the unemployed workers in the Southern Hemisphere would become employed to meet the needs of an increasingly numerous local working population, which, due to a labor offer that would increase slowly, would receive higher actual wages or would feel entitled to organize unions and impose higher actual wages by means of collective action.

Korean economists have observed that, as of 1983 at the latest, wages increased not only in successful exporting firms, but in the entire economy (Bai, 1982; Minami, 1992). When work started to decline over the exportation campaign in South Korea, actual wages increased in all the other activities, despite the labor sector was still politically weak. This weakness did not persist: ten years after reaching high employment levels, South Korea was home to a politically powerful working class, well organized and capable of challenging a repressive dictator (for example the Gwangju Uprising in 1980).

In fact, there is a similar process in oriental provinces in the People's Republic of China, where the communist regime seems to be very prudent and directly faces the grassroots organizations of the emerging autonomous worker movement (Lüthje, 2013: 129).

The growth of employment from exportations depends on the multiplying effects of the expenditure of additional exporting workers. According to the rule that states that the poorest people consume a small variety of relatively simple products in large amounts (Strassmann, 1956), efforts to equalize income distribution in industrialized export-oriented countries contribute to ensure that this strategy is successful in the creation of employment. High multiplying effects promote the strategy: the successful instances of South Korea, Taiwan, and China, and soon Vietnam, show that further equality (by means of agrarian reforms against large landowners) helps faster employment growth, and thereby, a faster transition for devaluation-based economies so that the distinguished dangers of globalization become less menacing.

The danger of going ahead

The need to accelerate globalization pressing on employment creation in the Southern Hemisphere is supported on a new characteristic of the globalization process. Traditional neoclassic economists believed that economic growth and technology command would progress gradually. In the first place, emergent economies would start to produce simpler goods and then they would change to more complicated good, from that moment on, they would ascend a scale of technical sophistication. However, given the nature of the comparative advantage, this argument never was convincing. As a matter of fact, the later technical progress supported on science has demonstrated its limitations.

Any given country may be less technically advanced than an established leading country, but have a comparative advantage in the most advanced technology (Elsenhans, 2001: 62-73; Elsenhans, 2002). At first, some countries may have accomplished great progress in technical performance on the basis of learning by doing. A less advanced nation may be very far because it has never had the chance to perfect its knowledge in the respective technology by means of learning by doing. Indeed, the most advanced economy has an advantage in the operation of new technology that emerges from its previous experiences in other production areas.

Albeit, it is highly unlikely that the learning effects from the practice of this advanced economy in previous technologies lead to identical advance in new technology. Let us consider Ricardo's (1951) example, replacing Germany with England, Easter Asia with Portugal, luxury cars with fabric, and electronic goods with wine. In this new and more contemporary example, Germany would be forced to specialize in high quality luxury cars and leave electronic goods to Easter Asia.

Suppressing raw material incomes by means of lower prices in line with the production costs of the respective raw materials in low-cost production sites gave rise to comparative advantage in production. At first, of course, this occurred in counties with no raw materials such as South Korea, Taiwan and Singapore. However, in spite of remaining below advanced economies in new technologies, the newcomers had a comparative advantage not so much in previous technologies, where the practical learning from established economies was significant, but by means of the most modern technologies, in which both countries advanced, while delayed economies had not acquired the learning through practice.

In this way, it was possible to advance, as Chinese, Taiwanese, South Korean and up to a certain point, Indian and Brazilian firms became capable of competing with some technological leaders in most modern products. They quickly improved their performance by means of learning by doing and launched their own transnational companies with global-level strategies.

Superiority in old technologies may render a new technology unprofitable, consequently, disposable. From a technical standpoint, France was the leading economy in the XVIII century; it specialized in high quality products, mainly supplying high quantity products for high-end markets (Allen, 2009: 275). Great Britain specialized in products for lower-income strata, supplied in large amounts that triggered mechanization. By the end of the XIX century, Germany was so weak in fabric production that it was not able to compete with British fabric exportations, though it possessed a comparative advantage in new industries such as chemistry and machinery production, though most of the times, great innovations in these two fields were made at once in GB and Germany (Broadberry, 1997: 165).

Globalization patterns: a benign model and an end-of-the-world model

Two patterns can be distinguished in globalization: one "benign globalization", visible in the relationship between industrial countries by the end of the XIX century, and a globalization as “a race to the bottom”, which nowadays we experience.

Let us imagine three fictitious countries: A, B and, C. A is a leading industrialized country with high innovation capacity; B is an industrialized capitalist country not as innovative as A. A and B both have high employment levels, but have need of labor force. C is an underdeveloped country with a large excess of labor force. Let us suppose that all the nations in the likes of C are so delayed that they cannot reach the cost competitivity in production via devaluation, in spite of the comparative advantage.[7]

Well now, supposing an innovation in the main productive sector of A, for example, automobiles. An increase in car exportations to B may make this lose its production of carriages because consumers want to have cars. A accomplishes a surplus balance of trade that leads to an appreciation of its currency. Products from B will be cheaper than many of the products from A, where there is no comparable innovation. Since it is supposed that these countries are capitalists with a tendency to full employment, the homogenization process of the production factors has taken place in both.

The sectoral increase in productivity in automobile production does not lead to an increase in physical productivity in the rest of the sectors, but to an increase in their prices, as car production attracts large labor force with higher wages. Currency appreciation and wage increases in A make many other sectors, in addition to automotive production, be more competitive in B, which might export more old products, despite no increase in physical production has taken place.

Additional exportations lead to a growth in employment and compensate for losses in employment in the automobile industry. Real wages in B may increase if B attains full employment and partakes of cost and price reduction in automobiles, by means of productivity increments in A, as well as higher exportation prices of old products, owing to price increments in A. In point of fact, the extension of production toward more traditional activities in B may induce technical progress in that country. Such progress is probably less dynamic than innovation in A. Wage increments in B would be lower than increments in productivity in A. Certainly, A would be better off than B, though B would keep advancing and would not experience unemployment.

I call this a globalization convoy pattern. This pattern, reaching a leading position (even renew access) is possible because a quite delayed economy may start a new technology at a similar command level, but with lower wages in national currency than the most advanced. In this way, all

7 The locally producible surplus of salary goods, especially food, may be excessively low.

the participants enjoy phases of leadership and delay, which explains why relationships between capitalist countries with high employment levels are characterized by cooperation and absence of confrontation (as long as foreign policies are dominated by economic interests).

The mechanism to accomplish full employment in spite of being delayed in the most dynamical productive sectors does not depend on B's capacity to promptly follow A in innovation, but on B nor being surpassed by other economies, which I call C, in activities important in B. If there is a relevant sector in which C might overcome B, the employment loss in the production of carriages in B cannot be compensated by employment increments where A loses competitivity because of the increase of international wage costs.

The tendency to attain full employment in production in B in such activities may be hindered by the new competitiveness of C (either from learning or devaluation). Real wages in B do not increase, nor does its domestic market expand. The possibility to innovate in completely new sectors is reduced by means of supplying domestic market. To sum up, the capitalist mechanism of regulation is severely impaired.

The degree at which B, an intermediate economy, is affected by the appearance of the competitiveness of C depends on the impact of new exportations of C in its labor markets. The faster the growth of employment in C, the less capability to sustain the strategy of exportation-oriented industrialization based on devaluation, as shown in a discussion on devaluation limits. C is a threat as long as its performance is high.

With the competitiveness of C countries in demand products with elastic prices and incomes in the most important nations (even among the First World), the "race to the bottom" globalization model turns into an actual possibility.

Harmful spontaneous adjustments and the State need

A race to the bottom globalization model hugely favors the globalization of incomes (Elsenhans, 2006). Deficiencies in the functioning of capitalist mechanisms create significant incentives for the two main sorts of capitalism, capital and labor force, and also for the dominant class (income based) in partially capitalist countries to complement the market mechanisms with state intervention. Spontaneous relationships in countries B and C are not propitious to meet the need to compensate for the growth of global production faster than the incomes of the masses around the world, as they try to maintain competitiveness by means of wage restriction.

In the weakest capitalist countries (such as B), but also in the leading ones (e.g., A), governments persuade workers that in order to preserve employment, wage restriction is necessary. It is estimated that 80% of employment loss is attributed to globalization in industrialized occidental countries is not due to employment delocalization, but to an insufficient expansion of production for domestic market. Productivity has grown faster than production (Erber and Hagemann, 2012: 39).

Governments and large enterprises have broken the workers' resistance. The result is the self-inflicted creation of underconsumption. The crisis in the labor market, together with the emerging political instability, is approached by the government by means of favors in the style of "Salvation Army"; the laborers are told there is no alternative for underconsumption and that the government is a "good emperor". Some have deemed this modern charity a progressive aspect of globalization by means of which the state increases (Rodrik, 2011: 234); in fact, it is a form of income allotment and channeling for politically defined purposes.

This is complemented with the much more important field of technical innovation subsidized by the State in favor of national firms. The subsidiary limitations of World Trade Organization (WTO) for national leaders must not hide the centrality of state finances in the national innovation systems.

Similar programs of government direct support permanently take place in recovering economies. China, India and Brazil have become international, as many other smaller countries more recently industrialized such as South Korea and Taiwan. Firms which have been favored in these nations' domestic markets use their abilities and acquired knowledge to broaden the market improving their initial learning by means of practice. Firstly, they do it in Third-World markets, before embarking on a qualitative improvement of their capabilities by participating in the competence in "chasse-gardés" of the main international companies.

At least in the case of China, the access to its own local markets for foreign investors is largely facilitated if a foreign investor credibly commits to transferring technology (Elsenhans and Babones, 2017: 94). Foreign investors are not sure whether the effort will secure future benefits, so they tend to prioritize short-term return maximization. Inversely, the host country is interested in maximizing its knowledge and access to technology, which gives less importance to the minimization of financial outflows for the head company from the foreign investor.

Devaluation is a costly procedure. To make the additional local labor force competitive, the rate of devaluation often has to be high, in such manner that activities which were or are competitive in previous exchange rates would obtain lower prices in the global market if they are exposed to high competence. The rate of devaluation may be lower if some industries are subsidized by others loaded with additional costs because they can afford the exchange rate without losing competitiveness. For example, Korea blocked the importation of textile machinery when its exportations had to face a decrease in the elasticity of the demand price.

The higher local costs of textile machinery of the old spare-part suppliers increased exportation prices in local currency, though the reduction of the demand was bearable due to the low elasticity of the demand at low prices (Mytelka, 1986: 258). Macroeconomic effects are not different in an oil-producing country that taxes its exportations and uses its incomes in an industrialization program, however, the administrative efficiency of such program is superior.

The increase in state intervention is not the result of sociocultural factors, though a legacy of state intervention makes it easy the continual responsibility of the government for economic growth. The basis for this intervention is, however, the appearance of differential delays in productivity. Since these are not capitalist economies, there is no labor force scarcity to facilitate the appearance of identical production factors among national economies, as described in the benign process of globalization in the late XIX century.

The new manufacturing competitiveness of the countries thus far underdeveloped is restricted to a small number of specific production lines. These may face a diminution of the elasticities of prices and incomes of the global demand long before they have qualitatively changed in the labor market of economies in recovery. When prices drop, these industries will prioritize production restrictions over an unrestricted increase of their exportations.

Differences in productivity delays may be used for allotting incomes, and for any other differential income as well, if administrative and political conditions for its appropriation are introduced. The State intervenes on the grounds of funding development or managing the social unemployment crisis. Since the process of recovery may be promoted by means of income allotment, the State is still important. Converging changes in economies A, B, and C to "supplement" the market via state intervention strengthen the tendency toward the globalization of incomes. The stage of a global homogenous capitalist system may be deduced from neoclassic economy, but at the cost of a poorly realistic description of the world.

From a Keynesian understanding, such scenario would produce structural heterogeneity. Oligopolist firms cannot independently create the demand necessary for harnessing the potential of their production abilities, triggering investment on the expansion of production capacity by increasing the incomes firms pay their laborers. Even at present, the returns of transnational firms (2014-2016 around 6%) are much higher than the growth of their stock of fixed assets (stagnation 2014-2016). Financial returns do not lead to a comparable volume of employment-generating investment. With unemployment, firms need the State to repair the social consequences of their exclusivist strategies. The state will not be able to fulfill this role without effectively demonstrating its commitment to the interests of the "abandoned".

The structure of power of the global system stabilizes the search for incomes

The prevalence –or even greater importance– of incomes in international rivalries inevitably increases the role of political power in international relationships, thereby, the role of governments (or at least that of powerful governments). This is noticed in the expected structure of the international state system. The tendency toward improved multipolarity is a constitute element of the scenario described in the present article: the prevalence of incomes entails a relevant role for the governments.

In point of fact, the future of the state system will be multipolar. There will be some important powers against which not even large coalitions of powers may impose new rules. These are nuclear powers with a broad range of nuclear weapons and large conventional forces that would enable them to postpone the first resource of nuclear weapons for longer escalating periods (US, China, India, and Russia, maybe Brazil and the European Union). These (future) superpowers know their mutual blockages and will resort to conventional multipolar diplomacy that characterized the interstate system of the early XIX century.

The superpowers will act as regional hegemonies in their geographic vicinities. The superpowers in competence will show to be incapable of mustering sufficient conventional forces to block them and will respect the prevailing influence of hegemonic regional powers (as long as they do not comprise global coalitions against them).

The smallest countries will zealously defend their legal sovereignty as States, because being a State is the most important element to obtain external support against regional hegemonic powers.

The regional centers will be in the Arab sphere and sub-Saharan Africa. Here, the superpowers of the multipolar system will compete for influence, as demonstrated by China's advancement in previous "chasses gardées" in Occidental Africa and sub-Saharan Africa and the Chinese - Indian rivalries in the region. The Arab world will be thus an area for rivalry with reciprocal exclusion measures. The fundamentalists will have to be outside power, which will be more attainable if all the superpowers keep a low profile (at least temporarily) in the region, and leave the repression of fundamentalists for local governments.

All the powers in this multipolar system will opt for consumer societies and will not be able to base on holistic ideologies or in a mission to improve the world. Therefore, there will be limits for the mobilization of internal resources, especially, labor force, for expansionist foreign policies, mainly expansion wars. In fact, this capability to mobilize labor force with foreign political ends will greatly reduce for smaller firms, becoming one of their skills to keep autonomy and defend its territorial integrity

All the main States will protect their innovation capacity. The daily agenda in Singapore will not be accepted if there are not guarantees of any sort of protection, with a view to keeping innovation capacity in more diverse production sectors.

Among States there will be market relationships moderated by national interests. The issue of sustainability and environment will drive governmental interventions and the search for revenues. Countries with high incomes will use non-tariff barriers against products they deem ecologically unfriendly. Pressure groups will use this argument to obtain protection from low-cost competence.

The role of nationalism as an apparent justification for such measures will increase. In a nationalist, anti-multilateralist US and a multilateralist and moderately nationalist China are congruent with their own interests in international labor division.

The cooperation between these powers will be fundamental for a future management of the global system. Since culture is part of their respective identities, they will accept elements of a worldwide global culture without allowing the structuring of their basic identities. Even if such tendencies exist, there will be countertendencies among those who cannot benefit from the assimilation into the dominant system of values, and will find the opportunity to promote their own interests by mean of dissidence.

The early XX century was characterized by the global dissemination of occidental regulations and values, however they were only adopted in the spheres of behavior which, for non-occidental populations, seem not to be determinant of their basic identities (Idenburg, 1923: 253).

There will be new public identity movements in the places where developmental efforts were not as successful as in east Asia, specially in Islamic and Hindi environments. The middle classes based on incomes oriented to consumption aspire to some participation, though they opt for cultural nationalism to protect against agitation of the lowest strata (Ouaissa, 2013).

China and the United States will promote globalization within the limits of their national interests and both will compete for the political support of the mixture of cosmopolitanism and national interests. The US has the historical advantage of a quite positive perception of its hegemony in many parts of the world. Well now, Brazil and the European Union will tend to the US side more than the Chinese. Moreover, there will be no pro-Chinese coalition in the style of an "Asia for the Asian" model, adopted by Japan between wars. Though neither will there be a setback in the position in the interstate system China has attained thus far.

The globalization of incomes will be extremely stable. It will only be surpassed if the internal structures of power in most of the economies will favor the workers. This perspective is not fully unrealistic. In South Korea and Taiwan, the increase of manufacture exportations has led to high unemployment levels, and at least in the case of South Korea, to strong working classes. Similar tendencies are increasingly strong in China, and possibly in all the countries with high employment levels, by means of industrialization oriented to exportation with high multiplying effects.

Discussing alternatives and conclusion

The general conclusion of this discussion is that globalization does not automatically lead to a global capitalist system. Market relationships do no reduce the search for incomes; in reality, they create many more possibilities for income appropriation. This does not necessarily make it easy the development and transformation of underdeveloped regions in capitalist countries.

Globalization dismisses the working class, thereby, it threats one of the critical balance mechanisms in a capitalist system. The supposition that globalization inevitably leads to capitalism can only be maintained in the context of neoclassic economy, whose globalization process has demonstrated be empirically invalid.

The possibility that proletarians in the world join is remote. The differences in culture will make discussions extremely complex between labor organizations at international level. Laic labor movements in East and communist West are no longer influential in the rest of the world. For countries in the Southern Hemisphere, Social Democrats had an ambiguous stance as regards decolonization and political democracy. Reproaches for the communist movement are less clear, though they have also lost influence, even in societies which they once dominated.

Labor militancy has increased where the creation of employment by industrialization oriented to exportation has been successful, especially in East Asia. However, the labor sector has not adopted strategies that might lead to the creation of transnational or global coalitions.

Conversely, in this large geographic area where development efforts have not been successful, secularism has decreased. Previously marginalized cultural nationalists have created new cultural identity movements (Elsenhans, 2012). In the Islam world and Southern Asia represent the large majority of the abandoned and disfavored.

Any attempt of transgressing the limits of Occident to build workers' coalitions for the purpose of making capitalism works at global scale, would have to create understanding among the remnants of a secular Keynesian left, occidental and the growing movement of the masses of culturalist nationalism in the Southern Hemisphere (Elsenhans, 2017). Such coalition is difficult to imagine, though it is necessary for the survival of capitalism.

In fact, much more probable is the Chinese-American standpoint of the evolution of the global system dominated by incomes and with labor movements weakened in subordinate positions. The labor sector will even favor the appropriation of incomes, since this prevents the threat of a low-consumption crisis due to the suppression of net investment expenditure for surplus appropriation.

The globalization of income will prevail. The absence of the necessary political forces to depend capitalism in many parts of the world is praised in the dominant interpretations of the world history as an accomplishment of postmodernity; as well, the entrance of the new era of income domination will be probably seen as an accomplishment in human history. The dependency of the main sectors on the social science of official resources to have some sort of impact in the demobilized audiences and the cultivation of a poorly realistic Marxist orthodox opposition as a proof of democratic credentials and the liberalism of the existing powers

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