Learning Objectives

Upon completion of this unit, students should be able to:

1. Describe the effect of the industrial revolution upon the modern economy.
2. Compare and contrast the different types of economic systems and how they relate to global stratification.
3. Examine the effect of the changing workplace upon larger corporations and describe its influence.
4. Distinguish between the various political systems and compare and contrast them with the different types of power in society.
5. Compare and contrast the concepts of revolution and terrorism.
6. Examine the concepts of war and peace and describe their impact on society.
7. Explain the political system of the United States and its effect upon social stratification.

Written Lecture

Economics and Politics

Economics and politics are closely related. As social institutions, the two have changed over the course of history. This unit describes how they operate today and points out controversies that are likely to shape them tomorrow.

Social institutions are “major spheres of social life, or societal subsystems, organized to meet human needs” (Macionis, 2011, p. 330).

The economy is the social institution that organizes a society’s production, distribution, and consumption of goods and services. The goods are commodities ranging from necessities like food and clothing to luxury items like yachts and swimming pools. Services are activities that benefit people like physicians, teachers, and computer software specialists.

Previously, we discussed the earliest economies, which were hunting and gathering societies. Then came horticultural societies, which included the domestication of animals, farming, and generating a surplus of resources. The resulting surpluses meant that not everyone had to produce food. Some started other specialized work such as making tools and building dwellings, which created towns and a network of traders. These four factors—agricultural technology, specialized work, permanent settlements, and trade—made the economy a distinct social institution.

At the beginning of the 18th century, the first Industrial Revolution started coming about. This revolution was marked by a steady and continuous improvement of the British economy through textile production, coal mining, and the development of the steam engine. By the mid-18th century, the second Industrial Revolution was under way. This revolution resulted in the rapid transformation of
social life as a result of the technological and economic developments that began with the assembly line, the furthering of steam power, and urbanization.

The nature of production was changing again by the 1950s, bringing about the Postindustrial Society. Automated machinery reduced the role of human labor in factory production and expanded the ranks of clerical workers and managers (Macionis, 2011). In the 1970s, the development of the microchip brought about vast improvements in the ability to manage information. This technology, associated with the Information Revolution, includes the Internet and all types of digital media and communications.

New information technology is drawing people around the world together and creating a global economy—economic activity that crosses national borders (Macionis, 2011). Of course, agriculture and manufacturing still exists in the United States, but these are shrinking parts of the economy. The global economy has equipped the financial system with the power to market goods and services across different countries of the globe. However, all economies are different. Capitalism and socialism are political economic systems found around the world, often in overlapping forms (Ferris & Stein, 2010).

Capitalism is an economic system in which natural resources and the means of producing goods and services are privately owned (Macionis, 2011). It is based on the laws of free market competition, privatization of the means of production, and production for a profit, with an emphasis on supply and demand as a means to set price (Ferris & Stein, 2010).

Socialism is an economic system in which natural resources and the means of producing good and services are collectively owned (Macionis, 2011). It is a system of government that eliminates private property and is the most extreme form of socialism because all citizens work for the government and there are no class distinctions (Ferris & Stein, 2010).

There are advantages and disadvantages to both of these economic systems. Capitalism is the world’s dominant economic system. It promotes economic growth by providing an open competition in the market. It allows for greater rewards to those who produce results at a higher yield than the competition. This motivates employers and employees to exert more energy to the process, giving rise to an economy where the consumers regulate the market. The rewards, of course, are wealth, prestige, and power. The downside, however, is that money and other commodities are not spread equally in society.

Friends of capitalism typically concede that it promotes greater wealth inequality (Boudreaux, 2002). Those that have the majority of the wealth are the small minority. This creates a large gap between the wealthy and those in poverty. Usually this range falls between the upper-middle class and the lower class, with the lower class usually consisting of those beneath the poverty line.

Inequality is also prevalent in academic institutions. While race and class appear to be factors within these institutions, class remains the more prevalent, important factor. Many students who seek to attend college are faced with the rising costs of tuition and are left with significant debt once they graduate. However, those who are privileged to be within the upper classes do not have the worry of outstanding debt once they graduate, as school is usually already paid. While this may not be the case in every scenario, it seems to be the impression left upon those who are not within this system. At the other end of the spectrum, seniors find themselves stressed by disappearing pensions and increasing drug prices as corporations seek to cut cost and increase profit (Lardner, 2007).
Socialism, on the other hand, advocates the ownership and control of the means of production and industry by the community as a whole. It seeks to promote equality among people by providing them with many of the same social benefits such as education, healthcare, and care for the vulnerable. It eliminates the need for competition because there is a more equal distribution of resources. Therefore, productivity may not be as high as it would be in a more competitive market. Socialism means paying for things just for the greater good. However, while equality may exist among those in the lower social strata, the level and quality of living is significantly lower. A modern example of this form of government is the island nation of Cuba (labeled as communist but with a socialist agenda). Many people may make cents a day, with the majority of their earnings going to the government. This leaves little net income to spend on necessities such as groceries.

Since the 2008 election and subsequent $700 billion government bailout, socialism has become a hot topic in the U.S. The distribution of money through government means has many people actively, and vehemently, involved in the political spectrum. However, as we focus our energy on the current financial crisis, many columnists, reporters, and politicians who still voice opposition to "rescue packages" for major financial institutions and other corporations do so because, according to them, they are a step towards socialism. However, to take a step towards socialism, we would need to convert all workplaces into cooperatives.

Many countries have mixed economic systems with elements of both capitalism and socialism. The U.S. is a capitalist system, but there are still social programs such as Social Security and Medicare. Likewise, in many socialist countries, there are private businesses that operate with government oversight. A modern example of the latter is China. While China has a restrictive government, it has recently loosened its grip on corporations by allowing privatization within previously government-regulated industries. Many have posited that China would eventually begin to expand and turn outward much akin to the U.S. However, China has recently showed an aggressive push to begin internalizing their industry and making themselves self-sufficient.

References


**Learning Activities (Non-Graded)**

Peruse a website relating to the economy, politics, or both. Such websites include those of CNN, ABC News, MSNBC, or if you prefer a foreign outlook, the BBC. Find an article that interests you, and determine the subject, the stance the author takes, and whether you agree or disagree. Try to take an unbiased approach, and see if you can determine the position the author takes in politics (Left Wing, Right Wing, Moderate, Independent, etc.). Jot your thoughts down into a journal.