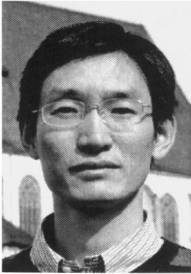


**RESPONSES TO CAPITALIST CRISIS:
NEOLIBERALISM, KEYNESIANISM,
AND SOCIALISM**

Xiaoqin Ding and Xing Yin



Xiaoqin Ding, PhD in economics, Research Associate at Harvard University Asia Center, Associate Professor and Assistant Director of the Research Institute of Marxism and the Economics Research Center of the Shanghai School, Shanghai University of Finance and Economics, Deputy Secretary-General of the World Association for Political Economy (WAPE), Managing Editor of the *World Review of Political Economy (WRPE)*, and Co-editor of the *Economics Journal of the Shanghai School*. Email: hpjxx@vip.163.com

Xing Yin, PhD candidate in economics at the Research Institute of Marxism and the Economics Research Center of the Shanghai School, Shanghai University of Finance and Economics, Visiting Scholar at University of Massachusetts Amherst, USA, and Assistant Editor of *WRPE*.



The Sixth Forum of the World Association for Political Economy (WAPE) was held on May 27–29, 2011 at the University of Massachusetts Amherst, USA. It was cosponsored by the Union for Radical Political Economy (URPE), the Economics Department, the College of Social and Behavioral Sciences, and the Political Economy Research Institute of the University of Massachusetts Amherst. Around 150 scholars took part in this forum, from 22 countries: China, Japan, Germany, France, Italy, Britain, Ireland, Austria, Sweden, Belgium, Portugal, Turkey, Canada, Australia, South Africa, Brazil, Mexico, Argentina, India, Vietnam, Indonesia, and Russia.

David Kotz, Vice-chair of WAPE and Professor of economics at the University of Massachusetts Amherst chaired the opening ceremony. **Enfu Cheng, chair of WAPE and President of the Academy of Marxism, President and Professor of economics at the Academy of Marxism, Chinese Academy of Social Sciences** made the opening speech, and **Gerald Epstein, Professor and Director of the Department of Economics and Political Economy Research Institute, University of Massachusetts Amherst** made the welcome speech.

To confront the Nobel Prize in Economics which is granted to bourgeois economists, WAPE established the “World Marxian Economics Prize” to award Marxian economists for their lifetime outstanding contributions to the development

of Marxian political economy. This year the prize was presented to **Guoguang Liu, Professor of economics and former vice president of the Chinese Academy of Social Sciences**. Ten professors were granted the “Distinguished Achievement Award in Political Economy for the 21st Century.” The recipients are: **Gérard Duménil, former director of the National Center for Scientific Research, France; Al Campbell, Professor of economics at the University of Utah, USA; Alan Freeman, Professor of economics at the University of Manitoba, Canada; Terrence McDonough, Professor of economics at the National University of Ireland Galway; Bingyan Li, Professor of economics at the Central University of Finance and Economics, China; Zhi Yang, Professor of economics at the Renmin University of China; Zhongren Zhang, Professor of economics at the University of Shimane, Japan; Roger Seifert, Professor of industrial relations at Wolverhampton Business School, UK; Naoki Yoshihara, Professor of economics at Hitotsubashi University, Japan; and Yan Ma, Professor of economics at Shanghai University of Finance and Economics, China.**

Entitled “Responses to Capitalist Crisis: Neoliberalism and Beyond,” the Sixth Forum consisted of two plenary meetings and 17 sessions held to discuss the history of capitalist crises and the strengths and weaknesses of the revived Keynesian economics, the contemporary capitalist crisis and the profit rate, the growth of neoliberalism and far right wing movements and their influence, response in the post-crisis era and socialist solutions, monetary and financial crises and inequality, and ecology and human development. One of the 17 sessions was held especially for the Russian Association for Political Economy, and four Russian Marxian economists made their presentation by video link from Moscow.

The History of Capitalist Crises and the Strengths and Weaknesses of the Revived Keynesian Economics

Enfu Cheng said that although each of the major economies has carried out policies against the crisis, the recovery in capitalist countries is very slow. It is useless to solve the problems of neoliberalism with Keynesian policies. The history of capitalist crisis tells us that Keynesianism cannot solve the fundamental problems of capitalist crises.

Shinjiro Hagiwara, Professor of economics at Yokohama National University, Japan first used Marxist financial crisis theory to present the idea that the formation of fictitious capital plays a crucial role in accelerating the economic growth process, creates economic over-sensitivity, and eventually leads to a crisis. He then compared the Great Depression with the Great Recession. In the case of the former, the injection of public money led to financial crisis because of the gold standard, and there was no fiscal policy in order to recover from the crisis. Regarding the latter,

and different from the economic policy during the Great Depression, fiscal stimulus was the crucial tool for the Obama Administration in tackling the economic crisis of 2008–09. If there had not been effective policies, the downturn in the fall of 2008 and the winter of 2009 could have turned into a second Great Depression.

Michael Perelman, Professor of economics at the State University of California, Chico attempted to show how both Marx and late 19th century neoclassical economists in the United States realized that the relative growth of constant capital made competitive economies unsustainable.

Luis Sandoval Ramírez, Professor of economics at the National Autonomous University of Mexico (UNAM) made a few historical comparisons between the economic crises of 1929 and 2007–09 within the framework of technical-economic revolutions.

Henri Houben, researcher at the Institute of Marxist Studies, Brussels put forward that Keynes’s analysis is one of the richest and most remarkable in the history of economic theory. It can help promote the boost of capitalism, but it is just a theory of an “enlightened” bourgeois, which is not good at examining the crisis causes and origins in-depth and looking for solutions that truly cure a patient. It seems risky to us to pretend that the recession mainly came from a lack of investments. The sharp growth of public debt in the 1930s after the Great Depression couldn’t cure the decrease in GNP in the late 1930s, until the Second World War commenced. The financial speculators which were considered “immoral” by Keynes aren’t developed as a result of a “normal” capitalism, but are developed because they meet needs or necessities of this system at some point, so the crisis cannot be cured by eliminating these speculators.

Marie Christine Duggan, Professor of economics at Keene State College, USA showed that the most important provision of Keynes’s 1941 proposal of International Clearing Union (ICU) for a financial architecture was the curtailment of portfolio investment. As shown in his graph, either the current account deficit would never have reached 5 percent if portfolio investment had been restricted, or the money put into portfolio investment would have been put into FDI, and hence would not have caused deindustrialization of the US manufacturing base. The destabilizing influence of private portfolio investment on developing nations and the United States would have been less, and a single global currency would have facilitated trade-stabilizing devaluations.

Michael Roberts, English economist and author argued that mainstream economics was exposed as inadequate and flawed by the Great Recession and the Keynesian alternative was also at a loss before the crisis and its policy prescriptions remain inadequate in the context of a market economy. He also analyzed whether modern Keynesian analysis can provide any insight into the crisis and whether it would be better to return to Keynes himself rather than his epigones.

Bulent Hoca from Okan University, Turkey pointed out that the increasing state interventions don't mean the revival of Keynesianism. Without a class-conscious and politicized working class movement, a return to the pre-neoliberal period is impossible. On one hand, property concentrates in the hands of the decreasing strata of finance capitalists. On the other hand, crises, which are intensified by their immense speculations, force government intervention, even nationalizations, not to end their hegemony and speculations but to prevent the capitalist system from self-destruction. So, nationalizations and any other kind of economic involvement do not mean that the capitalist state becomes a Keynesian state, let alone a socialist state. At the same time crises unmask the class character of the capitalist state, which might become a warning signal for the people seeking a solution to crises.

Although different scholars held different opinions on the analysis of capitalist crisis and the strengths and weaknesses of Keynesianism, they basically came to agreement that the contemporary crisis couldn't be solved by Keynesianism and better solutions must be pursued.

The Contemporary Capitalist Crisis and the Profit Rate

David Kotz argued that the real sector crisis that began in 2008 is not primarily a result of the banking collapse. Instead, both real and financial sector crises stemmed from the same underlying causes, which are found in the entire set of features of neoliberal capitalism. To explore whether over-investment was indeed the cause of the real sector crisis, he made an empirical analysis of the rise of the real sector crisis, and found that over-investment is the crisis tendency that produced the current real sector crisis, and the US economy is at the same time experiencing a broader structural crisis. If neoliberal capitalism has indeed reached the end of its ability to promote profit-making and economic expansion, then we can expect a very long-lasting crisis, since the major restructuring that would follow is likely to require some 10–15 years, if history is any guide.

Andrew Kliman, Professor of economics at Pace University, USA employed official US government data to show that the latest crisis and crisis of 2008 shouldn't be said to be rooted in "financialization," and in the buildup of debt that papered over the sluggish growth and falling pay, but in the fact that the rate of profit never recovered since the 1970s. Besides, the data shows that, workers' share of national income has been stable, and the rate of accumulation fell because the rate of profit fell, not because portfolio investment increased at the expense of productive investment. Thus the fall in the rate of profit is a key indirect cause of the sluggish growth, debt buildup, and the crisis.

Gérard Duménil didn't agree with Andrew Kliman. He compared and measured profit rate in different methods, and pointed out that there is nothing exceptional in

the fluctuation of profit rates associated with the 2008 recession. The amplitude of the peak in the profit rate is “standard,” and the trough in profits is less deep than often observed. The hypothesis that these fluctuations caused a major recession appears very questionable. As in the case of most other recessions if not all, the contraction of output began with the decline of residential investment. While during the 1990/91 and the 2001 recessions the rise of commercial and industrial delinquency rates was much larger than in the case of residential mortgages, the opposite is true of the 2008 recession. It is *unquestionably* this mortgage shock that destabilized the macroeconomy and caused the credit crunch, not a prior decline in the profit rate.

Sergio Camara Izquierdo, Professor of economics at the University of Metropolitana-Azcapotzalco, Mexico also refuted the widespread idea that crises are always preceded by a cyclical decline in the profit rate. He examined the role of the fluctuations of the profit rate in the US business cycles during the period 1947–2010 in three different levels of aggregation, and found that it is only a possibility rather than a necessity. Besides, the most common crisis associated with a declining profit rate is the “offensive rising labor strength” variant. Lastly, the analysis of the profit rate dynamics is insufficient to put forward a specific characterization of the cyclical crisis in neoliberalism as opposed to the Keynesian period crises.

Christopher Gunn, Professor of economics at Hobart and William Smith Colleges, USA argued that a reality in which a firm is “too big to fail” indicates a significant failure of neoclassical economics. If the economics profession read beyond the neoclassical paradigm, it would not have been blindsided by the realization that an unregulated capitalist economy would lead to large firms whose failure could destabilize entire sectors of the economy.

Michael D. Gillespie, PhD candidate in economics at Eastern Illinois University, USA argued that, the 2008 crisis in the USA exposed contradictions between the economic wellbeing of families and capital. Using social structure of accumulation theory, a qualitative institutional analysis and quantitative time-series models, he investigated historically-contingent relations between family economic deterioration and capital accumulation. The circuit of capital, necessitates increasing private consumption expenditures by families, however with minimal governmental support. Therefore, the economic deterioration of the family expands under unprecedented levels of debt.

Deepankar Basu, Professor of economics at the University of Massachusetts Amherst, and Duncan K. Foley, Professor of Economics at New School University, USA investigated the changing relationship between employment and real output in the US economy from 1948 to 2010 both at the aggregate level and at some major industry-grouping levels of disaggregation. They demonstrated an economically significant reduction in the coefficient relating employment growth

to output growth over the business cycles since 1985. Some of this change is due to sectoral shifts toward services, but an important part of it reflects a reduction in the coefficient for the goods and material value-adding sectors.

Radhika Desai, Professor of political sciences at the University of Manitoba, Canada analyzed the crisis from the aspect of value theory. Focusing on recent discussions of “financialization,” Marx’s distinction between productive and unproductive capital—which includes finance capital—provides a coherent framework to analyze such phenomena and obviates the need for the false polarization between the falling rate of profit and financialization as factors in the crisis. In value terms, financialization is a withdrawal from the sphere of production into the sphere of circulation provoked by falling profit rates. A financial asset generates no additional value and serves only to equalize the general rate of profit. This deepens and exacerbates the long run tendency of profits to fall. Financialization is thus an aspect, and a particular form, of this long-run historical tendency, not an independent phenomenon running counter to it.

Besides, **Yuuho Yamashita, Professor of economics from Dokkyo University, Japan** analyzed the relationship of financial capital and industrial capital and its influence on financial crisis.

Most of the scholars agreed that the fundamental contradiction of capitalism is the ultimate reason that causes capitalist crisis, although they couldn’t come to agreement on whether the fluctuation of profit rate is the direct cause of crisis.

The Growth of Neoliberalism and Far Right Wing Movements and Their Influence

Professor B. Ananda Naidu and Professor M. Nagabhushana from S. K. University, Anantapur, Andhra Pradesh, India made a critical analysis of the impact of neoliberalism on various socio-economic and political lives of Indians. He argued that, although liberalization has brought a lot of good for telecom and information sectors, it has done much harm to farmers and the primary sector, jeopardizing the existence of the primary sector. The liberalized policies have also given scope for corrupt practices at political and administrative levels, and have increasingly widened the gap between India’s rich and poor.

Roger Seifert argued that the economic crisis has become an excuse for neoliberal reform of some of the British emergency services, such as the police and fire and rescue departments. The reform changed the nature and aim of these services, which impaired the interests of the working class.

Terrence McDonough and Tony Dundon from National University of Ireland Galway argued that institutional structures of accumulation in Irish society can be broadly characterized as a variant of global neoliberalism. The “partnership”

model in Ireland has been held in contrast with the anti-union postures of the paradigmatic neoliberal governments in the USA and UK. In the face of the crisis, the institutions of Irish industrial relations have through the abrupt abandonment of social partnership been forcibly realigned, at least temporarily, with the market fundamentalism of the global neoliberal era. The Irish government's morbid strategy of reflating the banks and deflating the rest of the economy is unlikely to work. Crises are seldom resolved through the restoration of the old order. It remains to be seen whether a kind of Thatcherism in Ireland has been denied by social partnership, or merely delayed.

Hermann Dworzak, co-founder of Austrian Social Forum analyzed why there is a worldwide resurgence of the far right after the crisis. The first reason is that the far right can change very quickly for purely tactical reasons. The second reason is the enormous political failure of the traditional left.

David S. Pena, Professor of economics at Florida State University, USA argued that as the economic and environmental crises deepen, capitalists will increasingly use naked force to preserve their rule and we will move ever closer to the day when the bourgeois world order is transformed into textbook fascism. We must avail ourselves of all organized methods of combating incipient fascism, which include international working class solidarity, uncompromising resistance to imperialist war, national chauvinism, and all forms of racism and bigotry, and efforts to increase economic and military cooperation among anti-imperialist countries. We also need a strategy for defending existing socialism and advancing and improving socialism. Our efforts must be made in the context of building a worldwide, united front against the global dictatorship of capital, a front dedicated to resisting fascism and building socialism of the 21st century. Now more than ever, the greatest threat to human progress is business as usual under capitalism. The solution begins with the movement towards sustainable, green and peaceful socialism.

Ganesh Trichur, Professor of international political economy at St. Lawrence University, USA investigated the future of neoliberalism in the context of a series of financial crises, and in the context of a number of recent attempts to contextualize these crises. He argues that contrary to contemporary accounts, underlying the current crises is the crisis of US hegemony since the late 1960s and early 1970s and the related rise of the East Asian region. As a project to restore class power, neoliberalism was remarkably successful; but as a project to restore US hegemony over the world system, neoliberalism and the Washington consensus were equally remarkable failures.

Dedy Permadi, researcher at the Center for World Trade Studies (CWTS), Gadjah Mada University, Indonesia and Sabah Alnasseri, Professor of political sciences at York University, Canada gave analyses of the hegemony of neoliberalism and its influence on Africa and the Middle East.

Most participants thought that the working classes of different countries should unite and couldn't be segmented by right wing movement and become the victim of racism and fascism. Socialism is the ultimate solution to the capitalist crises.

Response in the Post-Crisis Era and Socialist Solutions

Enfu Cheng pointed out that it can be expected that three things will be superseded in the future of our world. First, we will transcend neoliberalism and Keynesianism in economic development and re-recognize the limitations of liberalization, privatization and marketization dominated by international monopoly capital. The efforts of ordinary people to eliminate poverty will be based on real economic rights, especially the ownership of means of production, and equitable systems of economic globalization, localization and collectivization could be constructed. Secondly, we will transcend the world political situation of "dominance by one super power," stop interfering in other countries' internal affairs and human rights issues, protect freedom and democracy for the people and the diversity of expressions of freedom and democracy, and construct political multi-polarization of democracy and mechanism of national self-defense. Thirdly, we will transcend the monopolization of capitalist values in cultural development, recognize the differences between national and ethnic cultures, and build systems of cultural diversity and communication. In the meantime, countries such as China and Vietnam, which have carried out socialist market economy, Belarus, which has advocated "Market Socialism," and Venezuela, which has implemented "21st Century Socialism," all develop well and rapidly. The successful experiences of these countries demonstrate that new economic models with socialist characteristics are more effective than capitalist economic systems such as neoliberalism in the USA and Keynesianism in Northern Europe.

Fred Moseley, Professor of economics at Mount Holyoke College, USA first analyzed the underlying causes of the current crisis, and how the crisis has evolved, and then analyzed what must be done in order to solve the remaining fundamental problems and make possible a lasting recovery. Then the government economic policies adopted so far were evaluated. He argued that a necessary condition for a lasting solution to this crisis is a significant reduction in the ratio of debt to GDP, or debt to income, especially in the household and financial sectors. This "deleveraging with slow growth" appears to be the most likely scenario for the US economy in the years ahead. But many years of slow growth would also mean high unemployment, more defaults on home mortgages, and would probably precipitate another serious banking crisis. As a result of this massive government support, the banking system avoided a collapse, but it has not led to a sufficient reduction in the debt/GDP ratio in the financial sector. In that case, the only way to avoid a deep and prolonged depression would be a fundamental change in the economic system,

from a profit-making capitalist economy, to a democratic socialist economy, whose main goal would be to produce what people need, rather than produce profit for a minority elite.

Al Campbell sketched the essence of the difference between reformist and revolutionary demands, and then discussed the issue further by considering the current crisis in the USA. He proposed eight specific aims of economic policy which are necessary to address the most severe negative impacts of the current crisis in a way consistent with his principles and broad goals. (1) Society should guarantee the availability of jobs at a decent wage for all who desire employment. (2) Pensions must not be tied to the financial viability of a particular capitalist enterprise, but must be a social right that one has just for being a member of society. (3) Any public enterprise must be democratically governed. (4) Social efficiency as well as a social commitment to the wellbeing of all members of society requires a public universal healthcare system. (5) The government as the collective representative of the people must take a series of steps to address the ecological disaster generated by the operation of the capitalist market system. (6) Decent housing at an affordable price should be available to all who want it, either long term purchase or rent. (7) A comprehensive high quality public transportation system should be built that would ensure geographical mobility to all members of society. (8) The financial sector should be nationalized.

David Laibman, Professor of economics and editor of *Science & Society* illustrated his conception of the socialist path with a diagram. The diagram envisions a bicameral legislature (Popular Assembly and Core Economy Council). A Popular Assembly (the model may be taken to represent a national policy, or a regional or local subdivision) is supplemented by a second body, the "Core Economy Council." The two houses of the legislature work closely together, and legislation originating in each is reconciled with that originating in the other, by some sort of conference procedure. The key difference between them is this: the Popular Assembly is formed by direct election of delegates on a territorial residential basis, involving the entire adult population, whereas the Core Economy Council (CEC) is chosen by the working collectives of the Core enterprises only. A Core enterprise is required to submit a plan to the Planning Authority (which works under the control and mandate of the Legislature). The Committees for Social Economic Control serve a watchdog function, overseeing the work of the Core enterprises. Parallel to the Committees is another set of popularly constituted committees, which Laibman calls (drawing from Cuban experience) Committees for the Defense of the Revolution. These report to the other side of the legislature, the Popular Assembly, and are responsible for relations with the Private sector. The Core sector has the distinctive, and socialist, responsibility to formulate for itself an overall plan. He emphasized that his purpose here was not to write "recipes for the cook shops of the future," but to nail down

the distinctive principle of early socialist development away from capitalism and spontaneous markets.

Fabian Balardini from City University of New York presented a strategy of changing the capitalist nature of the oil industry and transforming it into a non-capitalist industrial sector by creating a permanent crisis of profitability. The idea is to theorize a set of guidelines that future revolutionary regimes can implement once in power in order to break from the historical model of building socialism by depending on a brutally destructive capitalist market like the international oil market. If successful, this strategy will contribute to stopping the ecological catastrophe created by capitalism while at the same time provide revolutionary regimes with a concrete strategy that they could use in order to move their societies beyond capitalist markets.

Julio Huato, Professor of economics at St. Francis College, USA analyzed scale and socialist planning. The temptation of socialists to swallow more than they can chew should be resisted. To the extent the political conditions of the struggle permit it, socialists should try to first consolidate their advance in the areas that top their priority list. Then they can expand their reach, mindful that each step is subject to the limitations inherent to the growth of production in general.

Niemeyer Almeida Filho, Professor of economics at the University of Uberlandia, Brazil related the *General Theory of Employment, Interest and Money* with the concept of economic planning by presenting the theoretical and practical perspectives of Keynes's work and argued that the systematic state intervention is prior to the political proposal of Keynes, because it is the result of the historical conditions of the end of laissez-faire, and that the structural fiscal policy of maintenance of a certain level of the effective demand is a type of planning that differs from the economic planning in the socialist society.

Ma Antonia Correa Serrano, Professor of economics at Universidad Autonoma Metropolitana-Xochimilco analyzed the strategies followed by China after the financial crisis, both in terms of economic policy and international politics, especially with the United States where there is a greater complexity in the bilateral relationship. **Bingyan Li** argued that during the post-crisis period, the Chinese economic "stagflation" risks are increasing, which cannot be resolved by Keynesian policy, but can be resolved by the socialist share economic mechanism through the reconstruction of micro-foundation. **Alan Day Haight, Professor of economics at the State University of New York, Cortland** analyzed the relationship between Endogenous Intolerance and the politically natural rate of unemployment. **Kazuyasu Miyata, Professor of economics at Hokkaido University of Education, Japan** argued that the Soviet Union and Eastern Europe were not a mode of socialist production but were the mode of production of government enterprises. The reason for its collapse in 1991 was that the previous government started to transfer from

previous government enterprise (including capitalist private enterprises) into capitalist stock company.

It's generally accepted that constructing socialism during the period of capitalist crisis is more an opportunity than a challenge and is in urgent need of organizational and theoretical innovation and breakthrough.

Monetary and Financial Crises and Inequality

Richard Corell and Ernst Herzog from Germany thought that the present euro crisis reflects that the imperialist powers of Europe are trying to use the financial and economic crisis to unload the burden of crisis and to extend their dominant position over the smaller states: Greece, Ireland, and next candidates to be forced under the “rescue fund” are Portugal and Spain. As soon as the states are softened up, the imperialist states place their conditions. Superficially, the reason is the rescue of the euro. In fact, some European countries want to use this currency implemented against the US dollar to change the balance of power in their favor to the new sharing out of the world by monopolies and imperialist powers. To make it work, the point is whether it is possible to keep the workers calm, or to bring them side by side with “their” imperialism, whether it is possible to keep the people down and whether the national bourgeoisie goes side by side with imperialism instead of fighting with its own people.

Peter Skott, Professor of economics at the University of Massachusetts Amherst argued that “power-biased technical change” may have contributed to increasing earnings inequality since the 1970s. Rising inequality, secondly, has macroeconomic implications, including implications for financial instability. A shift in income from poor to rich is likely to affect the composition of asset demands as well as aggregate demand. The poor have few financial assets and their portfolio is skewed towards fixed income assets. The rich, by contrast, hold a large proportion of their wealth in stocks, and an increase in inequality will tend to raise the demand for stocks. A rising demand for stocks generates capital gains, and these gains in turn can fuel a bubble, as desired portfolios shift further towards stocks.

Julian Wells, Professor of economics at Kingston University, London showed how consideration of the financial crisis, and of responses to it, pointed to the potential contribution of probabilistic Marxism to the revitalization of political economy. Unlike popular understandings, professional discussions have been addressed to the faulty probabilistic assumptions underlying theory and practice—in particular, the assumption that returns to financial assets follow the Gaussian distribution, in the face of much empirical evidence that these have distributions with far higher kurtosis. Heavy-tailed distributions appear to be commonplace for a wide range of outcomes of market processes. Nor is this simply an empirical fact—

such distributions emerge readily from a range of agent-based simulations. Tests of a hypothesis well-known to scholars in the developing school of probabilistic Marxism reveal that the power-law tails of returns to financial assets are also a feature of the distribution of company rates of profit. Wells also tried to find the theoretical support of it from Marx's works and found that probabilistic Marxism is not a novel interpretation, but a revival of Marx's own approach.

Ramaa Vasudevan, Professor of economics at Colorado State University, USA said that the management of public debt has come to play a critical role in the exercise of imperial power. Even as unemployment in the US stuck at 9.6 percent, the banks seem to have bounced back both in terms of profits and their political force, and Keynesianism has not been transformed after the current crisis. As finance continues to maintain its dominance, and the dollar retains its hegemony in the absence of an effective challenger, the fragility is likely to spill over in the form of currency speculation in emerging markets. The real problem for any hopes of overhaul of the financial system lies in the fact that the management of rising public debt holds the state hostage to finance. Where the international financial system is based on a state credit standard debt of a single country the issue of public debt is also entwined with imperial policy.

Masao Ishikur, Professor of economics at Hitotsubashi University, Tokyo stated that the global financial meltdown can never be considered without reference to the difference between the traditional "originate to hold" model of financial intermediation and the "originate to distribute" model. He examined how the evolution of a financial system affects the macroeconomy, from the perspective of the shifts in the flow of funds among institutional sectors that arise from the securitization of loan assets, and found that the liquidity preference of banks can provide relevant perspectives for the reason why banks will sell their loan assets to security-issuing institutions and hold the proceeds from the sale of those assets in liquid form at the cost of interest revenues from loan repayments. If the banking sector evaluated the borrowers' capacity to repay the underlying debts in a less strict way, on the assumption of the sale of loan assets to the security-issuing institutions and the liquidity of securitized products backed by those loan assets, there could be credit expansion with the deteriorated quality of banks' loan assets.

Dr. Tamara Stenn from Franklin Pierce University, USA examined the theoretical basis of Fair Trade as justice and how Fair Trade outcomes advance our theoretical understanding of justice.

Ecology and Human Development

Josef Baum, researcher at the Department of East Asian Studies, University of Vienna argued that in the 21st century there will be eco-socialism or no socialism,

because of the necessity to secure the foundations of mankind. “Simultaneous” solutions for many problems—resources, emissions, distribution and development—are necessary. Joint production, often forgotten, is crucial for the adequate socio-ecological transition. Revised concepts of rationality and eco-efficiency have therefore to be agreed. For an “optimal” or sufficient development, the adoption of limits on the input side (resources) and limits on the output side with (complex) implications of emissions and waste, a revival of democratic planning will be on the agenda.

Hyungkee Kim, Professor of economics at Kyungpook National University, Korea argued that solidaristic knowledge policy should be a core element of sustainable human development in the 21st century because sustainable human development in the present age is based on knowledge. A solidaristic knowledge policy for sustainable human development should be designed as follows: to strike a balance between R&D investment and HRD investment; to increase investment in education and training for the low wage workers and so on; to enlarge the knowledge network; and to focus on knowledge bargaining initiated by labor unions.

Dr. Chiara Piovani and Professor Minqi Li from the University of Utah, USA analyzed whether climate stabilization is compatible with economic growth, and suggested that China and India need to revise their development approach.

Mritiunjoy Mohanty, Professor of economics at the Indian Institute of Management Calcutta, West Bengal, India argued that even as the elite has been transformed in the process of economic growth and accumulation, with the decline of the rural elite and the rise to dominance of the urban bourgeoisie, it has managed to suppress the radical intent of the Constitution, and India today is more unequal and has fewer opportunities for social mobility. Globalization and India’s integration into global financial and production circuits has been a key instrument in this transformation and the rise of the urban bourgeoisie.

Wadi’h Halabi, member of the Economic Committee of the Communist Party of the United States argued that labor unions in China are in some ways different from unions in capitalist countries. China is like a union risen to state power. China’s labor unions are like very important subcommittees of this union in state power. Dave Campbell, Paul Garver and other unionists also investigated the labor unions of China and the USA.

Hiroshi Onishi, Vice Chairman of WAPE and Professor of economics at Kyoto University, Arisato Minami, Professor of economics at Tsu-City College, and Wumaierjiang Aishan, post-doctoral research fellow at Kyoto University investigated the nationality issues. **Sousuke Morimoto from Tokyo University, Alan Freeman, and Zhongren Zhang** talked about value theory and the transformation problem. **Naoki Yoshihara from the Institute of Economic Research, Hitotsubashi University and Roberto Veneziani from Queen Mary**

University of London made mathematical analyses on Marxian theory of profit and exploitation.

After two days of heated discussion, participants came to agreement on many issues. In the closing ceremony, **David Kotz** announced the Statement of the Sixth WAPE Forum. The Statement pointed out that the global capitalist class is trying to use the conditions of an economic crisis to implement the now discredited neoliberal agenda even more fully. A period of capitalist economic crisis such as that of today poses significant dangers. Right wing forces in the academy and in politics are seeking to win public support by directing attention away from the real culprits—the big banks and corporations and the capitalist system itself—and toward scapegoats such as impoverished immigrants, minority ethnic groups, or minority religions. Contemporary Marxist political economists have a role to play in combating the dangers of this period in theory and policies and can make the following contributions: (1) Develop and promote economic programs and policies that would quickly reverse the worsening conditions faced by working people. (2) Criticize the right wing claims that divert attention from the real problems facing working people. (3) Develop and promote visions of an alternative socialism for the 21st century that would overcome the problems created by capitalism. (4) Systematically analyze the roots of this economic crisis in capitalism in general and neoliberal capitalism in particular. (5) Oppose imperialism and wars that would be a means to save capitalism from this crisis. We believe that the only long-run solution to the many economic problems faced by the vast majority of people in the world is to abandon capitalism and introduce a socialist system. **Enfu Cheng** suggested that Marxist economists of all countries should unite to pursue the above worthy goals by means of research, writing, speaking, cooperating and organizing. He also talked about WAPE's plans for next year and announced that the Seventh Forum of WAPE will be held in the Universidad Autonoma Metropolitana-Xochimilco, Mexico City from May 25 to May 27, 2012. The main theme will be "State, Market, the Public, and Human Development in the 21st Century." **Xiaoqin Ding, Deputy Secretary General of WAPE, Research Associate at Harvard University Asia Center, and Professor of economics at Shanghai University of Finance and Economics** announced the new council members of WAPE and expressed his gratitude on behalf of the WAPE Secretariat to all the organizers, volunteers and participants for their contribution to make this forum a big success. The forum ended with a chorus of the anthem *Internationale* by all participants.