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\*Broad and Shallow Knowledge for Intellectual Conversations\*

Vol 1. [Reality] Part 2. [Economics] Chapter 11.

> \*\*[Growth-oriented policy and Distribution-oriented policy]\*\* - Ultimately, it is a matter of growth and distribution

Consider a simple model. A, B, and C crash-landed on an uninhabited island. (They aren’t the same people who sell coffee.) They all look different. A is a tall and bulky guy. B is pretty average. C is very thin, and from the looks of him he’s barely hanging on. The three have been starving for several days. After days of wandering searching for food, B climbed a tall mountain and found an apple tree. The three walked towards the apple tree B found. C lags behind, but in the end he somehow arrived. Arriving at the apple tree, A, the strongest, shook the apple tree and got the apples. B and C wouldn’t even dream of shaking this huge tree. There are 3 apples, (a), (b), and (c). Apple (a) is huge. Apple (b) is pretty average. Apple (c) is dried up and has nothing to eat. A, B, C must share the apple (a), (b), and (c).

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A B C

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🍎✨ 🍎 🥜

(a) (b) (c)

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What is the most fair and reasonable way? B said, “We need to share it equally so let’s cut all the apples into 3 slices and take one slice each.” A then said, “That’s not fair. I did the picking all by myself. And I’m big so eating the same amount as C is unfair. I’ll eat (a), B found the apples so eat (b), and C did nothing so gets (c).” C then said, “No, it is I who must eat (a). You guys have accumulated body fat, so you can hold on for a while, but after a few days I'll starve to death. I need (a) the most.”

Which of their arguments is the most just? These three arguments are in some respects similar to the economic system we discussed earlier. It’s a very simple example, it is adequate for understanding the role individual economic systems play in distributional problems. First, B’s argument is communist thinking. Work together, and also share equally. Next, A’s argument is neoliberal thinking. Goods should be distributed according to individual effort, ability, and social contribution. C’s argument is either late capitalist or social democratic thinking. Give priority to those who need it the most and distribute them. In fact, neither late capitalism nor social democracy actually distributes the most wealth to those who need it most. Such a society is not possible. However, in these societies, when establishing social institutions or resolving conflicts between classes, the most marginalized people are prioritized.

The debate about which distribution method is the most rational and just is a long-standing debate. However, another problem is added here.

It was when A, B, and C were arguing over the apple distribution issue. They were focusing on the discussion, then suddenly a huge shadow cast over. They looked back and were startled. Native X, who was so large that A pales in comparison, approached them with a dreadful club. Turns out this was not an uninhabited island, but an island where native X lives alone. X said, “Give me the apples. And starting tomorrow you’re my slaves. Gather the apples in one place until tomorrow.” X left. A, B, and C were perplexed. If you become a slave to X, you will have to work for the rest of your life in the coal mine, and the escape will be more difficult. When everyone was thinking, A said, “There’s no other choice. We have to fight Native X anyway, so I'll eat all apples (a), (b), and (c). I'm not strong enough right now because I haven't eaten, but if I eat all the apples and gain strength, it’ll be good enough to fight Native X." C said, “No way. Whether you eat all the apples or X eats all the apples, I’m going to starve to death tomorrow or the day after tomorrow either way. Tomorrow is tomorrow, and I need an apple right now. Let's share the apples and eat between us."

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Method 1 Method 2

“A takes all” “A, B, C shares”

┌ Pros ┌ Pros

│ : Can fight with X. │ : C lives longer.

└ Cons └ Cons

: C may starve to death. : Everyone becomes X’s slaves.

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With X’s appearance, the discussion has changed a bit. What would you do? Let’s summarize the choices. <Method 1> is for A to eat all the apples and gain strength to represent the whole and fight X. In that case, C may starve to death, but there is a possibility of overcoming the crisis caused by X. <Method 2> is for A, B, and C to share the apples and eat them right now. In that case, C may be able to prolong their life, but A, B, and C will all become slaves to X and have to live a painful life. <Method 1> is a method of risking the life of C for the growth of society as a whole. <Method 2> is to give up the growth of society as a whole for C's life. Which one is better?

In practice, the considerations are more complex, but this is a fundamental aspect of the choice between neoliberalism and late capitalism being debated today. Each of the characters in this story symbolizes the elements of our society. First, (a), (b), and (c) are social products. These social products are created by social constituents such as A, B, and C. Here, A is a company, B is a citizen, and C is the least advantaged. Least advantaged are those who receive the least benefit compared to others, including low-income earners, the disabled, orphans, the elderly, the infirm, single mothers, and unskilled workers. So who is X? X would be about a multinational corporation with a strong influence in the global market. They are transnational entities that transcend nationality and carry out economic activities based on huge capital. In fact, most of the companies we are familiar with are multinationals. Coca-Cola, Nike, McDonald's, Starbucks, etc. Companies with a market capitalization of close to $1 trillion include Microsoft, Apple, Amazon, and Google. For reference, Korea's gross domestic product is about 1.7 trillion dollars as of 2019. The capital and management capabilities of multinational corporations pose a threat to domestic corporations.

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A🙂 B😐 C🙁 X👿

┌ social constituents (company) (citizen) (least-advantaged) (multinational corporation)

└ social products (a)🍎✨ (b)🍎 (c)🥜

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This is the core of the question in the scenario of A, B, and C in uninhabited islands. In the face of the threat of multinational corporations, which distribution method should the state choose? A, B, and C ask you to decide. Which option will you choose?

First of all, <Method 1>, in which give all apples to A and make him face X represents a neoliberal solution. They argue that the government should not intervene and leave it to the autonomy of the market. When the government does not intervene here, it means directly reducing taxes. Of course, tax cuts will inevitably reduce national finances and, accordingly, lower welfare levels. This is ignoring the socially disadvantaged who need welfare benefits and acknowledging the gap between the rich and the poor. But socially, it can achieve greater benefits. Reducing taxes allows wealthy individuals and businesses to invest more in business expansion and technology development. This will improve the competitiveness of companies and countries, and will lay the groundwork to compete with multinational companies. In this way, the government's policy to reduce market intervention by lowering taxes and easing regulations is a 'growth-oriented policy'.

On the other hand, <Method 2>, in which C gets priority in distributing apples in consideration of C's urgency in life, represents the late capitalist solution. They insist on active government intervention. When the government intervenes in the market, it means directly increasing taxes on wealthy individuals and businesses. Of course, high taxes can reduce their motivation to expand their business and invest in technology, thereby weakening the competitiveness of companies and country. If that happens, you risk losing or eroding the market by multinational corporations. But socially, higher values ​​will be pursued. When taxes are increased, the state's fiscal condition is restored, and the state can use sufficient finances to increase the welfare level. This will help the low-income class and the socially disadvantaged, lead them back to fulfilling their social roles and responsibilities, and ultimately reduce the excessive gap between the rich and the poor. This is called 'distribution-oriented policy'.

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┌ Growth-oriented policy (neoliberalism)

│ Pros: Strengthens competitiveness of companies and country

│ Cons: Widens wealth gap, marginalizes socially disadvantaged

└ Distribution-oriented policy (late capitalism)

Pros: Bridges wealth gap, helps socially disadvantaged

Cons: Weakens competitiveness of companies and country

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In summary, neoliberalism and late capitalism, the two economic systems discussed in Korean society today, pursue the values of growth and distribution respectively. Neoliberalism argues that businesses and the state must first be competitive. The whole country needs to grow first. According to their argument, it is not too late to implement welfare after growth has taken place. Although they will have to take the risk of sacrificing socially disadvantaged and widened wealth gap.

On the other hand, late capitalism insists that the quality of life of the socially disadvantaged must be improved first. It is that the even distribution of society as a whole should be prioritized over growth for the wealthy few. According to their argument, fair distribution can drive growth. Although they will have to take the risk of capitalists and companies’ diminished investment motivation and capital outflow.

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Growth ───┬─── Distribution

inversely proportional

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Growth and distribution are basically inversely proportional. If you pursue growth, distribution is not done properly. Conversely, if you pursue distribution, problems arise in growth. Of course, each position does not absolutely reject or deny the other position. The position that advocates growth argues that continuous distribution is possible only when growth first occurs, and the position that advocates distribution argues that stable growth is possible only when distribution is achieved first. That's right. Growth and distribution are not opposing and contradictory concepts, but in some ways complementary.

The problem is timing. When will you distribute? The distance between the position to distribute 'first' and the position to distribute 'after' growth seems too far away. For those who need today right away the future growth of society is meaningless. Also, tax increase for distribution to companies that are fully responding to the threat of multinational corporations discourage investments.

Between growth or distribution, which value should Korean society give priority to? This doesn’t seem to be a question of right or wrong. Both values obviously have their pros and cons. After meticulously weighing what we gain and lose at the economic, social, and ethical level, we will have to agree at an appropriate level, rather than reject and antagonize each other.

We will try to address this issue from a political point of view. After history and economics, it is time to learn about politics. We can now distinguish economic systems based on historical background, and understand the meaning of growth and distribution centering on economic systems. Based on this, you will be able to approach politics easily and clearly.

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