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\*Broad and Shallow Knowledge for Intellectual Conversations\*

Vol 1. [Reality] Chapter 2. [Economics] Part 10.

> \*\*[Connection with history]\*\* - Economic system reflects the state of the period

We’ve looked at four economic systems. Early capitalism, late capitalism, neoliberalism, and communism. Each system was categorized based on the relationship between the market and the government. Early capitalism and neoliberalism minimized government intervention and pursued freedom of the market, and late capitalism and communism pursued active government intervention and diminished freedom of the market. It will be helpful to understand the meaning of each system by examining the historical circumstances under which these economic systems arose.

Let’s summarize the modern and contemporary history again. Modern era started from capitalism through industrialization. Capitalism had the problem of oversupply. To solve the oversupply issue, the imperialism era with fierce colonial competition arrived. Imperialism ended with World War I. Later to solve the resurged oversupply issue price wars got fierce, and led to the Great Depression.

To overcome the Great Depression we looked at three countries and their policies. US modified capitalism and government intervened, Russia abolished capitalism and communized. Lastly Germany tried to overcome via war, and started World War II. World War ended and the time moved on to the contemporary era. Then the world’s center shifted into between the victorious country of WWII – US, and the Soviet Union, and continued the Cold War. With the fall of the Soviet Union in the early 90s, US became the center and entered neoliberalism era.

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<Modern era> <Contemporary era>

Industrialization ┆ Imperialism era ┆ The Great Depression ┃ The Cold War

┆ ┆ ┌ US ② Late capitalism ┃

↓ ┆ ↓ ┆ ├ USSR ④ Communism ┃ ↓

① Early capitalism ┆ World War I ┆ └ Germany : Militarization ┃ ③ Neoliberalism

(supply > demand) ┆ ┆ ↓ ┃

┆ ┆ World War II ┃

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Let’s refer to the chart. The first capitalism arose from the start of industrialization is ① early capitalism. Next, capitalism US modified after the Great Depression is late capitalism, and abolishing capitalism that the Soviet Union chose is ④ communism. After the end of conflict between late capitalism and communism, capitalism reigned solo and that’s today’s ③ neoliberalism.

What’s revealed through the connection with history? Economic system reflects the state of the period well. First, ① early capitalism appeared with the end of medieval era and start of modern era, people didn’t understand what capitalism is or what it meant. Their government was no different. Government didn’t particularly feel the need to intervene the market. So, in early capitalism, the government only watches the market, and the freedom of the market is completely guaranteed. Because government doesn’t intervene, monopolization and wealth inequality had to be serious. In addition, due to the lack of regulation, it was not uncommon for workers' human rights or the right to survive to be threatened.

Since then, the theory of ④communism emerged mainly in Russia, Eastern Europe, and Asia, rejecting the poor working conditions and exploitation. Because communism appeared strongly criticizing early capitalism, it’s the complete opposite. Whereas early capitalism advocated a free market without government intervention, communism promoted a powerful government-led planned economy without market freedom. Faced with communism’s challenge, capitalism had to overcome its own problems.

② Late capitalism appeared solving capitalism’s problems that were being challenged. First, it tried to solve early capitalism’s issues such as monopolization and wealth inequality with government intervention. Next, it fixed the Great Depression with public projects. And countered communism’s attack with humanity-promoting capitalism by greatly improving workers’ rights and work environments. Like this, late capitalism shares similarities with communism in that it solved various complicated issues with active government intervention.

After communism, the rival during WWII and the Cold war, fell, capitalism didn’t need to put up with its act of humanity. And with government intervention, there were issues of market distortion and low efficiency. Criticizing these problems of late capitalism and insisting on return to early capitalism, neoliberalism emerged. Because neoliberalism emerged criticizing government intervention of communism and late capitalism, it pursued free market with minimal government intervention.

Here is a summary according to the relationship between the market and the government:

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① Early capitalism : market

② Late capitalism : market < government → tax ↑ / welfare ↑

③ Neoliberalism : market > government → tax ↓ / welfare ↓

④ Communism : government

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