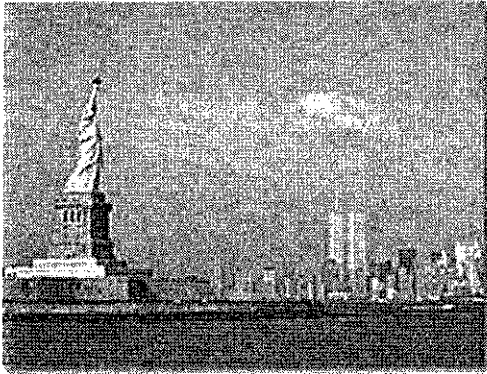


Comparing Political and Economic Systems



Democracy and totalitarianism are diametrically opposed forms of government. Whereas democracy institutionalizes the political ideals of equal rights, popular participation and civic control, totalitarianism enshrines the idea that the will of the leader is law, that the power of the state must be total and that enemies of the people must be liquidated. Historically, although totalitarianism has depended on its capacity to mobilize huge masses of people, it has nevertheless been a form of dictatorship, since there are no guarantees for individual rights or for the masses to participate in the political process.

Democratic Political Systems

Many countries today claim to be democracies, but if the citizens are not involved in government and politics, they are democratic in name only. Some governments are more democratic than others, but systems cannot be considered truly democratic unless they meet certain criteria:

- Freedom of speech, the press, and religion. Democracies in general respect these basic individual liberties. No government allows absolute freedom, but democracies do not heavily censor newspapers and public expression of opinions.
- Majority rule with minority rights. In democracies, people usually accept decisions made by the majority of voters in a free election. However, democracies try to avoid the "tyranny of the majority" by providing ways for minorities all kinds to have their voices heard as well.
- Varied personal backgrounds of political leaders. Democracies usually leave room for many different types of citizens to compete for leadership positions. In other words, presidents and legislators do not all come from a few elite families, the same part of the country, or the same social class.
- Free, competitive elections. The presence of elections alone is not enough to call a country a democracy. The elections must be fair and competitive, and the government or political leaders cannot control the results. Voters must have real choices among candidates who run for public office.
- Rule by law. Democracies are not controlled by the whims of a leader, but they are governed by laws that apply to leaders and citizens equally.
- Meaningful political participation by citizens. By itself, a citizen's right to vote is not a good measure of democracy. The government must respond in some way to citizen demands. If they vote, the candidate they choose must actually take office. If they contact government in other ways — writing, protesting, phoning — officials must respond.

The degree to which a government fulfills these criteria is the degree to which it can be considered democratic. Examples of such governments include Great Britain Parliamentary System, France's Semi Presidential System, Japan's Constitutional Monarch, and the United States Republican form of government.

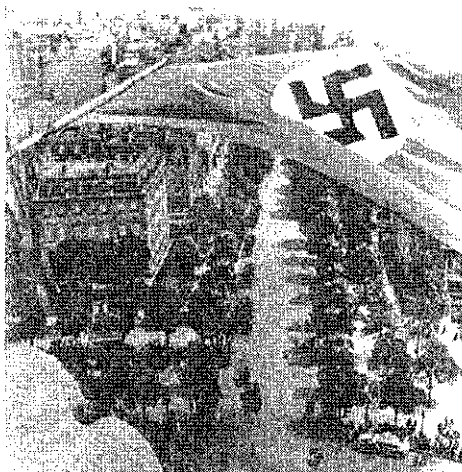
Comparing Political and Economic Systems

Totalitarian

One ruler or a small group of leaders have the real power in authoritarian political systems. Authoritarian governments may hold elections and they may have contact with their citizens, but citizens do not have any voice in how they are ruled. Their leaders do not give their subjects free choice. Instead, they decide what the people can or cannot have. Citizens, then, are subjects who must obey, and not participants in government decisions. Kings, military leaders, emperors, a small group of aristocrats, dictators, and even presidents or prime ministers may rule authoritarian governments. The leader's title does not automatically indicate a particular type of government.



Authoritarian systems do not allow freedoms of speech, press, and religion, and they do not follow majority rule nor protect minority rights. Their leaders often come from one small group, such as top military officials, or from a small group of aristocratic families. Examples of such regimes include Chinas Communist People's Republic, Venezuela's Dictatorship, Saudi Arabia's Absolute Monarchy, North Koreas Military Leadership, and in the past Germanys Nazi and Italy's Fascist Governments



Totalitarianism vs. Democracy

Totalitarianism

A Venn diagram consisting of two large, overlapping circles. The top circle is labeled 'Totalitarianism' and the bottom circle is labeled 'Similarities'. The intersection of the two circles is labeled 'Similarities'. The diagram is intended for a comparison between the two political systems, with the intersection representing their common features.

Similarities

Economics Pre-Test

Directions: Choose the response that best answers the question in regards to economics.

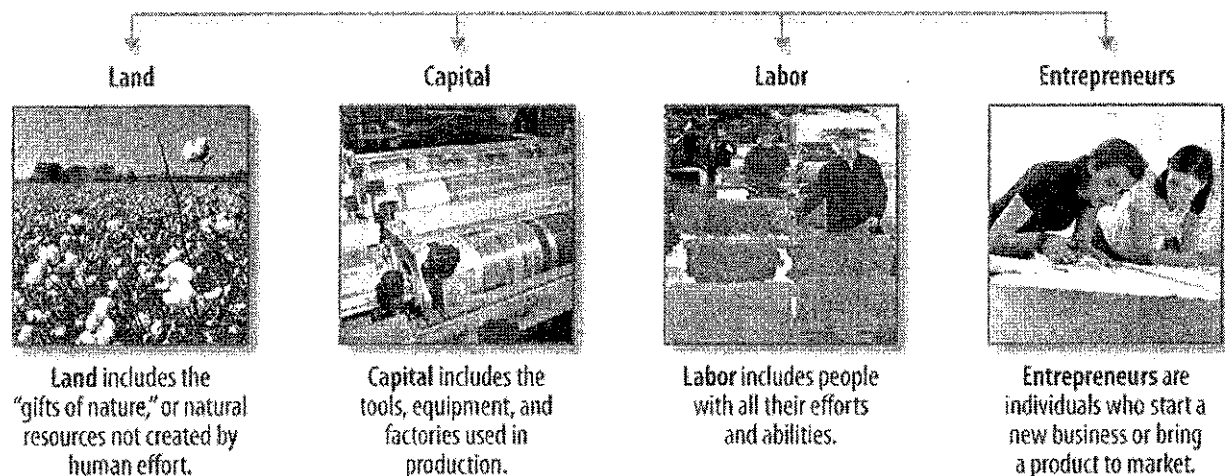
- 1.) All basic economic decisions are based on
 - A. the desire for profit
 - B. needs and wants
 - C. religious beliefs
 - D. cultural traditions
- 2.) Trade and fertile land allowed the first civilizations to emerge near
 - A. mountains
 - B. deserts
 - C. river valleys
 - D. plains
- 3.) Hunting and gathering and subsistence agriculture are characteristics of a
 - A. traditional economy
 - B. market economy
 - C. command economy
 - D. mixed economy
- 4.) The system of exchange prior to the use of money is known as
 - A. feudal system
 - B. caste system
 - C. encomienda system
 - D. barter system
- 5.) One way to expand production is through the development of
 - A. new technologies
 - B. war conflict
 - C. a plantation system
 - D. urbanization
- 6.) In almost every society, the problem of scarcity must be dealt with because
 - A. goods are distributed evenly
 - B. farmers tend to overestimate their crop yield
 - C. governments tend to overspend on the military
 - D. resources are limited
- 7.) Interaction of different societies through trade can result in
 - A. cultural evolution
 - B. cultural diversity
 - C. cultural adaptation
 - D. cultural diffusion
- 8.) The British policy that benefitted the mother country at the expense of the American colonies was known as
 - A. feudalism
 - B. mercantilism
 - C. manorialism
 - D. communism
- 9.) What economic complaint of the American colonists caused their desire to revolt against the British?
 - A. illegal search and seizure
 - B. human rights violations
 - C. unfair taxation
 - D. the Boston Massacre
- 10.) What is the name of the economic system based on the law of supply of demand and private ownership of business?
 - A. capitalism
 - B. communism
 - C. socialism
 - D. mercantilism

Economics Made Easy Reading

What are Economic Systems?

An **Economic System** is a system of production and exchange of goods and services as well as allocation of resources in a society. It includes the combination of the various institutions, agencies, entities (or even sectors as described by some authors) and consumers that comprise the economic structure of a given community. A related concept is the mode of production. The study of economic systems includes how these various agencies and institutions are linked to one another, how information flows between them, and the social relations within the system (including property rights and the structure of management).

Figure 1.2 ▶ **The Factors of Production**



All Economic Systems determine...?

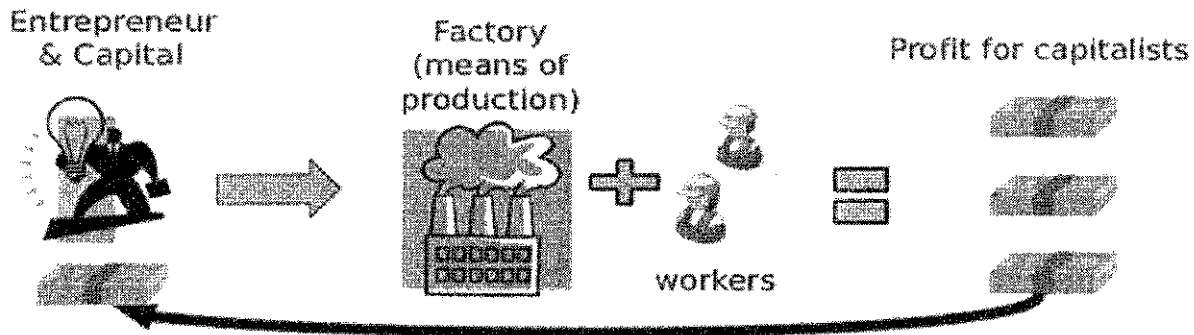
As an entrepreneur and as an economic agent, there are three basic economic questions you should ask when deciding how to use scarce resources:

A. What to Produce?

In a true **Command economy**, what to produce is determined by a central economic authority. In a true free market, what to produce is determined by individual choices. However, most nations fall somewhere between a true command economy and a true **Free market** and production is determined by a mixture of central planning and individual choices. For example, in the United States, while the production of some foodstuff is determined by supply and demand, others, such as sugar and milk, are subsidized by the government. All businesses must decide what to produce given **limited resources**. While a society must decide how much food and shelter to produce to satisfy the population, a business must decide how much of each goods or services to produce.

Economics Made Easy Reading

Because of **scarcity**, by producing A, you must forgo the production of B, thus incurring an opportunity cost. You choose to produce, hopefully, the product or service that brings the highest benefits relative to costs. However, as the organization gets bigger and more complicated and as the number of choices increases, so will the difficulty in answering this question.



B. How to Produce?

There are many ways to produce a good or service of equal quality. As an entrepreneur, it is important to have a clear understanding of all your alternatives. Should the business produce all the goods and services it sells by itself or will it bring in outside contractors? Should the production take place domestically or should it be outsourced to another country? Should the production be labor intensive or capital intensive?

C. For Whom to Produce and /or Where to Sell?

All goods and services are produced for somebody to consume. In a free market, who gets what is determined by who is able to afford what at a price determined by supply and demand. As an entrepreneur, this question should be addressed in the same line of thought as "what to produce?" Who are your customers? Will your targeted customers be able to afford the product? Are there enough of them to support your business?

The Characteristics of a Free Market

