

DANIEL LEVIN

Financial literacy and the wealth gap

The increasing wealth gap is regarded globally as possibly the most socially explosive issue of our time, responsible for the rapid radicalization of large population segments that we are witnessing worldwide.

The rising disparity between rich and poor, between the powerful and the powerless, between those who are connected and those who are cut off, between those on the inside looking out and those on the outside looking in, is highly combustible and easily seduced by political and religious demagoguery. It is the stuff revolutions are made of, which several Arab leaders have learned first-hand over the past two years.

Of course, there is nothing new about this screenplay, and perhaps the only thing we can learn from history is that we seem incapable of learning from history.

The disturbing trend of a widening wealth gap is a challenge for leaders of all countries. Across the political spectrum everyone solemnly proclaims an unwavering commitment to bridging this economic divide. Unfortunately, these lofty pronouncements are rarely followed by meaningful actions. Instead, we are forced to endure an endless loop of the same recycled platitudes and grand pledges.

As we witness the debate that is raging, particularly in the United States and in Europe, between fiscal austerity and economic stimulus, those left behind financially have little to cheer about. We are way beyond the point of calibrating some synthetic balance between opposing economic theories, and instead of fact-based, accountable policies we are exposed to ideological, gospel-like declarations of allegiance to Reaganesque trickle-down formulas or quantitative easing monetary policies.

There certainly are legitimate policy discussions to be had, but for proponents of any side to claim their particular recipe to be a panacea for bridging the wealth gap is trite, bordering on the preposterous. Incomprehensibly, however, the glaring parallelism between the education gap and the wealth gap is being superciliously brushed aside, a correlation perhaps too obvious to be taken seriously by today's great thinkers.

Far too many people are cut off from their mainstream economies, and contrary to popular belief, this is as true for urban residents as it is for rural populations. Deficient public and private sector financial infrastructures certainly exacerbate this problem, though the increasing demographic penetration of technology such as mobile banking seems to be having a mitigating effect on the infrastructure shortcomings.

Far more lethal, however, is the stupefying neglect of financial literacy and public education. Vast segments of society lack even the most basic knowl-

edge and understanding to make sound economic decisions, and the ability to control their own financial well-being and independence.

It is hardly surprising that the financial knowledge and education void is quickly filled by fraudulent actors, taking advantage of widespread ignorance and gullibility. This is fertile ground for pyramid or Ponzi schemes, preying on the uninformed with irresistible investment opportunities, whose returns come from the investors' own money or the money paid by subsequent investors, rather than from profit earned by a legitimate business. When these schemes collapse, as they all invariably do once they are unable to feed the exponentially growing money appetite of the beast they created, people are left destitute.

This phenomenon is hardly limited to socio-economically disadvantaged parts of society — as the Bernard Madoff and Allen Stanford scandals spectacularly demonstrated — but those are the ones left penniless without the ability and the opportunity to climb up from the bottom of the pit. Meanwhile, the wealth gap continues to widen.

What makes this so unforgivable is that it could be thwarted with effective financial literacy campaigns. Not with marketing gimmicks of banks, insurance companies or stock exchanges trying to sell their brands and products, or through counterproductive investment games that tend to instill reckless gambling instincts rather than convey prudence, understanding and risk awareness. Instead, there is a massive need for effective and deep public education programs targeting all segments of society, without regard to gender, age, religion or language, and using all forms of media and communication on hand.

Inexcusably, these education programs are accessible, ready to be deployed in schools, homes, factories, farms, villages or cities, and communicated through television, mobile phones, radio or the Internet. Capacity building programs, necessary to train the trainers and implement the financial literacy campaigns in a tested methodology, are just as available. But tragically, the success stories are few and far between.

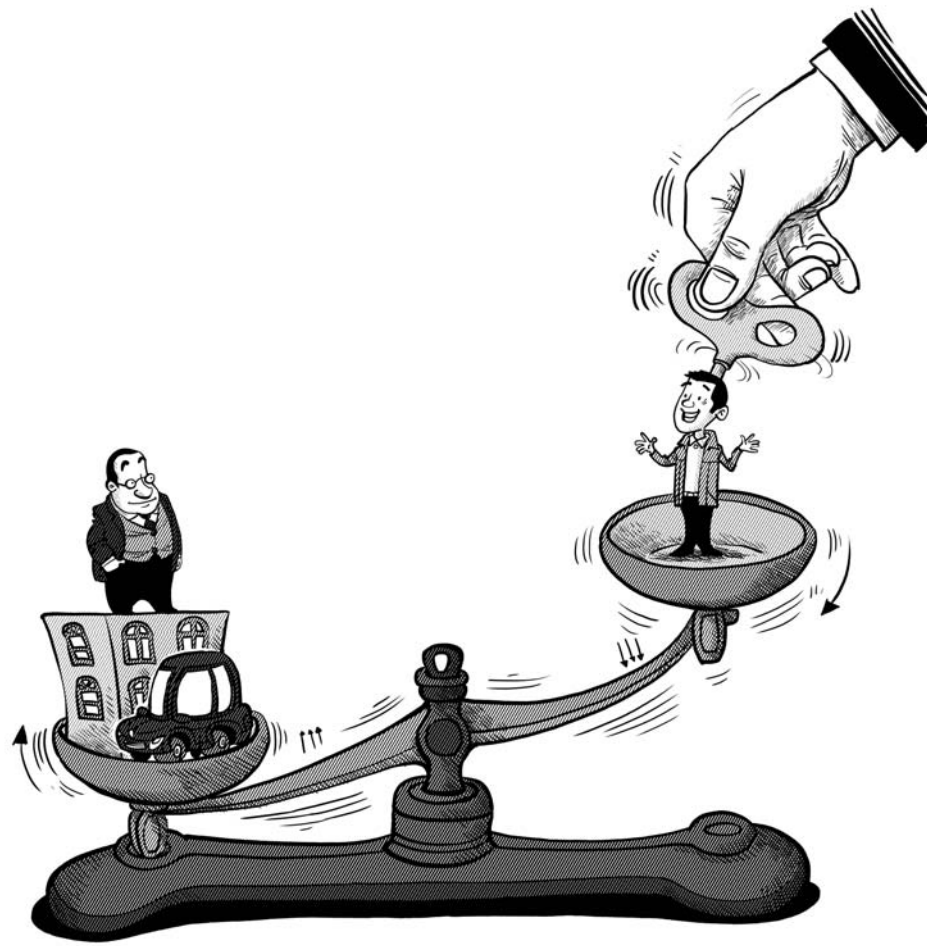
Instead of enjoying the fruits of effective initiatives, we have had to endure

decades of empty rhetoric and narcissistic, self-serving declarations of good intentions. Instead of concrete results, we have been lulled by an illusion that something is being done to bridge the education gap. Instead of actual financial literacy campaigns, we are inundated with a glut of conferences and economic forums on topics such as investor education or consumer protection, with speakers and panelists patting themselves on the back and feeling very satisfied by their own sense of importance and accomplishment.

In the meantime, more people are left behind, abandoned, frustrated, distraught and seething. It is hard to comprehend why anyone would be surprised when this anger explodes in violence.

Until we adjust our priorities and devote real resources to the implementation of these desperately needed financial education initiatives, words such as "bridging the wealth gap" or "stakeholder society" or "financial inclusion" will remain just that — words.

The author is a member of the Board of the Liechtenstein Foundation for State Governance.



WANG BAOKUN

Aircraft carrier a feasible choice

Will China's economy be unduly burdened if the government builds four aircraft carriers, complete with their formations, in the coming decades? Will an aircraft carrier building project be a drag on the national economy or will it be a shot in the arm for the country's industrial and economic upgrade?

A country's GDP is the basic criterion that determines whether it is capable of building or developing an aircraft carrier. In 2011, China's GDP was 47.16 trillion yuan (\$7.55 trillion), a 9.2 percent growth compared with that of 2010. As the world's second largest economy, China's long-term economic prospects are good.

According to my estimate, China will have to spend about \$7 billion to build four aircraft carriers and need another \$30 billion to complete their formations. Many research institutes have projected that China's GDP would cross \$17.7 trillion by 2030. So the overall cost of building and maintaining aircraft carriers will be less than 0.2 percent of GDP in 2030. This means China will not face any difficulty in supporting four aircraft carriers so long as its economy keeps growing.

An aircraft carrier represents com-

prehensive national strength and signifies the development level of science, technology and industry in a country. It forms the core of the navy and occupies an advanced position in the supporting industry chain.

China's aircraft carrier building project will boost a series of industries such as carrier construction and maintenance, special materials, aircraft and missiles, navigation and combat command system, defense weapons system, radar, electronic information, satellite communication and automatic control system. And since the government will have to develop aircraft carrier formations, warships, fleet bases and ports, the project will also spawn or boost other sectors.

The aircraft carrier project will create an "aircraft carrier economy", which will boost the development of the construction and supply industries as well as peripheral service sectors such as social security and logistics. In the long term, the aircraft carrier project is expected to facilitate investments of several hundred billion yuan and help create a huge number of jobs.

Western countries have embargoed the transfer of many core military technologies to China, which is the major technical difficulty the country faces

in building aircraft carriers. If it can successfully overcome this technical difficulty by upgrading its high-tech industry to the highest possible level, it will not only boost its military technology and shipbuilding industry, but also help promote military technologies for civil use.

China is working on a series of new and high-tech sectors to overcome the technological difficulty in building aircraft carriers. These include research in and development of aircraft carriers, and upgrade of existing equipment.

R&D into aircraft carriers involves a series of scientific studies into production, and maintenance and repair enterprises. The R&D will help improve and upgrade these enterprises' equipment, production and technological processes, leading to technological innovations and patent rights. Such progress is at the base of China's national defense industry, including shipbuilding, as well as other civil industries.

To some extent, the development of the shipbuilding industry, which includes aircraft carriers, could also play a role in stimulating domestic demand, promoting employment and alleviating economic contradictions.

This shows a moderate-scale aircraft

carrier building project will not be a drag on China's economy. Instead, it would extend comparative economic aggregate if the government could solve some economic and management problems.

It is important that the government promote scientific and technological progress, encourage innovation, regulate the market, allocate resources appropriately and improve efficiency in resource utilization. China has the economic power to build an aircraft carrier without sacrificing people's basic needs such as housing, education, healthcare and social security.

Aircraft carrier building and economic development are complementary at the economic stage that China is in. On one hand, economic development offers a sound financial base, and advanced industrial, scientific and technological levels provide the material foundation for building aircraft carriers. On the other, an aircraft carrier building project of a proper scale can stimulate economic development and scientific and technological progress.

The author is an associate professor at the Economic Security and National Defense Economy Institute, School of Economics, Renmin University of China.

CHRISTOPHE BAHUET

Reaching for the sky: The importance of women's leadership

The importance of having more women leaders in political, economic and social fields has been consistently stressed in both developed and developing countries. Gender equality has been a central feature of the UN Millennium Development Goals that has shaped more than a decade of poverty reduction, education and anti-discrimination efforts.

China is no stranger to this cause, and it is often applauded for striving to ensure that men and women enjoy the same legal rights and prospects for a healthy and fulfilling life. After all, if China's women are to hold up half the sky, they must first be able to reach it.

An important step in helping women do so saw China ratify the Convention on the Elimination of All Forms of Discrimination against Women in 1980 and endorse the Millennium Declaration in 2000. China's constitutional provisions on gender equality and domestic legal frameworks like the Law on the Protection of the Rights and Interests of Women in 1992 provide further evidence of the country's commitment to addressing development gaps between men and women.

This has been a major focus of the United Nations Development Programme's work on governance and gender in China. Together with the All China Women's Federation, UNDP seeks to address the intricacies and delicacies involved in promoting gender equity and continue to work with China to address existing challenges through advocacy, policy research and dialogue as well as pilot projects.

In China's progress report on the achievement of the MDGs in 2010, the level of political participation of women in electoral processes had yet to meet the MDG target of 30 percent women. While the number of women had increased in intermediate leadership positions, women continue to be under-represented at the national and local levels. In 2008, women accounted for only 21.3 percent of positions in the National People's Congress, and out of these only 16.1 percent were members of the NPC Standing Committee. In villages, women led only 2.7 percent of the local committees.

The Second National Program for the Development of Women (2011-2020) outlines plans for increasing the number of women in national and local governments. Though significant progress has been made, more remains to be done and new issues will surface. Drastic changes in the economic opportunities available in China's sprawling cities have left many towns and villages with fewer men, traditional gender roles are changing and women are facing new pressures.

Promoting women's leadership is also about promoting equity among men and women. Around the world, we are seeing the need for educated, healthy and empowered women to drive a sustainable development agenda forward with greater speed, tenacity and passion.

In India, the number of approved drinking water projects has increased by 60 percent in women-led councils. In Spain, increases in the number of women in parliament led to a law being passed in 2007 to enhance employment and working conditions for women. And there are many other examples of women leaders around the world taking positive actions that benefit women as well as men.

Gender balance in public administration ensures that a wide enough range of perspectives are consulted in policymaking to make tangible contributions to sustainable development.

More women will be required to take their place as equals in the ranks of decision makers. To do so, policies and practices that empower women are crucial. In China, increased representation along with gender equity will be important factors enabling women to more fully contribute to national and local development.

The author is country director of United Nations Development Programme in China.

The opinions expressed on this page do not necessarily reflect those of China Daily.