

CHAPTER SUMMARY * * * * *  * * *

Political Systems in Today's World

★ DEMOCRATIC GOVERNMENTS *****

Nations with fair elections, competing political parties, constitutional governments that guarantee individual rights, an independent judiciary, and usually market economies, are called consolidated democracies.

Great Britain In a parliamentary government, legislative and executive powers both reside in an elected assembly, or parliament. The British Parliament is bicameral, which means that it is a two-house legislature. The leader of the majority party in the House of Commons becomes prime minister—the chief executive. If the majority party loses an important vote, the prime minister must resign, and new elections are held.

Japan Japan's parliament, the National Diet, also has two houses. The lower house, the House of Representatives, considers legislative measures, elects the prime minister, and has the power to vote "no confidence" to dissolve the House of Representatives and call for new elections. The upper house, the House of Councillors, also considers legislation. It has less power but cannot be dissolved.

France France has a presidential government. The president appoints a premier (prime minister) who, in turn,

names the cabinet members. The president has the power to dissolve the legislature, or National Assembly.

Other nations have struggled in the last two decades to establish democratic governments. Poland was the first eastern European nation to overthrow its Communist government. Lech Walesa, the leader of a trade union called *Solidarity*, became the first freely elected president in 1990, though a new constitution was not approved until 1997. Despite progress, Poland today remains in a precarious position. Beginning in 1948, South Africa followed a policy of apartheid, or strict government-enforced racial segregation; after years of resistance from the African National Congress and others, apartheid laws were repealed during the 1990s, and Nelson Mandela was elected president in 1994. Despite its 1917 constitution, the Mexican government remained more authoritarian than democratic because of the power of the president and control of a single political party. Nationwide electoral reforms introduced in the 1990s allowed other parties to compete fairly in Mexico's political process.

★ AUTHORITARIAN GOVERNMENTS *****

China In China most political power rests with the leaders of the Communist Party. The legislative and executive branches of government have little independent authority. The Politburo, made up of the party's top 20 leaders, makes all the key political, economic, and military decisions for the nation. China continues to commit many human-rights abuses, including the government-ordered massacre of protestors in Tiananmen Square in 1989.

Cuba Communist dictator Fidel Castro ruled Cuba from 1959–2008. Under his leadership, relations between the United States and Cuba have been strained. The end of the Cold War left Cuba isolated and in economic distress. The U.S. hoped that its trade embargo would force Castro to institute democratic reforms but so far those goals have gone unfulfilled.

North Korea North Korea's totalitarian government centers on unquestioning loyalty to its leader, Kim Jong Il, despite the fact that millions of North Koreans suffer greatly as a result of Kim's policies. Since the early 1990s, North Korea has worked to develop chemical, biological, and nuclear weapons. The United States has sought to limit these developments.

Islamic Governments Muslim secularists desire friendly relations with Western nations and believe that religious and secular law should be kept separate. Muslim fundamentalists, on the other hand, believe that Islamic countries should base their legal system strictly on the law of the Quran. Many fundamentalist Muslims are anti-Western and see Western culture and society as a threat to Islamic culture.

- **Iran** In 1979 Islamic religious leaders overthrew the pro-Western shah, or king. In the new regime, led by Ayatollah Ruhollah Khomeini, conservative religious leaders had veto power over the actions of political leaders. U.S.-Iran relations have been strained since Iranians took American diplomats hostage in 1979.
- **Saudi Arabia** Since 1932 the government of Saudi Arabia has been based on a fundamentalist interpretation of Islam with no separation of religion and the state. Despite increasing Saudi demands for a modern economy and government, many Americans have accused the Saudi government of indirectly supporting terrorist attacks against the United States.

(continued)

Chapter 25 Summarycontinued

★ INTERNATIONAL ORGANIZATIONS *****

International organizations play a key role in world politics. Nongovernmental organizations (NGOs) are made up of individuals and groups, such as the Red Cross, that are outside the scope of government. Intergovernmental organizations (IGOs) are composed of members of various national governments.

The United Nations UN membership now includes 191 countries. The UN has three goals: to preserve world peace and security; to encourage fair dealings between nations; and to help nations cooperate in trying to solve their problems. The UN has a limited ability to use military force to calm an explosive situation, provide humanitarian aid, or for other peacekeeping missions.

Every member has one vote in the General Assembly. The Security Council, with 5 permanent and 10 rotating members, can make peacekeeping decisions for the UN. The Secretariat conducts the day-to-day business of the UN. Member nations can submit disputes over international law to the UN's International Court of Justice. The Economic and Social

Council helps the UN promote social and economic progress around the world. Special UN agencies carry out the UN's humanitarian activities.

The European Union The EU has evolved further than any other IGO toward becoming a supranational organization, or an organization whose authority supercedes the sovereignty of its individual members. The EU membership now includes 27 countries. A series of treaties has given the EU government more authority and allowed the EU to act as a political unit.

The Council of the European Union decides the direction of EU policy. Representation in the legislative branch of the EU, or the European Parliament, is based on population, with larger nations receiving more votes. The European Court of Justice hears international cases and can declare laws of member nations invalid. Every member has one representative in the European Commission, which does much of the daily work of the EU. The President of the Commission directs the large bureaucracy and oversees the EU's annual budget.

★ GLOBAL ISSUES *****

Today's governments must deal with global issues that affect a large part of the world's population and that cannot be solved by the actions of any single nation. Sometimes individual nations must give up some measure of national authority in order to cooperate on solving larger global issues.

One of the greatest dangers of the global era has been **international terrorism**, or the use of violence by nongovernmental groups against civilians to achieve a political goal. Since World War II, the main terrorist threat to Americans has been Middle Eastern groups. Several Middle Eastern nations have been accused of state-sponsored terrorism, or secretly supporting terrorist organizations. An Afghan resistance movement called al-Qaeda, led by Osama bin Laden, was responsible for many terrorist attacks against the United States, culminating in the September 11, 2001, terrorist attacks on New York City and Washington, D.C. President George W. Bush vowed to continue a war on terrorism until every terrorist group is eliminated, but many nations will have to work together to end global terrorism.

The United States has worked with many other developed nations to end **nuclear proliferation**, or the spread of nuclear weapons. In the 1968 Non-Proliferation Treaty, the major nuclear powers promised:

- not to provide nuclear weapons technology to other nations.
- to promote the safe use of nuclear power.

- to encourage disarmament and destruction of existing nuclear weapons.

Small nuclear weapons can now be built using readily available products, increasing the chance that a terrorist group may obtain a nuclear weapon. The United States is especially concerned about the nuclear developments of North Korea and Iran, both of whom have been accused of sponsoring terrorist groups in the past.

Human rights are the basic freedoms and rights that all people, regardless of age, gender, nationality, or ethnicity, should enjoy. The Universal Declaration of Human Rights lists the political, civil, economic, social, and cultural rights that all human beings should enjoy. The United Nations and the European Union have both established courts for trying violators of international human-rights laws

The environment is threatened by exploding population growth, increasing consumption of natural resources, and growing pollution. The core dilemma for policymakers is how to attain sustainable development, or the combining of economic development with environmental protection. The United States, as a powerful nation and a critical member of the global community, drew international criticism for refusing to implement the Kyoto Protocol in 1999 and then later withdrawing from it altogether. Government leaders must find a way to balance the economic needs of their nation with the environmental needs of a global society.

CHAPTER SUMMARY * * * * * **CHAPTER 26** * * *

Development of Economic Systems

★ CAPITALIST AND MIXED SYSTEMS *****

Scarcity exists when a society does not have all the resources it needs to produce all the goods and services that everyone wants. Economic systems address this problem by asking three questions:

- What should be produced?
- How should it be produced?
- For whom should it be produced?

In a command economy, the central government makes most of those decisions. A market economy allows individual buyers and sellers to decide.

The four resources of an economic system are called factors of production. Land includes natural resources. Labor is human resources, or workers. Capital is the means of production, such as money

and machinery. Entrepreneurs organize and direct the other factors.

Communism is a command system in which the central government directs all major economic decisions. Socialism is a partial command system in which government agencies influence many economic decisions. Capitalism is a market system in which private business persons make the economic decisions. Capitalism is the basic economic system of the United States.

The United States has a mixed economy, or modified capitalism, because the government regulates business and labor and assumes responsibility for fiscal, monetary, and social policy.

CHARACTERISTICS OF A FREE ENTERPRISE (CAPITALIST) SYSTEM
• private ownership of the means of production
• individual initiative—anyone can become an entrepreneur
• competition among sellers
• freedom of choice for consumers
• profit—the reward an entrepreneur earns for taking the risk of producing

★ EMERGING ECONOMIES *****

Developing nations are states with little or no industry. Newly developed nations are states that recently have experienced significant industrial growth. Many developing and newly developed nations have chosen socialism as the basis of their economic system. Under socialism, government owns and operates essential industries.

Socialists believe that wealth should be distributed equally. Socialist governments use high taxes to provide citizens with lifelong benefits such as medical care. Critics claim such policies create a welfare state by making people dependent on the government.

Many developing and newly developed nations have chosen socialism because their leaders believe that centralized planning is the only way to achieve

rapid industrial growth. Other policies used by socialist governments include agricultural communes, redistribution of land, and nationalization—government control of existing industries. Centralized state planning failed to meet consumer needs in eastern Europe, which has raised doubts about the wisdom of socialism.

Some newly independent African nations chose socialism because they viewed capitalism as an extension of colonialism. Frequently they combined socialist ideas with African traditions such as communal land ownership and group decision making. Because crises weakened their economies and left them in debt, some have formed regional trade associations and have turned to free enterprise.

(continued)

Chapter 26 Summary continued

★ MAJOR ECONOMIES IN TRANSITION

Beginning in 1917, the Soviet Union built the world's leading Communist system. The Communist Party closely controlled the government and made almost all economic decisions. Enterprises and farmland were state-owned and state-operated. The controlled economy led to economic stagnation. Mikhail Gorbachev, the last Communist leader, attempted economic reforms, but the Soviet economy continued to decline. In 1991 Gorbachev resigned, and several Soviet republics declared their independence. Since the collapse of communism, Russia has tried to continue moving toward capitalism and democracy. However, today Russia is being run much as it was under communism. In the last few years, under the leadership of Vladimir Putin, efforts at democratization have slowed.

The Chinese Communist government followed the model of the Soviet Union's planned economy until it found itself

unable to compete economically in the 1970s. Since then, China's Communist leaders have begun to encourage private enterprise and the economy has started to grow rapidly. A large labor force, tax and land incentives for foreign companies, and advanced communications technologies have all assisted rapid economic development. China is attempting to move toward a market economy while maintaining an authoritative political system; however, the growing middle class, combined with increasing political corruption, present challenges to the Communist Party's continued leadership.

Trade with China has opened new markets for American goods, though competition with Chinese labor costs has driven many manufacturers out of business. American experts worry that an economically strong China could become a dangerous political and military rival.

★ THE GLOBAL ECONOMY

The major activity in the global economy is trade among nations. Nations engage in trade for several reasons: (1) to obtain goods and services they cannot produce themselves; (2) comparative advantage, or the principle that each country should produce those goods it can make more efficiently and purchase those that other nations produce more efficiently in order to increase the total world production; and (3) to create jobs.

Unrestricted trade can threaten domestic industries and the jobs of workers in those industries. As a result, national governments use several methods to restrict international trade:

GATT was replaced by a regulatory body known as the World Trade Organization (WTO), which hears complaints brought to it by member countries and has the authority to penalize nations that violate the GATT treaty. The European Union (EU), currently made up of 15 European nations, is the world's most important economic group; the EU achieved monetary integration with the adoption of the euro in 2002. The North American Free Trade Agreement (NAFTA) is an agreement to reduce and eventually end most trade restrictions between the United States, Canada, and Mexico.

Nations must decide on the best approach to trade policy:

- Tariffs are taxes placed on imports to increase their price in the domestic market.
- Quotas are limits on the quantities of a foreign product that may be imported.
- Non-tariff barriers (NTBs) limit or control unwanted imports by setting very strict health, safety, or other regulations that must be met before a foreign product can be offered for sale.
- Embargoes totally bar trade.

- A pure free-trade policy would mean that businesses in different nations could buy and sell goods with no tariffs or other limitations of any kind.
- The United States advocates a fair trade policy, which means supporting an orderly world market that does not give an unfair advantage to countries that use unfair business practices.
- With a managed trade policy, governments intervene in trade agreements in order to achieve specific results.
- Protectionism is the policy of using trade barriers to protect domestic industries from foreign competition and to prevent unrestricted trade.

Countries may also engage in unfair trade practices such as dumping, or selling products far below their manufacturing cost in order to drive other producers out of a market.

After World War II, the major economic nations created trading blocs, or groups of nations that trade without barriers such as tariffs. The General Agreement on Tariffs and Trade (GATT), an effort to reduce trade barriers, has been signed by over 100 nations since it was first enacted in 1947. In 1994

Globalization has brought the American consumer new and more varied products at lower prices. However, the American worker must now compete with a wider labor pool, and economic and political decisions are now much more complicated.

CHAPTER SUMMARY * * * * * **CHAPTER 26** * * *

Development of Economic Systems

★ **DIRECTIONS** Match each term in Column A with the statement that best applies to it in Column B. Write the correct letters in the spaces provided.

- Column A**
- ___ 1. command economy
 - ___ 2. factors of production
 - ___ 3. capitalism
 - ___ 4. developing nations
 - ___ 5. newly developed nations
 - ___ 6. nationalization
 - ___ 7. quotas
 - ___ 8. gross national product
 - ___ 9. comparative advantage
 - ___ 10. regional trading blocs

- Column B**
- A. Private ownership, individual initiative, competition, freedom of choice, and profit characterize this economic system.
 - B. The socialist policy in which the government takes control of existing industries.
 - C. The theory which holds that each country should produce those goods it can make more efficiently and import others.
 - D. The central government decides what, how, and for whom goods are produced.
 - E. This is the annual sum of a nation's goods and services.
 - F. Groups of nations that trade without barriers such as tariffs.
 - G. These resources of an economic system include land, labor, capital, and entrepreneurs.
 - H. States that recently have experienced significant industrial growth.
 - I. These are limits on the quantities of a foreign product that may be imported.
 - J. States that have little or no industry.

Organizing Information Write each item from the list below under the appropriate heading.

ECONOMIC SYSTEMS	
Command Economy	Market Economy

- profit
- nationalization
- state farms
- centralized planning
- competition
- private ownership
- equal distribution of wealth
- individual initiative

Critical Thinking Answer the following question on a separate sheet of paper.

11. How do consumers everywhere benefit from the elimination of tariffs and import quotas?

Copyright © by The McGraw-Hill Companies, Inc.

★ **Note**

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★