

National differences in political economy assignment



2 National Differences in Political Economy Global Political Economy Global political economy (GPE) is an academic discipline within the social sciences that analyzes international relations in combination with political economy. Political economy is most commonly used to refer to interdisciplinary studies that draw on economics, law, and political science in order to explain how political institutions, the political environment, and the economics mix with each other. 1 Roles of History and Culture Political Economy ??? Three systems interact and influence each other ??? Change in one system often impacts the other systems

Political System Economic System Legal System 2 Political Economy Political System Economic System Legal System Political Systems The system of government in a nation Refers to formal institutions that constitute a government. ??? Economic and legal systems of a country are shaped by its political system 3 Political Systems Political systems can be assessed according to two related dimensions - Degree of collectivism vs. individualism - Degree of democracy vs. totalitarianism Systems that place a high value on individualism tend to be democratic Systems that emphasize collectivism tend toward totalitarian

Collectivism Stresses the primacy of collective goals over individual goals Needs of society are viewed as more important than individual freedoms In the modern times, collectivism has been accepted by socialists 4 Individualism Philosophy that the individual should have freedom in their economic and political pursuits Stresses the interests of the individual should take precedence over the interests of the state Emphasizes the importance of guaranteeing individual freedom and self-expression Society is best

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served by letting people pursue their own economic self-interest vs. government deciding. Translates into an advocacy for democratic political systems and free market economies.

3 Political Systems Totalitarianism

Socialism Democracy

5 3 Political Systems Totalitarianism – The state attempts to regulate most aspects of public and private behavior. – A totalitarian government seeks to control not only all the political and economic matters but the attitudes, values and beliefs as well. – Elements of totalitarianism found in: ??? Cuba, North Korea, Libya*, Sudan

Totalitarianism

Leaders govern without people's support
Government controls much of people's lives
Leaders do not tolerate opposing viewpoints

Imposed authority
Lack of constitutional guarantees
Restricted participation

6 3 Political Systems Socialism: – Capital and wealth should be vested in the state and used primarily as a means of production for use rather than for profit. – Based on collectivist ideology – Welfare of the people outweigh the welfare of individual – Elements of Socialism found in: ??? China, Egypt, Russia, Venezuela

3 Political Systems Democracy: Political system in which government is by the people, exercised either directly or through elected representatives (representative democracy)

7 3 Political Systems Democracy

??? Characterized by: – Private property rights: Ability to own property and assets and to increase one's asset base by accumulating private wealth. E. g. stocks, bonds, land. – Limited Government: ??? State control and intervention in economic activity is minimal. Only serves essential functions like national defense, law and order, infrastructure etc – Elements of

Democracy found in: ??? Japan, New Zealand, US

Safeguards to Protect a Democracy

1. Freedom of expression, opinion and organization

Free media

Regular elections Universal adult suffrage (Right to vote) Limited terms for elected representatives Fair court system that is independent from the political system 7.

Nonpolitical state bureaucracy 8. Nonpolitical police force and armed service

9. Relatively free access to state information 2. 3. 4. 5. 6. 8 Democracy vs.

Totalitarianism Democracy and totalitarianism are at different ends of a

continuum with many shades of gray in between BERLIN WALL 9 Business in

Totalitarian Nations Risk Factors ??? Arbitrary nature of business can mean

that laws are vague or do not exist ??? Bureaucrats may interpret laws

however they wish Property Seizure Confiscation Forced transfer of assets

from a company to the government without compensation Expropriation

Forced transfer of assets from a company to the government with

compensation Nationalization Forced asset transfer to the government of an

entire industry 10 Political Economy Political System Economic System Legal

System Economic Systems Political ideology and economic systems are

interrelated - countries where individual goals are given primacy over

collective goals, it is more likely to find free market economic systems -

countries where collective goals are given primacy over individual goals, it is

more likely to find state control of economic markets and enterprises 11

Types of Economic Systems

Market Economy Command Economy Mixed Economy Market Economy All

productive activities are privately owned What is produced (and quantity) is

determined by the interaction of supply and demand and signaled to

producers through a price system Consumers are sovereign Government

encourages vigorous competition 12 Command Economy All businesses are state owned What is produced, the quantity and price of all goods and services is planned by the government Economic resources are mobilized for the public good History shows that command economies have not been successful Mixed Economy

Mix of market and command economies Some economic sectors are privately owned and left to free market mechanisms Some economic sectors are state-owned and planned by government 13 Has China used its system to grow? Old Shenzhen New Shenzhen 14 Political Economy Political System Economic System Legal System Legal Systems Rules, or laws, that regulate behavior and the processes through which laws are enforced and grievances are handled Regulates business practice Defines the manner in which business transactions are executed Sets down the rights and obligations of those involved in business transactions 5 Legal Systems Can affect the attractiveness of country as an investment site or market Businesses must observe and balance between - home and host country laws - international laws and treaties Legal environment varies by country - US has one lawyer per 270 people - China has one lawyer per 10, 650 people Rule of Law The existence of a legal system where rules are clear, publicly disclosed, fairly enforced and widely respected by individuals, organizations and the government. 16 Legal Systems Three main types of legal systems - Common Law - Civil Law - Theocratic Law

Common Law Tradition Nation's legal history Precedent Past cases before the courts Usage How laws are applied 17 Civil Law Dates to Roman times in the fifth century B. C. Rules and statutes constitute a legal code Defines all <https://assignbuster.com/national-differences-in-political-economy-assignment/>

obligations, responsibilities, and privileges Theocratic Law Legal tradition based on religious teachings Islamic law Jewish law Hindu law 18 Global Legal Issues I Intellectual property - Result of intellectual talent and abilities - Piracy/counterfeits a serious problem Patent Excludes all but the inventor from making, using, or selling the invention

Trademark Words or symbols that distinguish a product and its manufacturer ("Coca-Cola") Copyright Freedom of creator to publish or dispose of original works as they choose Business Software Piracy 19 Global Legal Issues II Standardization - Interpreting and applying laws uniformly Arbitration, legal conflict Product safety and liability - Responsibility for damage, injury, or death Taxation - Income, sales, consumption, and VAT Antitrust (antimonopoly) laws - Prevent market sharing, price fixing, and unfair advantage Terrorism and Kidnapping

Security checklist for managers on business abroad: Fly nonstop when possible and avoid unsecured areas of airports During your stay, vary your routines and means of transportation Keep a low profile and refrain from loud, flashy behavior Give friendly but cautious answers to personal questions Know local emergency procedures before trouble strikes 20 Policies and Laws Local content requirements: Policy changes restrict: Foreign ownership Investment levels Business activities Specify the portion of a good or service to be supplied by local firms

Managing Political Risk I Partnerships Adaptation Incorporate risk into business strategies Localization Development assistance Insurance 21 Managing Political Risk II Current employees with relevant information

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Information gathering Gather data to better predict and manage risk

Agencies specializing in political-risk services political- Managing Political

Risk III Lobbying Influencing local lawmakers Influence local politics Present

firm's views on political matters Corruption Foreign Corrupt Practices Act 22

Uprisings 23