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\*Broad and Shallow Knowledge for Intellectual Conversations\*

Vol 1. [Reality] Part 2. [Economics] Chapter 4.

> \*\*[Early Capitalism, Late Capitalism, Neoliberalism]\*\* - How Capitalism changed over the years

Dividing Capitalism and Communism based on means of production is too macroscopic. Let’s subdivide Capitalism. We will divide them into Early Capitalism, Late Capitalism, Neoliberalism, and lastly look into Communism.

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┌ Early Capitalism (1)

┌ Capitalism ┼ Late Capitalism (2)

│ └ Neoliberalism (3)

└ Communism (4)

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Because we’re not subdividing Communism as well doesn’t mean Communism is simple. Communism also subdivides into various ideologies such as Marxism–Leninism, Stalinism, Maoism, Trotskyism, and had internal arguments for a long time. But ultimately, discussing it now seems unnecessary in current society (in South Korea,) and a bit embarrassing. We’ll just look at Communism as a comparison to Capitalism.

Now let’s categorize them. Long story short, we can divide them by the relationship between market and government we understood previously. Early Capitalism is an economic system where only free market exists. And late Capitalism appeared trying to fix Early Capitalism’s problem by making government actively intervene and limit the free market. Next Neoliberalism appeared criticizing Late Capitalism’s problem, and tries to reduce government intervention and increase degrees of market’s freedom. Lastly, Communism rejects market’s freedom and only allow government’s intervention and control.

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(1) Early Capitalism : Market

(2) Late Capitalism : Market < Government

(3) Neoliberalism : Market > Government

(4) Communism : Government

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Previously we learned that government intervention means taxes. And raising taxes meant better social welfare. If we apply this, we can see that Early Capitalism had almost no taxes, and thus no welfare. Whereas extreme Communism would have almost 100% taxation rate, and thus almost 100% welfare. Between these extremes are Late Capitalism and Neoliberalism. Late Capitalism emphasizes government intervention over freedom of market, so taxes are high and welfare is strengthened. Whereas Neoliberalism emphasizes freedom of market over government intervention, so taxes are low and welfare is weakened.

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(1) Early Capitalism : market → tax X / welfare X

(2) Late Capitalism : market < government → tax ↑ / welfare ↑

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

(4) Communism : government → tax 100 / welfare 100

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With these characteristics, four economic systems bunch up with similar systems. Early Capitalism and Neoliberalism are similar for emphasizing freedom of market, Late Capitalism and Communism are similar for emphasizing intervention from the government. Now let’s get to details.