

Sullivan, Chapter 2

GROWTH OF CORPORATE &
GOVERNMENT POWER

Politics & Economics

- **Politics**—who has the right to exercise control over others, who can establish laws to regulate social life, and how conflicting interests in society will be resolved.
- **Economics**—the processes through which goods and services are produced and distributed.

ECONOMICS

Economics—the processes through which goods and services are produced and distributed.

- Land
- Capital
- Labor
- Goods
- Services

Economic Systems

Capitalism—natural resources & the means of production are privately owned.

1. Private ownership of capital
2. Pursuit of personal profit
3. Competition & consumer choice

Adam Smith—from self-interest comes the
“greatest good for greatest number of people”

Economic Systems

Socialism—natural resources and means of production are collectively owned

1. Collective ownership of property
2. Pursuit of collective goals
3. Central planning

Karl Marx—“each according his ability; each according to his need”

Economic Systems

Welfare Capitalism—combines market-economy with extensive welfare (Sweden, Denmark)

1. Most industry is private
2. Government control (transport, media)
3. High regulations & strong unions
4. High taxation
5. Universal health care

Economic Systems

State Capitalism—companies privately owned—but cooperate closely with government (Japan, South Korea, China)

1. Government supplies finance
2. Control on foreign imports
3. Weak labor unions

COMPARISONS

INDICATORS	CAPITALISM	SOCIALISM
Productivity	high	low
Equality	low	high
Standard of living	high	low
Personal freedom	free to pursue self-interest	Free from personal want
Political freedom	high	low

Postindustrial US Economy

1. Increase in white-collar jobs
2. downsizing
3. outsourcing
4. Shrinking industrial sector
5. Loss of factory work to lower wages
6. Decline in unions
7. Underemployment & unemployment

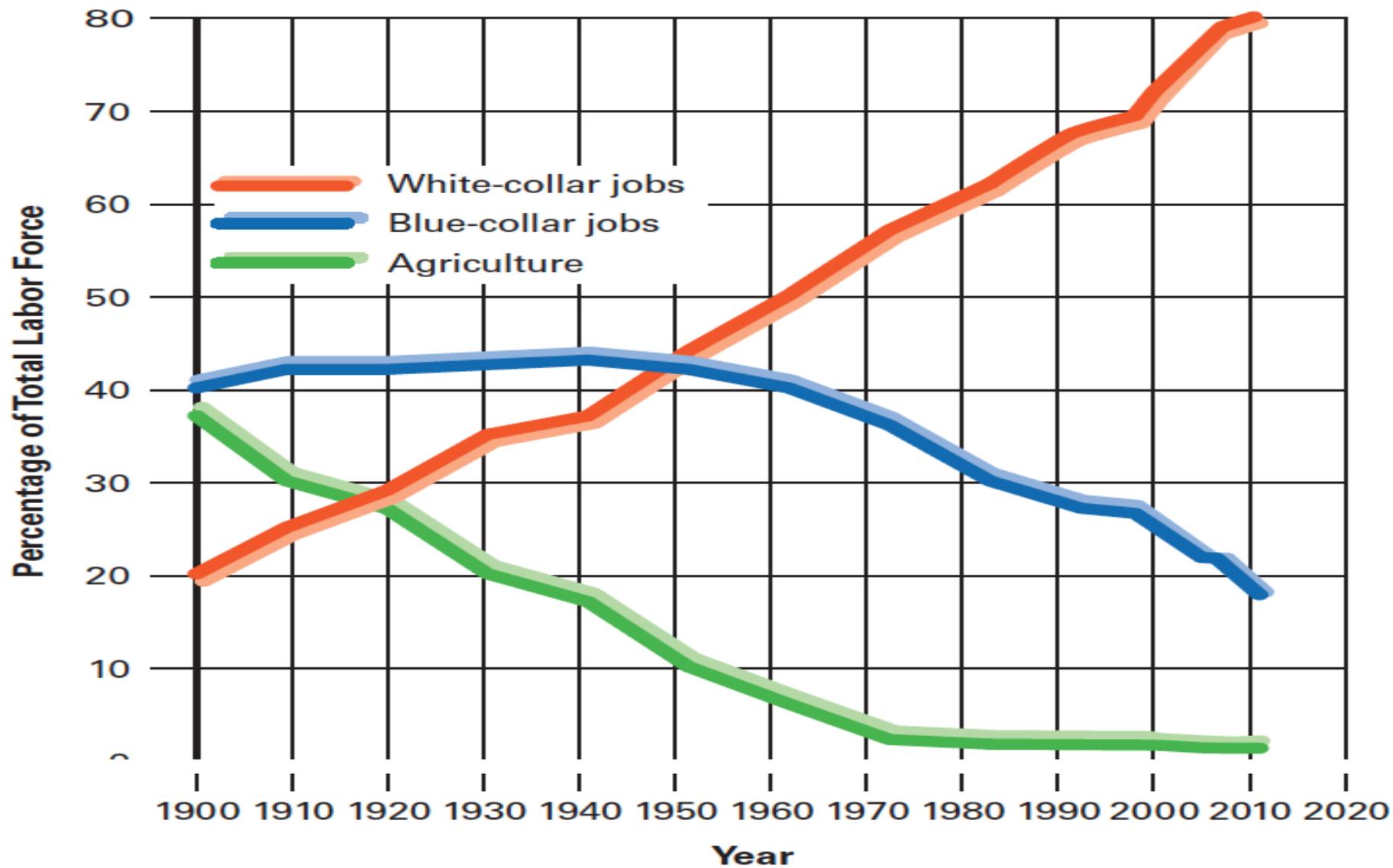


FIGURE 12-2 The Changing Pattern of Work in the United States, 1900–2011

Corporation

A legal entity with legal existence separate from that of its members.

Benefits of a Corporation

- corporation is essentially a “legal person”
- Owned by stock holders—“but stock holders have limited liability
- Stockholders shielded from lawsuits
- Can float many shares and have many owners
- Majority of corporate assets are held by a small economic elite

Problems of Power Concentration

1. Monopolies
2. Devaluing of Societal Goals
3. Threats to Democracy
4. Weakened Unions
5. Abuse of government authority
6. Corporate welfare

Social Problems Arising from the Corporatist Sector

- outsourcing
- low wages
- job insecurity
- job stress

Unemployment

- chronically unemployed
- prolonged joblessness
- permanent displacement
- “invisible” unemployed;
- “discouraged” workers

- The best strategy to reduce your risk of being without a job is to complete a college education.

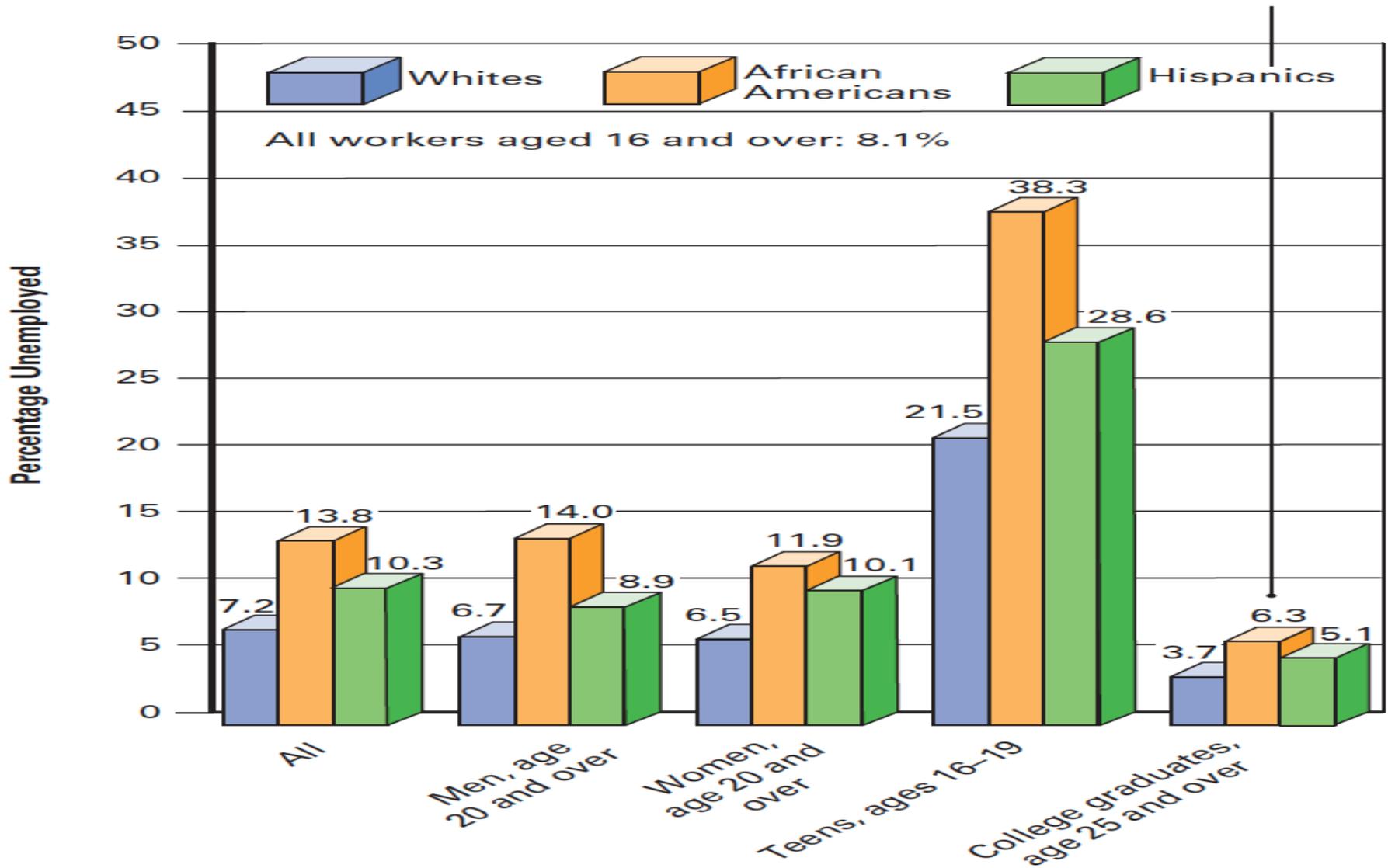


FIGURE 12–4 Official Unemployment Rates for Various Categories of the U.S. Population, 2012

Consequences of Unemployment

- extreme isolation
- trauma
- lower-self esteem
- Depression
- Lack of income
- Family disruptions

Consumers and Credit

- large “consumer” influence from advertisers
- debt entanglement
- Large credit card debt

- **Bankruptcies**
- 10 million workers wages garnished
- 2% credit card junkies
- 25% risky investments
- majority homeowners with debt equity

POLITICS

Politics—(or the polity)—the social institution that distributes power, sets a society's goals, and makes decisions.

- **Power**—the ability to achieve desired ends despite resistance from others.

US Politics

US political culture: individualism (found in the Bill of Rights)

- Desire for a smaller government
- US public sector (over 4 million workers)

Welfare state—a system of government programs that provide benefits to citizens.

US Political System

US Welfare State

- Majority of US citizens receive welfare
- Students, farmers, homeowners, veterans, corporations, elderly, poor

US has limited democracy:

1. Too many un-elected officials
2. Economic inequality is too high
3. Electoral College

Control of the Political Parties

- **1. Control of Nominations**
- **2. Control of Election Workers**
- **3. Control of Party Platforms**
- **4. Raising and Spending money**
- **5. Service Relationship (Electability)**

Political Philosophies

	Liberal s	Conservati ve	Libertaria ns
Order	Low	High	Medium
Freedom	Medium	Medium	High
Equalit y	High	Low	Low

US Politics: Applying Theory

Pluralist model—that power is spread among many competing interest groups

Power elite model—that power is concentrated among the rich

Marxist political economy model—that the capitalist economy sets political decision making