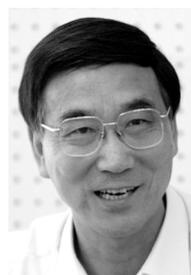


OPENING SPEECH AT THE EIGHTH FORUM OF THE WORLD ASSOCIATION FOR POLITICAL ECONOMY

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May 23, 2013

Dear Mr. President, members of WAPE, distinguished guests, Good morning!

I now announce the opening of the Eighth Forum of the World Association for Political Economy, the theme of which is “Inequality and World Capitalism: Analysis, Policy and Action.”

First, please allow me, on behalf of the association, to extend the warmest welcome to scholars from over 20 countries around the world, and sincere gratitude to the administrators, professors and staff of Federal University of Santa Catarina (UFSC) as the host of this forum.

The World Association for Political Economy (WAPE) is an international academic organization founded in 2006 by Marxian economists and related groups around the world. The mission of WAPE is to utilize modern Marxian economics to analyze and study the world economy, reveal its laws of development, and offer policies to promote economic and social progress on the national and global level. The last six WAPE forums were successively held in Shanghai, Shimane (Japan), Beijing, Paris, Suzhou (China), Amherst (USA), and Mexico City (Mexico) between 2006 and 2012, and have gained significant influence at the global level.

The WAPE forum this year will be discussing theories, policies, and actions with regards to the following topics:

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1. The inequality in the production and distribution of wealth in the world and its causes;
2. The occupy movement and anti-inequality struggles worldwide;
3. Inequality in Latin America;
4. Social policy and reduction of inequality;
5. Analyses of the current financial and economic crisis;
6. Falling rate of profit in capitalist countries;
7. Changing north–south relations in the 21st century;
8. Comparison of Latin American model and Chinese/Vietnamese/Belarus model;
9. Models of contemporary socialism and its strength;
10. Labor Theory of Value and Exploitation;
11. Eco-socialism and anti-nuclear power plant movement in the world;
12. Modern political economy, etc.

Having said that, I'd like to share with you some thoughts of mine about the theme of this forum: "Inequality and World Capitalism."

1. We have observed very large inter-country differences in the level of household wealth

According to the study of Davies et al. (2011), the USA is the richest country in aggregate terms, with wealth estimated at PPP (purchasing power parity) \$201,319 per adult in the year 2000. At the opposite extreme among countries with wealth data, India has per adult wealth of \$11,655 in PPP terms. The wealth to income ratio rises with income or wealth, meaning that in poor countries the relative shortfall of wealth is greater than that of income. Global wealth-holding is highly concentrated, much higher than in the case of income. The share of the top 10 per cent of adults in 2000 is estimated to be 71.2 percent and the Gini coefficient to be 0.804. The share of the bottom half is just 1.6 per cent (with 0.784 for Brazil, close to 0.801 of the USA). Measured wealth inequality is higher still if international comparisons are based on official exchange rates, which is appropriate if attention is focused on the rich and super rich: the share of the top decile rises to 85 percent and the Gini becomes 0.893.

These statistics indicate that the world's wealth distribution is considerably more unequal than its income distribution, for which Milanovic (2005) reports Gini coefficients of 0.642 and 0.795, respectively, on PPP and exchange rate bases, for his full 1998 sample. Estimated wealth concentration varies significantly across countries and is generally very high (as quoted in Davies et al. 2011). Comparisons of wealth inequality often focus attention on the share of the top 1 percent. That statistic is reported for 11 countries in the past 10 years or so. Estimated shares of

the top 1 percent range from 10.4 percent in Ireland to 34.8 percent in Switzerland, with the USA towards the top end of this range at 32.7 percent (the sampling frame for the USA survey excludes the Forbes 400 richest families; adding them would raise the share of the top 1 percent by about two percentage points). The share of the top 10 percent, which is available for all 20 countries, ranges from 39.3 percent in Japan to 76.4 percent in Denmark (Davies et al. 2011).

2. The root of the global inequality lies in the capitalist system, both economic and political

Joseph Stiglitz (2012) in the interview “10 Questions: Nobel Prize-Winning Economist Joseph Stiglitz on Inventing the 1 Percent and Why They’re Bad for the Economy,” thinks that America is kidding itself when it calls itself the land of opportunity. “In terms of basic statistics, the U.S. has become less a land of opportunity than other advanced industrial countries.” “The problem is that by denying opportunities to people at the bottom, we are actually hurting our whole economy, because that means they’re not living up to their potential.” Precisely because of all the consequences brought about by inequality in opportunities, Stiglitz (2012) explicitly expresses his disbelief in the so-called “free market.” “The notion of the free market is a myth. All markets are shaped by laws and regulations, and unfortunately our laws and regulations are shaped in order to create more inequality and less opportunity.” The USA today is the most unequal country among the major developed countries. US census data shows that the top 20 percent of American families took 50.2 percent of the total household income, while the poorest 20 percent only get 3.3 percent. In the 1980s before the Reagan Administration, the numbers were 44.1 percent and 4.2 percent, respectively (as quoted in Yates 2012). At the time of the economic crisis and difficulties for ordinary citizens due to lowered wages and reduced welfare, bank CEOs had a pay increase of 20.4 percent in 2011. Citibank claimed biggest loses with 61 percent drop in its stocks in three years, yet paid \$14.9 million to its CEO Pandit (as quoted in Farrell 2012).

Clearly, in the past 40 years or so, liberalism promoted globally by Reagan and Thatcher, along with frequent financial and economic crises, have increased global and inter-country inequality and the gap between the rich and the poor. It further reveals that the so-called “American Dream” or “Japanese Dream” are all nightmares of crises and terror, rather than of stability and security; nightmares of violent deprivation, rather than of peaceful development. This is essentially different from the socialist “China Dream.” With public ownership and common prosperity of the people as its major economic characteristics, and the consequent freedom, democracy, fairness, justice, civilization, harmony, and peace in its genuine sense, the path of scientific socialism constitutes a necessary path to

overcome the inherently unequal, un-free, unjust, uncivilized, inharmonious, un-peaceful capitalism. Socialism does have its hope in the 21st century.

3. China is rather prominent in both wealth concentration and income gap

In 2002, the richest 10 percent of Chinese took 41.4 percent of the total wealth, which is slightly higher than that of Japan in 1999. Wealth concentration, urban-rural difference, and regional difference are all being further extended. The general income gap has passed its critical point.

- Both international and domestic scholars have generally accepted that China's Gini coefficient has reached 0.45–0.49, and the number given by the World Bank is 0.47, well beyond the critical point as internationally acknowledged.
- In 2010, net income ratio between the top 20 percent and lowest 20 percent group in rural China was as high as 7.5 : 1, even though there it showed a drop from the 8.0 : 1 in 2009. The ratio for urban residents remains at a high level of 5.4 : 1.
- Wage percentage in GDP continues to drop in China. Between 1990 and 2009, this percentage decreased from 53.42 percent to 46.62 percent. In the meantime, differences between industries have become larger and larger.
- There is a large income gap between urban and rural China. Since the 1980s, the widening of this gap has never stopped, with a ratio of 1.88 : 1 in 1985 to 2.21 : 1 in 1990, to 3.48 : 1 in 2005, and to 3.66 : 1 in 2009. In 2010, average net income was RMB 5,919 (about \$900 US dollars) for rural residents and RMB 19,109 (about \$3,000 US dollars) for urban residents, with a income ratio of 1 : 3.23. There are differences in the above estimates, but all point to a clear exacerbation of income gap. It is worth noting that the gap under discussion here is referring purely to that of income, without taking into account wealth-holding, which would further the gap between urban and rural residents.
- Regional difference is huge. Annual income ratio between the east, middle, and west of China has increased from 1.37 : 1.18 : 1 in 1978 to 2.42 : 1.2 : 1 in 2000. In 2008, this ratio became 1.51 : 1.01 : 1 for urban residents, and 1.88 : 1.27 : 1 for rural residents. By the end of 2009, disposable income of urban residents in the east was 2.33 times that in the west of China (as quoted in Cheng and Zhang 2013).

4. Wealth concentration and income gap both have their roots in the private ownership of the means of production and weak state adjustment and control

Reformists within and outside China would argue that problems of unequal distribution between capital and labor, and the gap between the rich and the poor,

could be solved through the redistribution of national income and philanthropic measures, without fundamental changes of the dominance of private ownership, which results in the first distribution of national income between labor and capital, and income polarization. Such a notion has proved to be mistaken in both practice and logic. It is an economic law that the ownerships of means of production at national level or global level directly determine means of distribution within a society or at the global level. In China and a few other countries, public ownership and its related distribution according to labor co-exist with private ownership and its related distribution according to capital, which means that these countries are under the influence of both socialist and capitalist law and mechanisms of economy and will not be immune to social inequality and wealth concentration.

The present situation requires at least four measures for changes:

- To develop and strengthen a bigger state, collective, and cooperative economy during the ownership structure reform, with attention specially paid to solve the problems of inequality and contradiction between the rich and the poor through measures related to enterprise ownership, micro-levels, and first distribution;
- National governments around the world should set up policies that regulate income fluctuations, and enhance employee salary according to four factors, i.e., productive efficiency, profit rate, increase in managers' income, and rise of local living expenses;
- To strengthen the role of national governments in income redistribution, so as to keep raising the level of public welfare such as social security, education, housing, etc., of urban and rural residents;
- Come up with global policies of unified taxation to respond to billionaires around the world (e.g., recently the French ones) who manage to avoid legal taxation within their own countries by emigration to other countries with lower taxes (e.g., Russia).

5. Socialism of 21st century in Latin America is a progressive notion and important action towards the elimination of inequality

The ALBA-TCP is a regional leftist integration platform for countries in Latin America and the Caribbean, which is initiated by Cuba and Venezuela, which are, respectively, the unique socialist country in the Western hemisphere and one founder of "21st-century socialism" in Latin America. It aims to find an alternative for US-led ALCA which serves the Latin American bourgeois classes, to safeguard the masses' interests prior to the capitalists', and to eliminate poverty and social isolation. Its ultimate goal would be the genuine independence, solidarity, and

development of Latin America. First presented at the end of 2004, ALBA-TCP was founded in 2005. It steadily expanded up to 2012, it has grown to include eight members (with Bolivia, Nicaragua, Ecuador, etc.), three invited members, and three observer members with the focus on the “Alternative” and “people’s life” ever since its establishment. ALBA-TCP has proposed the ALBA Bank, the South Bank, the regional currency SUCRE, regional oil plan, food security plan, social movement committee, the South TV, etc., which promotes the balanced growth of welfare and easing of inequality in its member countries, and gains support from progressive scholars around the world. The founding of ALBA-TCP provides developing countries valuable experiences and inspirations in the fields of international participations, South–South cooperation, and building a new international political and economic order, etc. Constructing an alternative mode of regional integration with socialist values in the era of globalization will be a feasible path for developing countries to resist neo-liberalism and strive for solidarity and development (He 2013).

Dear colleagues, the *World Review of Political Economy*, a journal of our association, began its publication in 2010 by Pluto Press of UK, and is now accessible in over 2,000 libraries around the world. Quality papers presented during this conference will be selected after review to be published in this journal, some of which will be translated and published in the Chinese quarterly *Journal of Economics of Shanghai School*.

In this conference, we will also present the 2013 “World Marxian Economics Award” and “Award for Distinguished Achievement in World Political Economy of the 21st Century,” in appreciation of the distinguished contributions from economists of all ages around the world.

To conclude, I believe that the forum this year will be a very productive one by efforts of all participants. Our association will play a more positive role in economic research, solving global problems, and development of human economic civilization.

Have a great conference and enjoy a healthy and pleasant stay in Brazil! Thanks!

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