SPEECHES AT THE SEVENTH FORUM OF THE WORLD ASSOCIATION FOR POLITICAL ECONOMY

Enfu Cheng

Opening Speech—May 26, 2012

We gather today here, in Mexico City, the largest city of the world, at the Metropolitan Autonomous University in Xochimilco, a renowned academic institution in Latin America, to celebrate the opening of the Seventh forum of WAPE, with the theme “State, Market, the Public and Human Development in the 21st Century.” On behalf of WAPE, I wish to extend the warmest welcome to about 120 scholars from more than 30 countries around the world, and my sincerest gratitude to the president, professors, students, and staff of the Metropolitan Autonomous University in Xochimilco!

WAPE is an international academic organization founded by Marxist and other critical economists from around the world. The mission of WAPE is to utilize modern Marxist economics to analyze the world economy, reveal its laws of development, and offer policy suggestions to promote economic and social progress on the national and global level, and to better serve the purpose of rapidly improving human wellbeing.

The last six WAPE forums were successively held in Shanghai, Shimane (Japan), Beijing, Paris, Suzhou (China), and Amherst (USA) between 2006 and 2011, winning our association significant authority and influence around the world.

The topic for the Seventh WAPE Forum is “State, Market, the Public and Human Development in the 21st Century.” Under this general theme, viewed from the
perspective of Marxism and general critical thinking, we will discuss the following chief issues:

1. The relationship between state, market, and the public under globalization.
2. The status, role, and forms of organization of the public in the process of economic globalization.
4. The new forms of imperialism and its many negative influences on human development.
5. The economic, political, and military roots of the fiscal crises in the US and Europe.
6. Employment and income distribution under the “dual failures” of the state and the market.
7. The global and international polarization of wealth, and its negative effects.
8. The reform of international economic organizations and the development of human society.
9. The BRICS (Brazil, Russia, India, China, and South Africa) and the “South-South Cooperation” movement.
10. The Occupy movements and the critique of Capitalism.
11. Other topics in Political Economy.

I believe that with your enthusiastic participation, this forum will be a very productive and fruitful one in terms of the discussions on the topics listed above.

The market practices in the past few hundred years have proved that a dual coordination system and mechanism is necessary, which is based on market coordination but with state coordination playing a dominant role in terms of the overall relationship between the market and the state. Markets coordinate economic process through the operation of the law of value, which is seen in the interaction between key market categories, such as price, supply and demand, and competition. This so-called “market-based coordination” mechanism plays basic roles in the utilization of resources in the short-term and at the micro level, as well as performing the functions of inducing signal-transmission, technological innovation, and individual and enterprise self-interest. However, the strength of the market adjustment cannot hide its inherent functional weaknesses. (1) It often leads to deviations from the goal of the overall development of the national economy. (2) It has a limited effect on such areas as infrastructures, public goods, the husbandry of scarce resources, low-profit basic industries, education, health care, basic research, and national defense. (3) It adjusts to changes after the fact and slowly, particularly in terms of inducing the structural industrial transformation of the economy. (4) Its overall social cost is high.
On the other hand, the state coordinates overall economic processes through economic, legal, administrative, and persuasive means, consciously following the general goal in the distribution of total social labor. The core of state coordination is the mechanism of planning, the entirety of which comprises target planning, economic policies, and economic leverage. Its hidden strength cannot be fully manifested until these three elements are integrated into a trinity with systemic functions. The so-called “dominant role” of state coordination basically translates into a more balanced allocation and fuller utilization of resources at the macro level, a structural coordinating function, a function of protecting against the negative effects of competition, an optimization function, and an income redistribution function at the macroeconomic level. Just like market coordination, state coordination has its own inherent weaknesses at the macroeconomic level and at the level of some microeconomic areas. For example, the collective preferences may be to arbitrarily determine, sluggishness to shift direction in the face of changes, a higher internal cost due to policy inconsistency, and sometimes a low momentum during the process of state coordination.

There is a dialectical relationship of unity in the contradiction between market coordination and state coordination. We must strive for a greater theoretical clarification of the characteristics and concrete forms of this integration to (1) prevent the functional dislocation within the entire coordination system, (2) strengthen their functional complementarities of these two mechanisms, (3) reduce the negative entropy of the coordination system and increase its positive effect, and (4) increase the consistency of the system, reducing its risks of malfunctioning.

The history of repeated economic crises, social polarization, inflation, debt imbalances, and social chaos since the 19th century have demonstrated that both the capitalist and the socialist market economy must establish a dual coordination system, combining market and state coordination in order to achieve a rapid and healthy development of human society. This is particularly important in the 21st century.

Social development is not possible without popular participation, and its fruits must benefit the entire people of the world. The Occupy Wall Street movement that broke out last summer, the similar Occupy movements in nearly a hundred different countries, and the World Social Forum and European Social Forum, with thousands of participants each year, have all demonstrated the discontent of the 99 percent with the 1 percent of economic and political oligarchs. There has been a wave of “alternative” ideas and plans.

A critique of the left, grounded in terms of both a review of the literature and of the facts says that, “It has been several decades since anyone on the left has been able to articulate, first, a coherent analysis of the structural shifts of advanced societies as they undergo economic change and, second, a realistic agenda that...
has any hope of protecting a middle-class society. The main trends in left-wing thought in the last two generations have been, frankly, disastrous either as conceptual frameworks or as tools for mobilization. Marxism died many years ago, and the few old believers still around are ready for nursing homes. The academic left replaced it with postmodernism, multiculturalism, feminism, critical theory, and a host of other fragmented intellectual trends that are more cultural than economic in focus” (Fukuyama 2012).

Actually, a number of different strands of thought trying to replace neo-liberalism and Keynesianism have emerged. They approach matters from different angles and at different levels, offering theories and relatively realistic plans to replace capitalism. Some of them have already been implemented.

1. Partial improvement: the school of financial institution reform

Some left-wing individuals believe that, in order to deal with the crisis, all that is needed is to implement reforms in the financial system to make it healthier, risk-averse, and complete. For example, the Americans for Financial Reform (AFR) is a coalition of more than 250 local groups across the United States. Its members include consumers, civil rights activists, investors, retirees, communities, labor, and religious and commercial groups. Supported by economists and other experts, this organization advocates the reform on financial industry. It focuses on the supervision and regulation of financial institutions, and calls for the strengthened oversight of all financial markets.

The group is also interested in the details of financial market regulation. Experts like James Crotty and Gerald Epstein (2008), Jane D’Arista and Stephany Griffith-Jones (2010) from the Political Economy Research Institute at the University of Massachusetts and SAFER (A Committee of Economists and other Experts for Stable, Accountable, Fair and Efficient Financial Reform) are also part of the organization.

2. Comprehensive improvement: the school of income reform

On November 21, 2008, one year after the financial crisis unleashed an economic recession and a full-blown crisis, a small group of progressive economists gathered in New York. This conference was sponsored by two left-wing think tanks: the Schwartz Center for Economic Policy Analysis and the Political Economy Research Institute (PERI) of the University of Massachusetts. The conference was held after the US presidential election and before President Obama took office.

During this time period, Obama constantly mentioned that in order to prevent the financial crisis from happening again, there needed to be a more powerful regulatory system, that further economic changes needed to be made in the future, especially changes in the government’s role in the economy, to solve the problems brought by
neo-liberalism in the last three decades. Most participants of the conference wished that the committee paper be taken into consideration by the progressive members of the new administration and Congress. The declaration of the conference presented five basic principles, five broader goals, and twelve more specific objectives.

Like the partial-improvement approach, this comprehensive-improvement movement not only promoted and mobilized working people, but also has the possibility of gaining partial acceptance by the president and Congress. It is known who the sponsors of this conference were: the Ford Foundation; some enlightened Western capitalists are open to reform ideas, even though the final plan may be quite different. There is still a slight chance for this movement to attain influence. On the surface, these demands are likely to be seconded by different social classes, including some major capitalists.

3. Demand for revolution: the school of long-run nationalization reform

After the financial crisis broke out, there were many arguments on whether to enhance the supervision of financial corporations or nationalizing them altogether. It is worthy of notice that many capitalists support nationalization, but many leftists do not. The reason of this oddity is that there are two types of nationalization: one is short-term nationalization, according to which the financial firms dependent on the government to survive the crisis will be re-privatized afterwards. The other one is long-term nationalization, i.e. complete and permanent elimination of the capitalists’ control. Capitalists, of course, support the former one, and although leftists support the latter, they are afraid that the process will eventually be of the former kind. Greg Albo (Albo et al. 2010) believes that, in this case, we have to think beyond capitalism, the most significant issue here is whether we can build a democratic economy.

Nationalization has to be sustainable in the long run, as Morsley emphasizes. More importantly, it has to be clearly controlled, as Lenin demanded, by society, through democratic mechanisms, including transitional organizations aligned to serve the social good.

The book In and Out of Crisis by Greg Albo (Albo et al. 2010) touches upon the broader self-transformation of the workers themselves. Al Campbell (2011) summarizes the related content into two principles for constructing a healthy and humane economy, and many other specific goals.

4. The “21st Century Socialism”: the school of power structure reform

The famous Latin American Marxist scholar Heinz Dieterich, from the Universidad Autonoma Metropolitana in Xochimilco, Mexico City, is a representative of the school of “21st Century Socialism,” a more progressive strand of thought that demands the overall reform of the power structure and that emphasizes the
importance of power within the socialist reforms. Dieterich (Cockshott et al. 2010) believes that controlling political power is necessary, as it is impossible to change the current financial system without overthrowing the elites’ control over the political power structure.

Dieterich thinks that, in the past 300 years, the capitalist system combined the following three mechanisms:

(1) the market economy,
(2) a parliamentary democracy, and
(3) the nation-state.

On the other hand, “21st Century Socialism” requires substituting that triad with:

(1) an equal price economy,
(2) participative democracy, and
(3) global management.

There are other transitional plans yet to explain, “alternative” practices that have been implemented to some extent. Not only socialist countries like China, Vietnam, and Laos are continuing their practices, but there are socialist movements in Latin America, forms of market socialism in Belarus, the cooperative movement of the Mondragon Corporation in Spain, and the Yamagishi Movement in Japan, etc. They all illustrate the advanced, progressive spirit alive in influencing the course of the relationship between state, market and the public in the 21st century. All of them deserve our careful investigation.

The World Review of Political Economy, published by Pluto Journals in London since 2010, has been listed in information databases of over 2,000 libraries around the world. It is hoped that all WAPE members, particularly council members, could contribute to the journal or recommend original works from others, as a means to promote our common academic advancement. This year’s forum will also present the “Marxian Economics Award” and the “Distinguished Achievements Award of World Political Economy of the 21st Century.” The two awards will foster the unity and cooperation among Marxists economists around the world, and expand the global influence of Marxist economic theories and research in this area.

Closing Speech—May 27, 2012

Dear Mr. President, distinguished guests, ladies and gentlemen:

I’m very glad to announce that we have completed very successfully the WAPE conference at this campus of the Universidad Autonoma Metropolitana in
Xochimilco, with the theme “State, Market, the Public and Human Development in the 21st Century.”

It was a pleasure to have more than 120 experts and scholars from all over the world. We had senior professors and very young scholars at their twenties and thirties sharing in the discussion. I would like to express our gratitude to Professor Erwin Marquit, from the United States of America who, at the age of 85, traveled here to participate in our forum.

We received more than 120 papers from the participants. We fulfilled various agenda items within these three days, including 17 presentations, plenary recitations, and 13 panel discussions, all them eliciting heated debates. We all feel satisfied with the level of these discussions. We also spent two nights holding two council meetings in which we discussed various matters relevant to WAPE and the WAPE journal. The major results of the discussion were summarized by Professor Xiaoqin Ding just now, and we will implement each of them after the meeting. There was also a memorable event in which we inaugurated the head sculptures of Adam Smith and Karl Marx and planted a tree at this campus, an innovative idea. We also summoned our participants to visit the pyramids of Teotihuacan in a memorable tour. After the closing of the ceremony, there will be a typical Mexican-style lunch, which I believe will be similarly memorable.

In short, the WAPE conference this year, despite its limited time, was a very significant and successful event, including the excellent media work publicizing it. Finally, I would like to express my sincere gratitude to president Vaguer, professors, and students at this campus; to all the volunteers who made this conference a success. Thank you very much. We will not forget Professor Heinz Dieterich, Vice President of WAPE, and Professor Xiaoqin Ding, Secretary General of WAPE, who put their hearts into the effort to organize this event.

Based upon the discussions on the council meeting, I would like to offer three suggestions about the future work of WAPE. First, to strengthen the connections with universities, organizations, journals, and publications around the world open to our worldview, and to encourage the most serious academic research among leftists. We must strengthen our connection with leftwing economic schools in different countries. To expand WAPE, we must continue to recruit new members and council members, and encourage subscriptions to the WAPE journal among the institutions with which our members are affiliated. We must encourage media from different countries to report on the “Marxian Economics Award” and “Distinguished Achievement Award of World Political Economy of the 21st Century.” Professor Xiaoqin Ding will forward a review of this conference to all participants, and we must encourage the publication of its contributions in suitable journals.
My dear colleagues, we have completed all the agenda items we had programmed for the WAPE forum this year. We wish you all a safe and pleasant return to your places of origin. We will see you at the next WAPE forum in Brazil!

Translated by Shan Tong
East China University of Political Science & Law

References


Campbell, A. (2011) “Responses to the Capitalist Crisis: Reformist and Revolutionary Demands in the U.S. ‘Great Recession,’” Paper submitted to the Sixth Forum of the World Association for Political Economy held at the University of Massachusetts, Amherst, USA.


