

WHY WORLD FEDERATION?

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In the present age, 21st Century, it seems that the most serious problems are war, poverty, and destruction of environment. Many efforts have been made to solve these problems. In this paper, the World Federation is considered as the essential thought to solve these problems.

I wrote some articles insisting on the benefits of World Federation. But, actually, the establishment of World Federation is not being implemented in the actual policy in the world. For example, in the meetings of academic association of economics, the benefits of World Federation are seldom mentioned. Or, in the world of NGOs, there are some organizations dedicated to the establishment of World Federation. But the World Federation is not a mainstream of activities among NGOs. It seems that the benefits of World Federation are not understood sufficiently. This paper insists on the benefits of World Federation.¹

I WHY IS THE WORLD FEDERATION NECESSARY?

1 Basic Benefits of World Federation

Basic benefits of World Federation are follows.

1. World Federation can reduce or prevent the war. This will lead to the reduction in death and wound of people by war, in the destruction by war, and in the military expenditure.
2. World Federation can issue the international common currency. This will lead to the removal of fluctuation of exchange rate.
3. World Federation can provide employment to all the people. This will

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¹ The origin of idea of this paper is written in Toshio Suzuki, *Soul Federation* (Bloomington: Xlibris Corporation, 2010). Especially, it is explained in detail in page 60-79.

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lead to the eradication of poverty.

Among above three items, the first and the second item need not particular explanation. They are easily understood as common senses. The third item needs some explanation. This is explained in more detail in this paper.

2 Present Situation

In the present age, still, there are wars and poverty. Only few people show interest in the World Federation. If we try to establish the World Federation, it is impossible at present. We cannot condemn anybody about it because the World Federation is not a common sense among ordinary people. So what we must do is to explain the benefits of World Federation to ordinary people. In the future, the World Federation will be a common sense.

3 Why Are There Poor People?

Why are there poor people? This is a very basic question and has not been answered definitely. Basically, poor people are poor because they cannot get a job. So, a solution for the poverty eradication is to provide jobs to jobless people.

Then, why is it difficult to get a job? In a word, the theory of Karl Marx can explain this phenomenon. Basically, he wrote a thought shown in the Figure.

Figure. Emergence of Industrial Reserve Army



The Industrial Reserve Army is the people who cannot get a job. He wanted to say that the rate of profit falls and this will lead to the deficiency of investment that is the source of employment. This is called "The Law of the Tendency of Rate of Profit to Fall". He insisted that as far as the world economy is in the capitalist mode of production, poor people cannot disappear. His thought was criticized by many economists of modern economics. Basically, in the industrialized countries, the rate of profit does not fall and income of laborer has been increasing. But, in the world as a whole, the poverty has not been eradicated yet.

In this situation, the World Federation can provide jobs. Basic theory is as follows. If each country runs a company in the red, it can provide some jobs to unemployed people. But, if a country implements this policy, the country loses the international competitive power. But if every country is in the World Federation, each country can run companies in the red.

Let us think more deeply. How is the situation of policy for the development of developing countries? In the academic world of modern economics, Marx's thought is not mentioned. There are some associations for economics. The American Economic Association is famous in the world and is leading the economics of world. It publishes journals, and one of them is American Economic Review. We can read many articles that do not take into account

the effect of the Law of the Tendency of Rate of Profit to Fall. For example, Philippe Aghion and et al. wrote as follows:

Why do establishments not grow in India? Bloom et al. (2013) have empirically shown that *lack of trust* and the weak rule of law is a major obstacle to firm growth.¹

Authors are teachers of Harvard University, University of Pennsylvania, and Brown University. In this paper, they wanted to consider the process of growth through Schumpeterian growth theory. Basically, they think about the internal factor in India. They do not consider that the fall of rate of profit in the world economy as a whole is affecting the growth.

To cite another example, Rocco Macchiavello and et al. wrote:

The industry has now been around for almost three decades and many observers agree that deficiencies in managerial capital among line supervisors contribute to both low productivity and poor labor relation in the industry.²

They are teachers of University of Warwick and University of Dhaka. They consider about the garment factories in Bangladesh and insist on the effect of training.

The last example is a research on the relation between the capacity of each state in a country and economic development. Daron Acemoglu and et al. wrote:

Though we often take for granted the existence of central and local states with the capacity to enforce law and order, regulate economic activity, and provide public goods, many states in less-developed parts of the world lack this capacity.³

They are teachers of Massachusetts Institute of Technology, University of Pennsylvania, and Harvard University. They analyzed the effect of network of states in Colombia.

A common point of above three studies is that they did not consider the effect of Marx's Law of the Tendency of Rate of Profit to Fall. Namely, they analyzed factors in each country. But they did not consider the international effect of Marx's Law of the Tendency of Rate of Profit to Fall. We will consider this point in this paper.

Same thing can be said in the meetings of experts in economics. There are some

¹ Philippe Aghion, Ufuk Akcigit, and Peter Howitt, "Lessons from Schumpeterian Growth Theory," *American Economic Review* 105 (May 2015): 98.

² Rocco Macchiavello, Atonu Rabbani, and Christopher Woodruff, "The Market for Training Services: A Demand Experiment with Bangladeshi Garment Factories," *American Economic Review* 105 (May 2015): 300.

³ Daron Acemoglu, Camilo García-Jimeno, and James A. Robinson, "State Capacity and Economic Development: A Network Approach," *American Economic Review* 105 (August 2015): 2364.

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associations of economics in Japan such as Japanese Economic Association, Japan Society of International Economics, etc. In the meeting, many researchers discuss about the eradication of poverty in the world. But they think about the situation in each country or in each sector such as textile industry or car industry only. They do not think about the mechanism of economy of world as a whole. Namely, they do not mention Marx's theory, the Law of the Tendency of Rate of Profit to Fall.

Then, let us think about the Marx's Law of the Tendency of Rate of Profit to Fall. This theory was criticized by the "Stylized Facts" shown below.

1. Capital per worker has been increasing.
2. Also production per worker has been increasing and wage has been increasing according to it.
3. Proportion of wage income and asset income in total income has been same. Rather, it is favorable for wage.
4. Interest rate or rate of profit has been constant.
5. Capital-output ratio has been constant.
6. Saving rate has been, in the long run, constant.

The Stylized Facts were discovered by many researchers, such as Simon S. Kuznets (1901-85), Nicholas Kaldor (1908-86), and Robert M. Solow (1924-). Kuznets and Solow are laureates of Nobel Prize in Economics. The contents of Stylized Facts are slightly different from book to book. Here, they were summarized from some books.¹ Among many economists, the Stylized Facts are thought to be the truth in economy. Marx insisted that the rate of profit falls and so the Industrial Reserve Army emerges. This thought was denied by the Stylized Facts. Needless to say, the researches on the Stylized Facts are later than that of Marx.

According to the Stylized Facts, Marx's theory, Law of the Tendency of Rate of Profit to Fall, is denied. Namely, as written in the Stylized Facts, the rate of profit has not fallen and the wage has been increasing. Furthermore, the fall of the Soviet Union in 1991 supported the thought that the Marx's theory is wrong. At that time, I also thought that the fault of communism has been verified. But there is one important aspect in the world economy. If we think of economy of individual country, the Stylized Facts are correct. But, in the world

¹ Summarized from

Edwin Burmeister and A. Rodney Dobell, *Tekisuto Bukku Gendai Keizai Seichou Riron*, trans. Ryuzou Satou and Eiji Osumi (Tokyo: Keisou Shobou, 1976). Translated from Edwin Burmeister and A. Rodney Dobell, *Mathematical Theories of Economic Growth* (n.p.: Macmillan, 1970), 79.

Masao Fukuoka, *Zeminaru Keizaigaku Nyumon*, 3rd ed. (Tokyo: Nihon Keizai Shinbunsha, 2000), 459–460.

Paul A. Samuelson and William D. Nordhaus, *Samyueruson Keizaigaku*, 13th ed., 2 vols., Vol. 2, trans. Shigeto Tsuru (Tokyo: Iwanami Shoten, 1995). Translated from Paul A. Samuelson and William D. Nordhaus, *Economics*, 13th ed. (New York: McGraw-Hill, Inc, 1989), 853–4.

Ono, "Keizai Seichou," 234.

economy as a whole, the Stylized Facts are not applicable. Namely, we can consider people in developing countries as the Industrial Reserve Army. Poor people in developing countries are poor because they cannot get a job. Profit is not sufficient to construct factories to employ them. If we think that the Marx's theory is applicable to each country, it is wrong. Namely, if we think that Marx's theory is applicable to USA, Japan, UK, etc., it is wrong. Marx's theory is denied by the Stylized Facts. In other words, in the world as a whole, Marx's theory is applicable. Namely, if the world is under the system of the free competition and the private ownership, Marx's theory is applicable in the world as a whole.

For example, in Japan, car companies are making many cars and exporting the cars. The companies construct factories in developing countries because wage is low in developing countries. For example, Japanese companies construct factories in Philippines, Thailand, Malesia, etc. Some people are employed by these Japanese companies but other people are not employed. Wage and salary of employed people of developing countries are lower than that of Japanese employees. But employed people can get higher income than those who are not employed. Namely, those who are not employed can be called the Industrial Reserve Army. They are not in the situation they are poor though they are working hard. The poor people are poor because they have no job. Then what must we do to employ those who are not employed? We must get enough profit that is enough to construct factories that can employ unemployed people. But this is very difficult as the Marx's theory shows it.

So, if we want to tackle the problem of poverty, we must provide jobs to the jobless people. Then how can we provide jobs that is sufficient to employ all the people. The World Federation can provide jobs. How can we say such thing? Basically, companies that can employ people are run as far as there is profit from the companies. So if the profit is minus, the companies must go bankrupt. If companies in each country employ people by running companies in the red, the government of the country must subsidize the companies in the red. Basically, companies can exist by enduring hard competition. But if companies are subsidized, workers will not work hard. This will weaken the competitive power of companies and also weaken the competitive power of the country. But if most countries are in the World Federation, each country can provide jobs by employing people in the factories in the red.

4 Maturity of Spirit

Spirit of human is always developing. Even in the present age, our spirit has not reached the upper limit. There is one thing that verifies the extent of maturity of spirit. In 2001, activists of Al-Qaida attacked World Trade Center in New York. Thousands of people died due to this attack. Since then, USA attacked Afghanistan and Iraq without approval of the United Nations. In 2003, USA and other forces invaded Iraq and occupied it. USA insisted that Iraq has weapons of mass destruction such as nuclear or chemical weapons. The president of Iraq, Saddam Hussein, was captured and executed in 2006. On the other hand, supreme leader of Libya, Muammar al-Gaddafi, was killed in 2011. Also conflict in Libya was assisted by some western countries without the approval of United Nations. After the regime of Iraq and Libya was destroyed, the Islamic State was born in 2014. Namely, USA and other forces toppled the

governments of Iraq and Libya without the approval of United Nations, and as a result, Islamic State emerged. This is the result of ignoring the United Nations. Attacking to other nations without the approval of the United Nations means that maturity of spirit of human is not high. If our spirit reached a level high enough to maintain the peace, human would not attack other countries without the approval of international organizations such as the United Nations.

My basic philosophy is that the truly good shall become a common sense. If we say something against a common sense, we are laughed at. For example, we are laughed at if we say that we should use kerosene lamp instead of electric light, we are laughed at if we say that we should ride horse or cow instead of car or motorcycle, we are laughed at if we say that Olympic Games and the World Cup of soccer should be abolished, and we are laughed at if we say that the compulsory education should be abolished. Thus the truly good thing shall become a common sense. This is possible after the spirit of human has been matured to some extent. So, if our spirit has matured enough, the World Federation will be established and maintained. It will take a long time but it will be reached sooner or later.

We need a vision for human society in the future such as one thousand years later. How will be the world after one thousand years? Will there still be the war and the poverty? How about the natural resources? Will they be enough to feed human? My basic view is that the World Federation will be a common sense in the world one thousand years later. Spirit of human in the world must be matured enough by that age.

II CONCLUSION

Now, present world is not aiming to establish the World Federation. But I think that the truly good thing shall become a common sense. After one thousand years, the World Federation will be a common sense because it is truly good.

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