

THE WORLD ECONOMY IN THE 21st CENTURY: CHALLENGES AND OPPORTUNITIES

The 20th century has been one of unprecedented economic achievement and progress in many respects, especially in the United States and Europe and other advanced countries, and indeed in most countries of the world. However, significant problems remain in the US and world economy as challenges for the 21st century. Let's briefly review some of these important achievements and remaining challenges.

During the 20th century, per capita real income increased 6-7 times in the US and 4 times in the world as a whole. These very rapid increases in per capita income dwarf all previous centuries combined.

However, at the same time, the gap between rich nations and poor nations continued to increase in the 20th century. As Pritchett and others have shown, there has been "divergence big time" in the per capita incomes of advanced and developing countries. Will this divergence between rich nations and poor nations continue in the 21st century or will it finally be reversed?

Furthermore, the degree of income inequality within nations has been increasing in recent decades in many countries of the world, in both advanced and developing countries, including the US of course. Overall in the 20th century, there has probably not been much reduction of inequality within countries and probably even an increase of inequality in some countries. Will this recent trend of increasing inequality within nations continue in the 21st century, or will the trend be reversed toward greater equality.

What about poverty? The percentage of the population living below the poverty line in the US did decline significantly from around 40% in the early 20th century to 13-14% in recent decades. However, there has been no further progress in the reduction of poverty in the US since the 1960s. Furthermore, the percentage of African-Americans and Hispanic Americans living in poverty remains above 25% and the percentage of all children in the US living in poverty remains above 20%, in this very rich country.

In the world as a whole, at the beginning of the 20th century, the vast majority of the population in the "less-developed countries" of the world (which is 80% of the total world's population) lived in extreme poverty by today's standards (for example, less than \$1 a day of per capita real income). Today, a majority of the population in these countries have risen out of this extreme poverty. Along with the reduction of poverty, life expectancies have increased by 20 years or more and literacy rates have doubled. However, poverty remains a grinding reality for a large percentage of the world's population. Recent decades have been "lost decades" for much of Latin America, Africa, and now Asia. Tens of millions of Asians will fall back into poverty as a result of the recent economic crisis (after significant gains in reducing poverty in previous decades).

The World Bank estimates that overall today at least one-quarter of the world's population live on less than \$1 per day (one-half in S. Asia and sub-Saharan Africa); and that at least one-half of the world's population live on less than \$2 per day. Will the 21st century be the century in which poverty is finally eliminated and the World Bank's dream of "a world free of poverty" is finally realized?

The extent of economic inequality along racial and gender lines also has declined significantly in the US and in other countries, especially in recent decades. However, once again, significant racial and gender inequalities remain as challenges for the 21st century. A large portion of African-Americans in the US remain a sort of economic underclass. Will the 21st century also be the century in which racial and gender inequalities are finally eliminated, and Martin Luther King's dream of full equality for all is finally realized?

In the 1930s, the US and world economy suffered through the worst depression in history. Since the 1930s, there has not been another major global depression, due both to structural changes in the economy and to more active government intervention in the economy. However, since the 1970s, growth rates have been slower, some recessions have been more severe, unemployment and inflation have generally been higher than in the early postwar years, and financial crises have been recurring, especially in developing countries who have borne the brunt of this recent period of greater macroeconomic instability. Furthermore, the recent Asian crisis and the threat of a more general financial crisis has once again raised fears of another serious depression. Will the 21st century be the century in which depressions are finally eliminated from capitalist economies? Are great depressions indeed a "thing of the past"?

Finally, a very significant new problem has emerged during the course of the 20th century that was hardly even perceived 100 years ago: environmental degradation. The processes of economic growth, industrialization, and urbanization have produced serious environmental problems, which include: carbon emissions and global warming (with the consequent rise of sea levels and damage to agriculture), deforestation and threats to biodiversity, depletion of the world's fish supply, etc.

Many large cities of the world have become virtually uninhabitable in terms of reasonable health standards. (I have recently spent two years in Mexico City, which is positively harmful to one's health.) Will solutions to these environmental problems be found in the 21st century? How much growth is compatible with a sustainable ecology? Will there be an adequate food supply for a growing world's population? Will there be an inadequate supply of water? If growth has to be reduced, how will this reduction be distributed among advanced and developing countries?

These are some of the important questions that we will discuss this weekend. We have the great opportunity to hear what a very distinguished group of economists from around the world have to say about these questions and to join in a discussion with them of these questions. Please join us in the discussion.

Fred Moseley

Our first session has to do with the overall prospects for economic growth in the 21st century, and possible limits or constraints on the rate of growth. We have two very distinguished speakers to discuss these important questions and begin our conference, Prof. Richard Easterlin and Prof. Elmar Altvater. Prof. Easterlin will speak first and then Prof. Altvater. Each will speak about 30 minutes, and then we will have 30 minutes or so for discussion.

Intro to Easterlin