Green Industrial Transition and Citizen’s Dividend

To create a better cycle of innovation and distribution
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- Co-Chairperson of Basic Income Party
- Director of Basic Income Policy Institute
“What were they thinking when they cut down the last palm tree?”
- Jared Diamond <Collapse>
To overcome ‘Short-Termism’
‘Mission-Oriented-Approach’ is needed

Historical experiences
- 1960s Apollo Project
- Government-led industrialization of S. Korea in 1970-80s
  - To foster the car industry, Korean government banned imports of foreign cars and required Korean companies to develop original models.
What’s Mission-Oriented Approach

- To tilt playing field in the direction of The Economy We Want
  - To organize collaboration between public and private for missions
  - Public financing in long-term to drive technological innovation.
- “Government are also value creators. Public investments can play a main role in opening new markets.” (Mariana Mazzucatto, 2022)
Transition Korea with Missions

- Challenges and Missions of Korea

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<th>Challenge</th>
<th>Mission</th>
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<td>Climate Crisis</td>
<td>Green Transition : Carbon Neutral until 2040</td>
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<td>Inequality-Polarization Crisis</td>
<td>Citizen Lifetime Dividend : Korea Citizen Wealth Fund</td>
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- Approximate budget for transitions:
  - ₩600 trillion for Green Transition($500 billion)
  - ₩100 trillion for starting money for Citizen Wealth Fund($80 billion)
Mission 1. Green Transition

- ‘Climate Trade Regime’ begins for carbon neutral by 2050
  - CBAM(2026-), RE100(2030-), Climate Club(established by G7)
  - S. Korea’s export-oriented economy could lose ₩250 trillion a year if it is excluded from the climate trade regime. (Kang, 2023).

- However, Korean government’s efforts for carbon neutral are woefully inadequate.
  - The Yoon administration prioritizes nuclear power over renewable energy, despite nuclear power is not acceptable by RE100.
Mission 1. Green Transition
Mission 1. Green Transition

- Task: Achieving Carbon Neutral by 2040
  - Decarbonization of electricity, transportation, heating by mid-2030s
- Government’s mission-oriented industrial policies
  - Procurement to build renewable energy infrastructure
  - Investment in green innovations
    - Perovskite solar cells, Offshore wind power, AI smart greed, etc.
Mission 1. Green Transition

- ‘Land of no oil’ to ‘Land of solar and wind’
  - Government’s will is a key. Germany, at a higher latitude than Korea, is a great power of renewable energy.
  - The initial investment will be recovered. Korea will save ₩150 trillion a year by reduction of energy imports.

- How much money is needed for carbon neutral in Korea?
  - The generation capacity for RE100 is 500GW(solar) and 100GW(wind) in Korea.
  - Budget is about ₩600 trillion. (Park, 2022)
  - Government can raise money by issuing ‘Climate(Green) Bonds’.
However -

- When government’s investment create innovative growth, is it right that the benefits come to only corporations?

- How do we create a system where public investment and innovation returns to citizens’ income security?
Mission 2. Korea Citizen Wealth Fund

- Innovation is the engine of growth (J. Schumpeter), but it also worsen inequality.
- We need a virtuous cycle of innovation and distribution.
  - Society has taken the risks together, and should share the rewards.
- Basic income is a solution linking innovation and distribution.
  - However, raising money for enough BI through taxation alone is unrealistic.
- Look at an alternative: Social Wealth Fund.
Mission 2. Korea Citizen Wealth Fund

- Social Wealth Fund
  - It is created by the state (or local government) for public benefit.
  - It includes Sovereign Wealth Fund, Citizen Wealth Fund, etc.

- Sovereign Wealth Fund
  - Currently 133 sovereign wealth funds are in operation (2021) and the largest is the Norwegian GPFG ($1 trillion).
  - States own funds and decide how the money is spent.
  - However, some funds are for specific purposes or civic dividends: Alaska Permanent Fund, Texas Permanent School Fund, etc.
Mission 2. Korea Citizen Wealth Fund

- Citizen Wealth Fund came in public discussion after Pandemic.
  - people own fund, and the fund's profits are distributed to people.
- Proposals to create Citizen Wealth Fund:
  - Joseph Stiglitz’s support for ‘Universal Basic Capital’
  - People’s Policy Project’s ‘American Solidarity Fund’
    - Resources are donations, profit on issuance of currency, IPO tax, etc.
  - Sam Altman(Open AI CEO)’s ‘American Equity Fund’
    - Resources are 2.5% corporate tax(stocks) and land tax each year.
    - Fund’s profits is distributed to all citizens over 18.
Mission 2. Korea Citizen Wealth Fund

- Task: Founding ‘Korean Solidarity Fund’ (citizen wealth fund)
  - Citizens co-own the fund and receive citizen dividend.
  - State raise the fund, and the fund invest companies for the mission.
  - Investment decision is based on carbon neutrality, technological innovation, and ESG contribution.
Mission 2. Korea Citizen Wealth Fund

<table>
<thead>
<tr>
<th>duration</th>
<th>total capital</th>
<th>total amount of dividend</th>
<th>dividend per capita(yr)</th>
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<tbody>
<tr>
<td>1yr</td>
<td>₱100 trillion</td>
<td>₱5 trillion</td>
<td>₱100,000($80)</td>
</tr>
<tr>
<td>10yr</td>
<td>₱1300 trillion</td>
<td>₱65 trillion</td>
<td>₱1,300,000($1000)</td>
</tr>
<tr>
<td>20yr</td>
<td>₱3500 trillion</td>
<td>₱175 trillion</td>
<td>₱3,500,000($2700)</td>
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<tr>
<td>30yr</td>
<td>₱7060 trillion</td>
<td>₱378 trillion</td>
<td>₱7,500,000($5800)</td>
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- Korea Solidarity Fund Dividend Amount
  - Founding the fund with ₱100 trillion($80 billion) and increase the investment each year reflecting economic growth.
  - Assume economic growth rate of 3%/yr, stock value growth rate of 3%/yr, and dividend return rate of 5%/yr.
Mission 2. Korea Citizen Wealth Fund

- Resources of Korea Solidarity Fund
  - Increased tax revenues from government green investments
  - Inheritance tax, gift tax, data tax (new).
  - Revenue from public property (state-owned land, frequency, etc.)
  - Royalties from state-owned technology
  - Equity as collateral for government-guaranteed loans to companies.

- ‘Alaska Permanent Fund Dividend’ is possible in Korea, too.
  - The Korea Solidarity Fund is a fund based on economic common wealth instead of natural resources, making people owners of capital.
Mission of Great Transition Korea

- Green Industrial Transition
- Lifetime Dividend for All Citizens

We can create a better cycle of innovation and distribution.
New Book written by Junho Oh

▪ Mission State

Three Keywords for the Future:
Green Transition, Innovative State, Lifetime Dividend
Thank you
for your attention