

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

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Dear scholars and experts,

It is a great pleasure for the members of World Association for Political Economy to gather at this very important country, South Africa, and Chris Hani Institute and UKZN Centre for Civil Society, for the *Tenth Forum of the World Association for Political Economy*, with the theme of “the Uneven and Crisis-prone Development of Capitalism.” First and foremost, on behalf of the association, I would like to express our sincere welcome to the scholars and experts from more than ten countries around the world and our deep gratitude to the leaders, scholars, and staff members at the University of Witwatersrand which co-hosts this forum.

The main topics for discussion at this forum include: (1) phenomenon and cause of unequal development of capitalism around the world and the counter measures; (2) global economic and financial crises and new monetary and currency systems; (3) GDP distortions and alternative measures of economic performance and socioeconomic progress; (4) role of the state and public ownership in economic and civic society; (5) trade unions, class struggles, and the political economy of working people; (6) political economy of climate change and the principle of “common but differentiated responsibility”; (7) the Resource Curse and other colonial hangovers; (8) ecology, land, and urbanization; (9) race, class, and gender; (10) inequality’s causes and antidotes; (11) social policy and socialist experiences; (12) BRICS, AIIB, “One Belt, One Road” and new economic

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regionalisms; (13) the Trans-Pacific Partnership (TPP) and “Free Trade” agreements; (14) decline of the US hegemony and the “New Imperialism”; (15) China–Africa relations and the new scramble for Africa; (16) relationship between the economic and social crises, military Keynesianism, and war.

Now I would like to share with you my reflections upon some of the above topics, for your reference.

First, reality today further confirms the scientific theory of Marx and Engels on regional, industrial, class, and racial inequality of capitalism and the scientific theory of Lenin on the unequal economic and political development at the stage of monopoly capitalism. It is well known that, with the establishment of US hegemony in the 1990s and the growing inequality in economic globalization and technological revolution, inequality exists not only in economic and social development within national boundaries but also among countries around the world. Causes of global economic and political issues are diverse, but the primary one should be the United States and the G7 under its control, which promote an international economic order under the condition of powerless developing countries and in accordance with the will and demands of developed countries in the West.

For instance, developed countries dominate in an unreasonable international division of labor, while many developing countries lack diversity in their structure of economic development, with raw agricultural and mineral products still being the lifeblood of their economy. They also set up various trade barriers for export of developing countries, which have kept increasing unfavorable balance and debt burdens of these countries. Developed countries also dominated major international economic and financial institutions, and their currencies function as ones for major international payment and settlement, with little power left for developing countries. The result is that the developing countries have been in a very disadvantageous position given that their economies have to rely to a great extent upon the economic conditions, economic policies, and fluctuation of the exchange rates in the developed countries. Besides, the United States confronted the most serious conditions of internal racial and class inequality. As the site called Globalist announced this May 2, the median of US households’ net worth in 2011 was \$68,828. In the meantime, according to US Census Bureau, the same index of white households and black households were \$89,537 and \$6,314, respectively, indicating that the latter is only 7% of the former. The average debt ratio of black household to white household was \$35,000 to \$75,000.

Second, the current financial and economic crisis in the United States has demonstrated a new characteristic, i.e., crisis is no longer a simple result of the anarchical and spontaneous forces of the market, but rather the process under the control of the US financial oligarch, which are able to do so through consciously controlling the government and central bank and influencing finance, currency

and market rules, and public opinions, to rob wealth from other social strata and attack international competitors with the crisis as a weapon of financial war for obtaining enormous profit. This suggests that financial syndicates and their agents in the government and central bank have no intention of overcoming the economic crisis through formulating effective policies. Their goal is to use crisis as an excuse for them to promote policies for the narrow interest of monopolistic oligarchs in finance and other sphere, transfer the loss during the crisis to people in other countries around the world, and grab more wealth and resources at the global level. If financial crisis no longer stems, as in Marx's time, from spontaneous market forces, but rather a tool for some in gaining profit and causing economic destruction, it is then necessary to investigate the financial crisis from the perspective of a financial war. In short, with an interdisciplinary and systemic perspective of Marxism that integrates the political with the economic, and consequently through connecting the analysis of financial, economic, and fiscal crisis with the struggles for economic interests among various interest groups, we should be able to understand the harsh reality and new development in capitalism.

Third, international economic organizations such as the World Trade Organization, the World Bank, and the International Monetary Fund should be reformed to play a positive role of coordination. These organizations provide a possibility for wider participation by various economies in international economic cooperation, but are in urgent need of transformation so as to be genuinely effective in the process of democratizing national economic relations. For example, urgent reform is required for the World Bank that allows developing countries as a whole to have equal voting power with developed economies; for WTO that allows developing countries to voice their opinions in shortest time possible via telephone or email, removes the "grey areas" stipulated in the trade protection articles, minimizes the abuse of trade relief measures, and prevents the extension of trade protectionism at the cost of neighboring countries; for the IMF that allows the establishment of early warning system covering the entire world especially the major international financial centers, the growing voting rights of new market economies and developing countries, and dilution of voting rights of developed countries, thus making the voting better reflect the will of most countries.

Fourth, BRICS, New Development Bank, AIIB, Association of South East Asian Nations (ASEAN), African Union (AU), and G20 should play a more positive role. It is worth noting that the expansion of BRIC to BRICS in April 2011 has resulted in a better mechanism, more positive effect, and more fruitful cooperation. Their discussion involves important issues that concern all emerging economies such as free trade, food and energy security, and climate change. They have become a new force for the promotion of adjustment in the world structure and order. China promoted "one belt and one road," and AIIB-related international

economic cooperation will surely play an important balancing role in the economy after winning support and participation of many countries, including some developed ones. Regional economic cooperation, such as those within ASEAN, Latin America, and AU, has gradually become fruitful. In contrast with previous narrow and selfish G7, the G20 might enable better communication for cooperation between major developed countries and major developing ones. As being recognized by progressive people in the world, the goal of global economic governance should be the promotion of a balanced, inclusive, and win-win economic globalization; the global governance should involve equal participation from all countries around the world regardless of their size, strength, and wealth, with each country enjoying due representation, right to voice their opinions, and right for decision making.

Fifth, we should be clear that the US style of democracy is detrimental to the world economy and people's life. Though it appears to be an electoral and procedural democracy, it is in essence a money-driven, clan-driven, and oligarch-controlled one. Economic oligarchs and others with enormous amount of money control not only national economy but also the media and educational system, thus being able to influence voters during the spectacular congress and presidential elections. The competition between the two parties, as a formal procedure of choosing one from the two, is followed by the assignment of the Supreme Court judge by the president and nominated by US Senate, forming the political rule by the monopolistic capitalists with interaction between the congress, president, and the Supreme Court judge. Such a political system is a democracy distorted based on monopolistic private interest or, as revealed by the US left, is a "new dictatorship." It is, in its nature, similar to the political system of the German, Italian, and Japanese fascism, which is characteristic of the pursuit of political, economic, and military hegemony and military intrusion.

Such a system and its expansion have brought about serious problems and tremendous harm to the material production, economic development, and people's life around the world.

1. It has caused damages in material production and exchange with cyclic economic crises.
2. It has disrupted financial order and activities with frequent financial crises.
3. It has ruined national finance and taxation, even caused fiscal crises. In addition to the "democratic" rule set up by the two US parties that has made it impossible to form a large enough third party, it is hardly impossible for the so-called democratic system, with two-party rotation and separation of three powers, to eliminate the economic and financial crises that are detrimental to material production, to the extent that it even leads to fiscal difficulties.

The United States has accumulated enormous amount of internal and external debt, so much so that the central government was closed a few years ago for fiscal difficulty. In the same token, many EU countries have adopted austerity policies that lead to unemployment and reduction in people's welfare and the consequent protest of the people against the political decisions by these "democracies." The root of the fiscal crises in these countries lies in, on the one hand, the maintenance and increase of already huge military expenses without raising and even lowering taxes levied on private enterprises and, on the other, a market system with private ownership that inevitably leads to inefficiency in its economy as a whole, which, together with various financial crises, has resulted in the cut in social welfare and necessary state investment in public goods. Such contradictions cannot be completely solved since they stem from the interaction between the political and economic systems within capitalism.

4. It has caused ecological and environmental damages, producing global environmental crisis. These problems can be partially explained by the limitations in technological development as well as the fast population growth as factors in the destruction of nature, but are mainly the result of long existence of the political and economic systems in the West, at the root of which lies the logic of private capital and its related politics. The economic activities in capitalist societies, characteristic of maximizing private profit, always have negative external effect, with the private interest and profit at the microeconomic level prioritized over public or macroeconomic benefits. Such problems exist in all sectors of social reproduction such as production, exchange, distribution, and consumption. Upon recognition of this problem, developed countries began to protect their own ecological environment. They have done so through transferring various forms of pollution in large scale, with no intention to provide the promised fund for global environment protection. The result is that no fundamental improvement has taken place to the material change and ecological environment in the "global village." The United States employs a rhetoric that stresses equal human rights, but in reality acts as if Americans' rights are of much higher importance than that of Chinese and Indians. That is why, when the average carbon emission in the United States is much higher than that in China and India, the US government feels no shame but blames China and other developing countries. Hence, it is widely recognized among ecological Marxists, including such scholars as J. B. Foster, that monopolistic capitalists and their economic and political system are mainly responsible for the deterioration of the global ecological environment, and we must adopt a Marxist perspective on ecology and political value in the transformation of the world today.

5. It has damaged material life and welfare and maintained the wide gap between the poor and the rich. One of the slogans of the “Occupy Wall Street Movement,” which lasted more than two years in nearly one hundred countries, was that “99% vs. 1%,” i.e., the opposition between 99% of the population and the 1% rich people. Some well-known Keynesian economists even described the “99.9% vs. 0.1%” in the United States. In *Capita in the Twenty-First Century*, the most popular book in economics, the French economist Thomas Piketty uses longitudinal data from various countries and proves the serious injustice in wealth and income distribution within the United States and other Western countries, which creates the appearance of a “hereditary capitalism.” Such private monopoly, with the derivative gap between the poor and the rich, class struggle, and fierce labor–capital conflicts in the West, is the economic system and normality that a capitalist political system tries to maintain. There is no possibility to maintain such a system without the powerful (violent) political rule of “money-determined electoral democracy” and “oligarch democracy.”

In short, the achievements in economy and people’s livelihood by the US political system and constitutionalism both at home and abroad have received criticism not only from Marxists and leftists in and outside the United States but also, to various extents, from non-leftist scholars and experts in the United States, such as Joseph Stiglitz, Paul Krugman, George Soros, and Francis Fukuyama. It is obvious that the Western democracy such as that in the United States is in urgent need of fundamental reform in accordance with the essential demands of the people as well as the broad tendency in the evolution of world economic and political democracy.

Sixth, US scholars first come up with the notion of the “economic new normal” to describe the new situation and tendency in Western countries, which will enter a stage of yet slower growth, more unemployment, and higher difficulty in making profit. In the meantime, China’s “economic new normal” should be characteristic of a shift from high-speed growth toward mid-high-speed growth, from mid-low-end industry toward mid-high-end industry, from element-driven toward innovation-driven, from extensive growth toward intensive growth, from quantitative expansion toward qualitative benefit, from some people getting rich first toward common prosperity, and from prioritizing non-public economy toward simultaneous strengthening of public economy. To that end, the key lies in the important relationship between the dominant role of state adjustment and the determinate role of market in the allocation of general resources, the primacy of distribution according to labor and the supplement of distribution according to capital, the primacy of public ownership and the supplement of non-public ownership,

self-reliant opening and dependency. Under the influence of policy control and the laws in economic, technological, ecological, and livelihood development, the economic and political system under the “China Model” will ensure a 7% annual growth for the next 20 years, without the danger of so-called “hard landing” and “plummeting.” For that reason, China will still be the “locomotive” of world economic development and will promote the benign and balanced development of the world economy and the improvement of people’s livelihood.

This is all I would like to share with you today. Comments and discussions are more than welcome. I believe that great communication and fruitful cooperation will come up in the forum. Enjoy the conference.

Thank you all.

