

Week 2

National Differences In Political Economy

Chapter Objectives

- Discuss the different functions political systems perform
- Understanding how the economic systems of countries differ
- Study different types of legal systems and relationships
- Understand how political, economic and legal systems collectively influence a country's ability to achieve meaningful economic progress.

Political Systems

- Define as the system of government in a nation
- Can be assessed according to 2 related dimensions;-The logo for Stamford Online, featuring a stylized orange and blue swirl to the left of the text 'stamfordonline' in blue and orange, with the tagline 'EDUCATION BEYOND BORDERS' in smaller grey text below it.
 1. Collectivism & Individualism
 2. Democratic & Totalitarian
- These dimensions are interrelated

Collectivism

- A system that stresses the primacy of collective goals over individual goals
- Emphasized the needs of society as a whole rather than individual freedoms



Socialism – Karl Marx (1818-1883)

- Argument is that in a capitalist society where individual freedoms are not restricted, the few benefit at the expense of the many

Socialism

- The idea behind socialism is that the capitalist system is intrinsically unfair, because it concentrates wealth in a few hands and does nothing to safeguard the overall welfare of the majority
- Under socialism, the state redistributes the wealth of society in a more equitable way, according to the judgement of the legislator

Socialism

- Socialism is a system of expropriation of private property (regardless of how this was earned) in order to distribute it to various groups considered (by the legislator) to warrant it, usually the unemployed, ill, young and old and significantly, those with political pull

Communism

- Means a scheme of equalising the social conditions of life; specifically, a scheme which contemplates the abolition of inequalities in the possession of property, as by distributing all wealth equally to all, or by holding all wealth in common for the equal use and advantage of all.

- The means to achieve this is by collectivisation of all private property
- Although meant to indicate the means of production, to be consistent communism requires that no individual may own anything exclusively, privately
- All material is centralised and distributed by legislators, the intention being to achieve equal utility (of material) by all
- Freedom of expression tends also to be mediated by the state for the same reasons and to maintain the 'integrity' of the collective

Communism

- In practice communism fails dismally
- The only way it can be achieved is if every single member of a communist society is in absolute agreement with the above arrangement - and that the legislators are not open to corruption in the form of personal acquisition or favour

Individualism

- Refers to a philosophy that an individual should have freedom in his or her economic and political pursuits
- Is a term used to describe a moral, political, or social outlook that stresses **human independence** and the importance of individual self-reliance and liberty
- Individualists promote the unrestricted exercise of individual goals and desires

Individualism

- Individualism is also opposed to the view that adherents to tradition, institutions of religion, or any other group or authority should be empowered to limit an individual's choice of actions when those actions do not violate the rights of other individuals

Individualism

- Individualism has a controversial relationship with egoism (selfishness)
- While some individualists are egoists, they usually do not argue that selfishness is inherently good. Rather, they argue that individuals are not duty-bound to any socially-imposed morality
- They believe that individuals should be free to choose to be selfish

Contrasting Individualism & Collectivism

1. Individualism holds that the individual is the primary unit of reality and the ultimate standard of value.

This view does not deny that societies exist or that people benefit from living in them, but it sees society as a collection of individuals, not something over and above them.

1. Collectivism holds that the group the nation, the community, the proletariat, the race, etc. Is the primary unit of reality and the ultimate standard of value.

This view does not deny the reality of the individual.

But ultimately, collectivism holds that one's identity is determined by the groups one interacts with, that one's identity is constituted essentially of relationships with others.

2. Individualists see people dealing primarily with *reality*; other people are just one aspect of reality.
2. Collectivists see people dealing primarily with other people; reality is dealt with through the mediator of the group; the group, not the individual, is what directly confronts reality.

3. Individualism holds that every person is an end in himself and that no person should be sacrificed for the sake of another.

3. Collectivism holds that the needs and goals of the individual are subordinate to those of the larger group and should be sacrificed when the collective good so requires.

4. Individualism holds that the individual is the unit of achievement while not denying that one person can build on the achievements of others.

Individualism points out that achievement goes beyond what has already been done; it is something new that is created by the individual.

4. Collectivism, on the other hand, holds that achievement is a product of society.

In this view, an individual is a temporary spokesman for the underlying, collective process of progress.



Democracy

- Refers to a political system in which government is by the people, exercised either directly or through elected representatives
- With origins in ancient Greece, Rome and south Asia, democracy has generally grown and expanded throughout history
- Today, democracy is the predominant form of government in the world. The term democracy is typically used in the context of a political state, the principles are also applicable to other groups and organizations.

Democracy

- ❖ A free media
- ❖ Freedom of opinion, expression and organization
- ❖ Elections
- ❖ Limited terms for elected officials
- ❖ Independent court system
 - ❖ High regard for individual rights
 - ❖ Respect for property
- ❖ Non-political police force and armed services
- ❖ Accessibility to the decision-making process

Totalitarianism

- Form of government in which one person or political party exercises absolute control over all spheres of human life and in which opposing political parties are prohibited
- System of government and ideology in which all social, political, economic, intellectual, cultural, and spiritual activities are subordinated to the purposes of the rulers of a state.

Examples

- Those countries whose governments are usually characterized as totalitarian were Germany, under the National Socialism of Adolf Hitler; the USSR, particularly under Joseph Stalin
- The People's Republic of China, under the Communist rule of Mao Zedong (Mao Tse-tung)
- Other governments have also been called totalitarian, for example, those of Italy under Benito Mussolini, North Korea under Kim Il Sung, Syria under Hafez al-Assad, and Iraq under Saddam Hussein.

- Under a dictator, members of the ruling party become the elite of the nation
- The entire society is subjected to a hierarchical organization wherein each individual is responsible to another in a position of higher authority—with the single exception of the supreme leader, who is answerable to no one
- All nongovernmental social groupings are either destroyed totally or coordinated to serve the purposes of the party and the state

- Total subjection of the individual became possible only through advanced science and industrial technology
- Among the decisive, technologically conditioned features of totalitarian dictatorships are a monopoly of mass communications, a terroristic secret-police apparatus, a monopoly of all effective weapons of destruction, and a centrally controlled economy.

Totalitarianism

- Typically theocratic or secular
- Opposite end of the political spectrum from democracy
- Order is often imposed through military power
- Single party, group, or individual monopolizes political power
- Neither recognizes nor permits opposition

1. **Authoritarianism** is a government that governs without the consent of those being governed. This definition concerns the source of governing power instead of the scope of governing power.
2. **Fascism** is an authoritarian political ideology (generally tied to a mass movement) that considers individual and other societal interests subordinate to the needs of the state, and seeks to forge a type of national unity, usually based on ethnic, cultural, or racial attributes
3. **Socialism and Communism**

State of Totalitarianism

- Majority of Muslim population
- Frequently confront the pressures of fundamentalist Islam
- Multi-ethnic societies where power is not held by a dominant ethnic group
- Neocommunist or post communist transitional societies
- Many are creeping towards market model
 - Political changes
 - Economic changes

Economic System

- An economic system is a particular set of social institutions which deals with the production, distribution and consumption of goods and services in a particular society.
- The economic system is composed of people and institutions, including their relationships to productive resources, such as through the convention of property.
- It addresses the problems of economics, such as the allocation of scarce resources in a given economy.
- Examples of contemporary economic systems include capitalist systems, socialist systems, and mixed economies. Economic systems is the category of economics that includes the study of respective systems.

Basic Types Economic Systems

The basic and general economic systems are:

- Market economy (the basis for several "hands off" systems, such as capitalism).
- Mixed economy (a compromise economic system that incorporates some aspects of the market approach as well as some aspects of the planned approach).
- Planned economy (the basis for several "hands on" systems, such as socialism).
- Traditional economy (a generic term for the oldest and traditional economic systems).
- Participatory economics (a recent proposal for a new economic system).

Market Economy

- Also called a free market economy or a free enterprise economy).
- is an economic system in which the production and distribution of goods and services take place through the mechanism of free markets guided by a free price system.
- In a market economy, businesses and consumers decide of their own volition what they will purchase and produce. Technically this means that the producer gets to decide what to produce, how much to produce, what to charge customers for those goods, what to pay employees, etc., and not the government.
- These decisions in a free-market economy are influenced by the pressures of competition, supply, and demand. This is often contrasted with a planned economy, in which a central government decides what will be produced and in what quantities.

Market Economy

- No pure market economy exists. Thus, almost all economies in the world today are mixed economies which combine varying degrees of market and command economy traits.
- For example, in the United States there are more market economy traits than in Western European countries.

Planned Economy

- Is an economic system in which the state or government to one degree or another manages the economy.
- Its most extensive form is referred to as a command economy, centrally planned economy, or command and control economy.
- In such economies the state or government controls manufacturing and formulates all decisions about their use and about the distribution of income.



Planned Economy

- The planners decide what should be produced and direct enterprises to produce those goods.
- Planned economies are in contrast to unplanned economies, i.e. a market economy, where production, distribution, and pricing decisions are made by the private owners of the factors of production based upon their own and their customers' interests rather than upon furthering some overarching macroeconomic plan.
- Less extensive forms of planned economies include those that use indicative planning in which the state employs "influence, subsidies, grants, and taxes, but does not compel."

Planned Economy

- A planned economy may consist of state-owned enterprises, private enterprises directed by the state, or a combination of both. Though "planned economy" and "command economy" are often used as synonyms, some make the distinction that under a command economy, the means of production are publicly owned.
- That is, a planned economy is "an economic system in which the government controls and regulates production, distribution, prices, etc." but a command economy, while also having this type of regulation, necessarily has substantial public ownership of industry.
- Therefore, command economies are planned economies, but not necessarily the reverse (example: Nazi Germany's private ownership yet use of the Four Year Plan could construe them as a planned economy in the wide sense, but not necessarily a command economy, while the Soviet Union with public ownership would be a command economy).

Planned Economy

- Important planned economies that existed in the past include the economy of the Soviet Union, which was for a time the world's second-largest economy, and China during its Great Leap Forward.
- Beginning in the 1980s and 1990s, many governments presiding over planned economies began deregulating (or as in the Soviet Union, the system collapsed) and moving toward market-based economies by allowing the private sector to make the pricing, production, and distribution decisions.
- Although most economies today are market economies or mixed economies, planned economies exist in some countries such as Cuba, North Korea, and Myanmar.

Mixed Economy

- Is an economic system that incorporates the characteristics of several different economic systems. This usually means an economy that contains both private-owned and state-owned enterprises or that combines elements of capitalism and socialism, or a mix of market economy and planned economy characteristics.
- There is not one single definition for a mixed economy, but relevant aspects include: a degree of private economic freedom (including privately owned industry) intermingled with centralized economic planning (which may include intervention for environmentalism and social welfare, or state ownership of some of means of production).
- For some states, there is not a consensus on whether they are capitalist, socialist, or mixed economies. Economies in states ranging from the United States to Cuba have been termed mixed economies.

Legal Systems

- The three major legal systems of the world today consist of civil law, common law and religious law.
- However, each country (see State Law) often develops variations on each system or incorporates many other features into the system.

Civil Law

- Is the most widespread system of law in the world. It is also known as European Continental law.
- The central source of law that is recognised as authoritative are codifications in a constitution or statute passed by legislature, to amend a code.
- Civil law systems mainly derive from the Roman Empire, and more particularly, the Corpus Juris Civilis issued by the Emperor Justinian ca. 529AD.
- This was an extensive reform of the law in the Eastern Empire, bringing it together into codified documents.

Civil Law

- Civil law today, in theory, is interpreted rather than developed or made by judges. Only legislative enactments (rather than judicial precedents) are considered legally binding.
- However, in reality, courts do pay attention to previous decisions, especially from higher courts.

Common Law

- Common law and equity are systems of law whose sources are the decisions in cases by judges. Alongside, every system will have a legislature that passes new laws and statutes, however these do not amend a collected and codified body of law.
- Common law comes from England and was inherited by Commonwealth of Nations countries, and almost every former colony of the British Empire (Malta and Scotland being exceptions).
- The doctrine of stare decisis or precedent by courts is the major innovation and difference to codified civil law systems.

Common Law

- Common law is currently in practice in Ireland, United Kingdom (excluding Scotland), Australia, India, South Africa, Canada (excluding Quebec), Hong Kong and the United States (excluding Louisiana) and many more places.
- In addition to these countries, several others have adapted the common law system into a mixed system. For example, Pakistan and Nigeria operate largely on a common law system, but incorporate religious law.

Religious Law

- Religious law refers to the notion of a religious system or document being used as a legal source.
- The use of religion for public law has a static and unalterable quality, precluding amendment through legislative acts of government or development through judicial precedent.
- The main kinds of religious law are Halakha in Judaism, Sharia in Islam, and Canon law in some Christian groups.
- In some cases these are intended purely as individual moral guidance, whereas in other cases they are intended and may be used as the basis for a country's legal system.

Religious Law

- The Halakha is followed by orthodox and conservative Jews in both ecclesiastical and civil relations.
- No country is fully governed by Halakha, but two Jewish people may decide, because of personal belief, to have a dispute heard by a Jewish court, and be bound by its rulings.
- Sharia Law governs a number of Islamic countries, including Saudi Arabia and Iran, though most countries use Sharia Law only as a supplement to national law.
- It can relate to all aspects of civil law, including property rights, contracts or public law.