

Politics and the Economy

In this chapter, you will learn about:

- politics, power, and authority
- politics and government in the United States
- the economy and work in the United States

In 1947, India was granted independence from British rule, due in great measure to the efforts of a charismatic leader named Mohandas Gandhi. Gandhi was a quiet revolutionary, preaching nonviolence and passive resistance against British rule. He led by example, often fasting in protest to government actions and the inequalities of the caste system.

During the same period, Adolph Hitler engaged in powerful public speaking to push the ideas of the Nazi Party. He used his talent for political agitation to promote violent, racial nationalism and anti-Semitism. Hitler convinced the German people that only a dictatorship could rescue them from their social and economic problems. Of course, he was to be the dictator.

These men were both powerful leaders by virtue of their personalities. Yet their legacies could not be more different. In this chapter, you will learn about political power, the role of the economy in society, and work.

Political Institutions

What does it mean when we say the United States has a democratic form of government? How are societies related to governments? The answer lies in a society's **political institutions**. These are the organizations and customs that a society establishes for its government.

Power and Authority

Through the political process, individuals and groups acquire, exercise, maintain, or lose power. In a world of limited resources, there is always conflict between groups. Governments are society's way of controlling that conflict.

Power itself is neither good nor bad. The people wielding the power and the reasons they use it are the important factors. **Legitimate power** is the power in a society that its people believe or trust.

There are **two** kinds of legitimate power held by individuals and groups in a society:

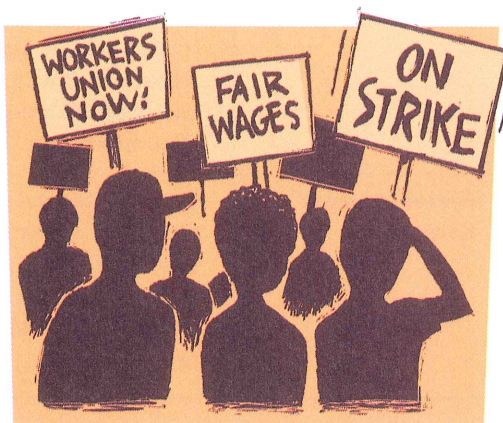
1. **Authority**, the recognized power to enforce laws, require obedience, command, determine, or judge. Authority is formal and is established by tradition or by law.

EXAMPLES: Parents, employers, and teachers have authority over others by right of their social relationships. Presidents of the United States get their authority from the Constitution.

2. **Influence**, power arising through persuasion. Influence can be formalized in rules—such as the laws differentiating

bribes from respected means of making financial contributions to a party or candidate—or it can be informal and come from the wealth, fame, charm, or knowledge of an individual or group.

EXAMPLES: Friends or experts may possess power through influence. The power of labor unions comes from the voting strength of their citizen members and the lawful power to withhold workers' services from an employer in a strike.



There is **one** kind of illegitimate power:

Coercion, the exercise of power through force or threat.

EXAMPLE: Bullies wield power through coercion. In some societies a special or secret police force uses kidnapping, torture, and murder to silence critics and terrorize communities into submission to a government's rule.

Sociologist Max Weber identified three types of authority arising from different sources. See the chart on the next page.

Weber's Types of Authority		
Type of Authority	Source of Authority	Examples
Traditional Authority	Custom, habit, heredity, or tradition, often supported by religion. People obey those in authority because they always have.	Kings and queens, tribal leaders, feudal lords, emirs, princes, and chieftains such as those in the United Arab Emirates.
Charismatic Authority	Exceptional personal qualities of an individual. People follow them often because such leaders possess a persuasive vision. Charismatic leaders operate both inside and outside of governments.	Martin Luther King, Jr.; Mohandas Gandhi; Nelson Mandela; Joan of Arc; Cesar Chavez; Adolf Hitler.
Rational-Legal Authority	Constitutions and other laws that define a ruler's rights and duties. People understand their obedience is part of a contract of mutual rights and responsibilities.	Governors, prime ministers, presidents.

Legitimacy

Legitimacy is achieved in several ways. Leaders may gain legitimacy by effectively using symbols, ideologies, and mass communication to create a sense of national unity and to maintain the loyalty and support of the citizens. Elections, when they are seen as honest and fair, serve to legitimize those who are elected to govern. Governments that rule through coercion are subject to rebellion.

Legitimacy in the eyes of the world occurs when a government is recognized as being sovereign, that is, within its territory, supreme, most powerful, and independent of other governments. After a revolution, a new government usually must go through some efforts to get other nations to recognize it.

Did You Know?



Nations of the World

When the United Nations was created in 1946, there were 51 recognized nations. In August of 2000, the United Nations recognized 228 countries of the world. The United States recognizes 190 countries as independent states and another 60 or more as dependent states.

- * The largest nation is China with 1.27 billion people.
- * India is currently the second largest country, with a population of less than 1 billion. By the year 2050, India is expected to take the top position with more than 1.5 billion people, as compared to 1.2 billion in China.
- * The smallest independent state is the Vatican—an independent city-state with a population of fewer than 500 people.

The State

You might think of a state as a place, a government, or a group of people. You would not be wrong. But, to a sociologist, the **state** is a distinct set of institutions that has the authority to make the rules that govern society. It is not unified—not *one* thing—but is a *set* of institutions. Together, they define the rules and boundaries

within which political conflicts among the competing elements of society are played out. The state includes:

- * The legislature.
- * The executive.
- * The central government or the bureaucracy.
- * Local governments.
- * The judiciary.
- * The police.
- * The armed forces.

Some sociologists have gone further, adding other institutions to the list:

- * Religious groups.
- * Schools.
- * Trade unions.

Sociological Perspectives on the State

The functionalist and conflict perspectives inform our study of the state.

Functionalist Perspective

Functionalists claim that as social order is essential to society, the state maintains it by performing **four** functions:

1. **Enforcement of Norms.** In small tribal societies, norms were supported and enforced by the community. As societies grew and became more complex, a system of formal, systematized laws was created. The political authority of the state enforces those laws.

EXAMPLE: The laws defining what constitutes kidnapping and when the FBI should be brought in are our complex society's way of enforcing a norm against taking a person against his or her will.

2. Regulation of Conflict. The very real conflicts about the allocation of resources could easily erupt into bloody battles if there were no system to mediate them. The state addresses and resolves conflicts through many of its institutions. It is most successful when the parties to the conflict perceive it as fair and unbiased.

EXAMPLE: In the dispute over the use of public lands, environmentalists, recreationists, and loggers each have a different viewpoint. State and national lawmakers, government bureaucrats, logging industry groups, environmental protection groups, and concerned citizens all play a part in resolving this conflict.

3. Planning and Coordination. The infrastructure needed to keep a large society running smoothly is very complex. The state provides mechanisms for planning and coordinating the many, many activities needed to keep a complex society going.

EXAMPLES: The construction and maintenance of highways and dams, air traffic control, emergency readiness and relief, military preparedness—governments plan and coordinate these important activities of a society.

4. Conducting Relations with Other Societies. The state determines foreign policy and defense strategy and makes complex decisions dealing with international economics. It would be impossible for nations to form alliances if different interests within a state were not resolved and the nation could not talk to other nations with "one voice."

EXAMPLE: In forging the North America Free Trade Agreement (NAFTA), the administrations of two Presidents (Bush and Clinton) had to negotiate with Congress, representatives of various state legislatures, lobbyists from unions and other interest groups, and with the governments of Canada and Mexico. The state continues to deal with public concerns about the effects of the agreement.

Conflict Perspective

Sociologists and political scientists disagree about the fairness of the activities of a complex, postindustrial state. Some sociologists say that the different groups within a society have representation through the various institutions within it. They believe there is a balance among conflicting groups and that systems for expressing needs and negotiating among conflicting demands are in place to achieve smooth operation. They see the state as acting in the interest of the groups within it.

Other sociologists see the state as captive to the special interests within it.

Marxist conflict theorists argue that the state serves the interest of the “ruling class.” Because those in power can pass laws that maintain their own economic and social privileges, class differences become even more pronounced. Marxists suggest that, rather than exerting legitimate power, the state engages in coercion to maintain the ruling class.

EXAMPLE: The use of troops or executive orders to send striking workers back to work can be seen as benefiting big business at the expense of the working class.



Forms of Government

The modern industrialized state traces its development through **four** stages in Western civilization.

1. The city-state of ancient Athens in

Greece, around 500 B.C., is credited with being the origin of democracy, in which sovereignty rested with the free citizens of an independent city.

2. The feudal systems of early medieval

Europe, from about 800 to 1500 A.D., were small, self-sufficient economic units governed by feudal lords, who in turn swore allegiance to kings. The society understood a contractual agreement among the groups: Nobles agreed to provide protection (especially military) and various judicial functions, and to care for those who could not care for themselves; peasants agreed to provide labor in exchange. All agreed to love and serve the king, who agreed to provide justice and rule. But feudal lords often were rivals to the king, and kings were often nothing more than super feudal lords.

3. The national monarchies of the late

middle ages were characterized by a centralized authority, urbanization, and a growing middle class. Economic changes, such as the expansion of trade, necessitated and supported the creation of these larger political units. Monarchs became increasingly powerful as they could exercise authority with large armies and large treasuries.

4. 17th- and 18th-century nation-states.

Nation-states are political entities whose governments hold jurisdiction over a large territory. Their people share a common history, language, and independent government. The development of **nationalism**, or a people's sense of its right to have its own nation, spurred revolutions in Europe and on the American continent. Written constitutions, a bill of rights, and representative democracy resulted from the American and French revolutions.

Continuum of Types of Government

Governments can be thought of as lying on a continuum. The most liberal governments (on the left) are democratic, with authority coming from their citizen members. The most repressive governments (on

the right) are totalitarian, with authority consolidated in one person, or in a small, elite group, that has complete power over the people.

You can get a chilling picture of what life can be like in a totalitarian government by reading *1984* by George Orwell. He

Power in Government		
	Democratic	Monarchic
Description	Authority resides in the citizens of the state. People participate directly or indirectly in their own governance. In direct, or pure, democracy, all citizens are directly involved in the decision-making process. In representative democracy, citizens choose others to represent them in political decision making through regular elections.	Power to govern is passed from one generation to another within a single family. In an absolute monarchy, the ruler governs with no legal restrictions. In a constitutional monarchy, the monarch is the symbolic head of state, but political power rests in a government with a constitution.
Examples	Representative Democracy: The United States and France Direct Democracy: Town government in New England.	Absolute Monarchy: Saudi Arabia, Kuwait, and Jordan Constitutional Monarchy: Great Britain, the Scandinavian countries, and Japan.
Issues	How widely can political power be distributed and still produce effective government? In the United States, power is distributed among the three branches of government in a system of checks and balances. States also share in the power.	Royals in Britain have been criticized for excessive spending and an antiquated monarchy. The royal family has had to become more sensitive to the concerns of the people.

wrote in the years following the end of World War II, and was inspired by the horror of the excesses of communism under Stalin and from concern about the ability of such a government to use the emerging communications technology against its people. But England in the future, not

Russia of the late 1940s, is the setting of his book. There the government uses the language of socialism to mask the reality of totalitarianism.

The chart below describes the most common forms of modern governments.

	Authoritarian	Totalitarian
	Authority is concentrated in rulers who limit citizen participation in government. Leaders come to power through inheritance, by preselection (by a former leader), by membership in a small, elite group that assumes power (an oligarchy), or as military officers who seize power (a junta).	The government recognizes no limit to its power and can control all aspects of people's lives. There is no organized opposition, and information is controlled by the government. Dissidents are dealt with harshly. Travel both within and outside the country is tightly controlled.
	Dictatorships: Juan Peron in Argentina, Ferdinand Marcos in the Philippines Juntas: (in the past 50 years) Myanmar (Burma), Nigeria, and Chile.	Nazi Germany under Hitler, the Soviet Union under Stalin, China under Mao Zedong, and Iraq under Saddam Hussein.
	Dictatorships are often succeeded by oligarchies or military juntas. People have no legal recourse to remove leadership. Revolutions are common.	Totalitarianism is fairly recent. Advances in technology have made surveillance of large populations possible and permit control of mass media and, therefore, information.

Politics and Government in the United States

The representative democracy in the United States depends on participation by the country's citizens. For two centuries, much of this participation has taken place in the context of two major political parties

and a number of smaller parties. In recent times, a variety of interest groups has also encouraged political participation.

Political Participation

In a country founded on principles of democratic rule, it is surprising that the percentage of the voter age population (VAP) who actually vote has been steadily

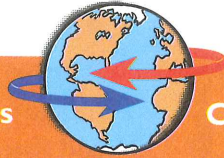
Sociologist's Perspective



Theories of U.S. Political Power

In the United States, political power is theoretically in the hands of the people. However, several theories have arisen about where the power really lies.

- * Conflict theorist C. Wright Mills suggested that a power elite controls the government. This is a group of wealthy and influential individuals who hold important positions in government, business, and the military. They share common ideologies and often move from one area of influence to another. You can observe this movement when business leaders and military officers become government advisors.
- * President Dwight Eisenhower, who led the Allied forces of World War II before he was elected to the presidency, suggested that there was a "military-industrial complex" that had enormous power in the United States. By this he meant that the top levels of the military and the leaders of businesses that supplied weapons and goods to the military had economic interests in common that were not always the true interests of the country. Yet, as a group, they were tremendously influential among legislators and other government policy makers.
- * Social scientist Robert Dahl and others wrote that U.S. political power is actually distributed among many interest groups, each of which seeks to influence, rather than control, government policy. This is called the *pluralist model*. The passage and enforcement of antitrust legislation, which prevents big business from monopolizing an industry, supports the view that an elite does not control political processes.



Compulsory Voting

In many countries, such as Ecuador, citizens over the age of 18 are required to vote in city, regional, and national elections. Elections are often held on Sunday to enable people to get to the polls. Even if people are working the day of the elections, they must still “present themselves” and obtain a slip of paper enabling them to vote later. Failure to vote results in fines or refusal of government services, such as driver’s licenses and passports.

Arguments have been made both for and against compulsory voting.

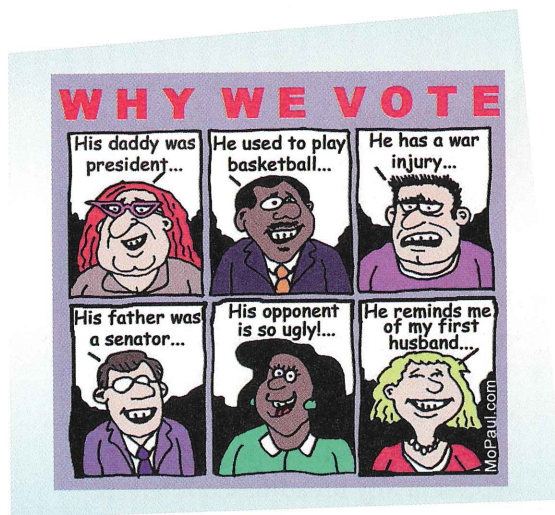
For:

- * Voting is a civic duty. Like other duties, such as paying taxes, sending one’s children to school, and serving on a jury, it should also be required.
- * When everyone votes, the government more accurately reflects the will of the people and will better serve everyone’s needs.
- * It would force candidates to consider the total electorate, instead of only groups of “likely voters,” so policy formulation and management would be better.

Against:

- * It is undemocratic and an infringement of liberty to force people to vote.
- * Votes cast by uninformed or uninterested people could have strange results; the elected people might not really represent any broad-based interests.
- * Larger numbers of wasted or invalid votes would result.
- * Needed reforms might not happen because elected officials and candidates would not want to offend some segment of the population.





declining. In 1998, the United States ranked 138th in voter turnout among countries holding elections. Less than half the VAP voted.

Reasons for nonparticipation include:

- * Complicated residency and registration requirements.
- * Too many elections.
- * General satisfaction with things as they are. People feel no “need” to vote.
- * People are “too busy.”
- * Lack of interest in the issues.
- * Perception of campaigns as mean-spirited or lacking in substance; voters may say none of the candidates is worth voting for.
- * Belief that a single vote won’t make a difference.

Political scientists warn that voter apathy poses a threat to democracy because when a government doesn’t have the support of the people, it lacks legitimacy. Others say that low turnout means that people are satisfied with the status quo.

Political Parties

Political parties are organized groups of people who work together to win elections and shape public policy. The services provided by a political party include:

- * Recruiting people to back a platform—the set of policies on which the party “stands.”
- * Nominating candidates.
- * Raising funds to present candidates and their views to the public.
- * Providing continuity of government from one administration to another.
- * Recruiting and recommending responsible individuals for government service.

Two Parties

Unlike European democracies, which may have ten or more parties, the United States has traditionally had two major parties—the Democrats and the Republicans. Occasionally, third-party candidates run for office. In national elections, they rarely win. They can, however, draw enough votes away from one of the major-party candidates to affect election results. They also serve to let the major parties know that some issue they have neglected is of great importance to a large number of voters.

Differences Between the Parties

While there is heated rhetoric between the two parties, their real differences are not very great. They each, after all, are trying to capture the largest number of voters, so they address issues that most Americans are concerned about. Their solutions to

the problems of society do have some distinctions.

* **Republicans** are generally more *conservative*, or to the “right.” This means they value local solutions over national ones, argue for tax policy that encourages investment in the economy, seem to favor business interests over labor interests, and generally seek to reduce government spending in social areas and increase it in military ones.

* **Democrats** are more *liberal*, or to the “left.” They tend to emphasize the national government’s role in social welfare and look there for solutions to unemployment and poverty. They tend to favor tax programs that “take from the rich and give to the poor.” Traditionally, they have represented organized labor and have been the party that claims to represent minorities.

Individual citizens in our society are not required to belong to a party. Many voters describe themselves as *independent* and vote for candidates of either party.

Many voters have mixed feelings about the role of government. While they don’t want “big government” interfering in their affairs, they are in favor of more government services.

Interest Groups

An **interest group** is an organized collection of people who attempt to influence the political process and decisions. Such groups represent a wide variety of people, from tobacco growers to members of the National Rifle Association; from

foreign businesses to American workers’ organizations such as the AFL-CIO; and from women’s rights advocates to senior citizen groups.

Interest groups serve **three** general functions:

1. They give voice to the needs of their members in the halls of government.
2. They pressure legislators to consider issues that might otherwise be ignored.
3. They educate legislators about specific issues, providing them with information to make informed decisions.

Interest groups influence policy in **five** key ways:

1. They influence public opinion through media and advertising.
2. They encourage people to write or call government officials.
3. They work for the election of candidates sympathetic to their cause, often by donating money to campaigns.
4. They file lawsuits to try to stop legislation that is not in their interest.
5. They hire *lobbyists* to directly influence public officials.

Interest groups are extensions of our constitutional rights to free association and free speech. They are people’s ways of joining together to influence the distribution of power and resources. Nonetheless, they tend to get a bad name when people see them as having more influence than they deserve.

EXAMPLE: Most Americans think there is too much gun violence in U.S. society. The National Rifle Association, which lobbies



Data from Polls

Politicians use public opinion polls to learn everything from which candidate the public favors to what “buzzwords” people want to hear in speeches. Even George Washington had a friend mingle with “ordinary folks” to find out what they thought of his presidency.

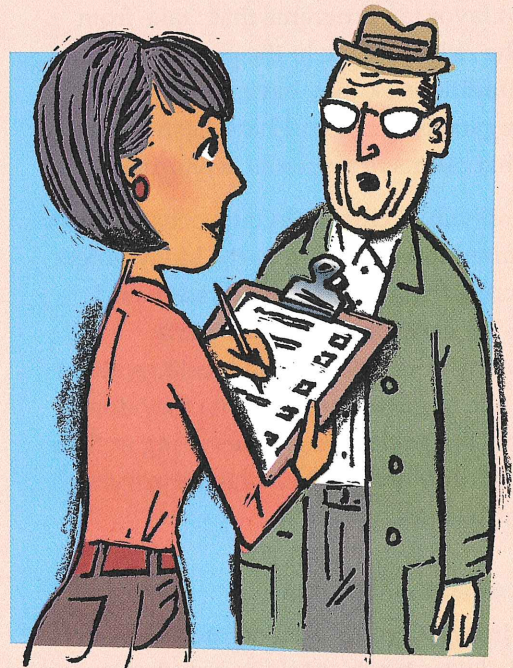
Pollsters must be careful in their research design if they hope to get accurate data.

- * The population sample chosen for the survey must represent the people who will actually vote, not simply those of voting age.
- * Questions must be carefully worded to avoid leading the responder. For example, questions about *Governor Smith* rather than *John Smith* will increase his approval rating.
- * The appearance or tone of voice of the surveyor may cause people to try to impress the questioner with the answer they think he or she wants to hear, or, on the other hand, may put people off so that they don't bother to respond.

Interpreting the data from polls is also challenging. A famous error in data interpretation came in the 1948 presidential race between Harry Truman and John Dewey.

Polls predicted a big win for Dewey. The *Chicago Tribune* even printed the headline “Dewey defeats Truman” before election results were released. But Truman had won!

How did it happen? The survey had included all eligible voters, and a majority said they would vote for Dewey. However, his supporters were so sure their candidate would win that many didn't bother voting. Truman supporters came out in large numbers.



against controlling weapons, including those only soldiers are meant to carry, may thus appear to be acting against the will of the majority of citizens.

Political Action Committees

Interest groups set up political action committees (PACs) to collect contributions and make donations to political campaigns. From the 1970s to the present, PACs grew in number from about 600 to 4,000. While most campaign funds come from individual donors, often from people who are not rich, PACs have come in for criticism on many fronts.

We call it “influence peddling” when an interest group buys the support of lawmakers through campaign contributions and other favors. Legislators struggle with issues of campaign finance, and campaign finance reform was a major plank in the platforms of many candidates running for office in the 2000 elections.

Sociologists have pointed out several possible effects of PACs.

- * “Power elite” theorists say that PACs stack the deck against challengers whose loyalties are unknown.
- * “Pluralist” theory supporters argue that PACs give many different groups input into the political process.
- * Conflict theorists insist that PACs favor upper-middle-class people because poor people have neither the resources nor the organization to compete on an equal footing.

Economic Institutions

An **economic institution** is a system for producing and distributing goods and services. It includes the beliefs, values, norms, and activities—including work—that regulate an economy. Economists focus on scarcity and resource allocation and examine such things as productivity, wages, prices, and profits. Sociologists are interested in how work affects the lives of people and the relationships among the economy, the political system, social structures, ideological systems, and culture.

The Economy

The **economy** consists of the systematic production, distribution, and consumption of goods and services in society. The Industrial Revolution transformed both the economies and societies of the world. It had **five** principal effects. It:

1. **Changed the nature of work** from agricultural work and hand work to factory jobs and others that required formal education.
2. **Changed demographics** as people moved from farm to city. Population growth slowed over time, and the number of elderly rose.
3. **Changed human relations** as more people joined large communities.
4. **Raised the standard of living** for everyone as many more goods became available at lower prices.
5. **Changed the values of society**, downplaying traditional ways of living and increasing the pursuit of material things.

Recent Changes

Recent events are changing the face of economics, creating a postindustrial society. These events include:

- * The switch from a manufacturing focus to an information focus.
- * The globalization of the economy made possible through modern technology—air travel, satellite communications, computers, and the Internet.

Advertising has changed over the years, and so has its effect on the economy. In 1967, businesses spent about \$50 million to advertise their products. By 1998, that figure had risen to more than \$330 billion. On-line advertising is reshaping the economic community and is now a multibillion-dollar industry.

Electronic commerce is still in its infancy, but it is having a profound influence on economics. Many people became wealthy almost overnight when “dot.com” companies started up in the late 1990s. They just as quickly lost money when many companies failed to produce the expected earnings.

Production

The work that creates products or provides services is done in the production systems of an economy. Production is generally described as having **three** sectors:

1. **Primary production** obtains or generates resources from the environment.
EXAMPLES: Mining, fishing, logging, agriculture.

2. **Secondary production** manufactures goods from raw materials.

EXAMPLES: Factories, automakers, food processors.

3. **Tertiary production** provides services rather than goods.

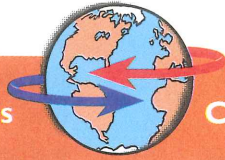
EXAMPLES: Teachers, doctors, information providers, store clerks, personal trainers. This sector has been increasing while the others have been shrinking.

Distribution

A society’s systems for getting goods and services from the people who make or offer them to the people who need or want them are its distribution systems. These can vary widely in different societies. In the planned economies of communist societies, a central government employs bureaucrats to figure out how and in what quantity to move agricultural products from the countryside to cities. In the United States, we rely on the “marketplace” to achieve that.

Consumption

Consumption is the process of accumulating and using goods and services. Initially, consumption is based on *need* for the basic goods and services. In more developed countries, consumption is increasingly based on *want*. *Conspicuous consumption* is the desire to express social standing by having, displaying, or consuming goods and services beyond one’s needs, such as expensive cars, fancy jewelry and watches, and expensive homes that are lavishly furnished.



How Technology Is Changing the Economy

Early sociologists believed that when money replaced bartering as a means of securing goods and services, social problems such as wastefulness, bribery, and fraud became more common.

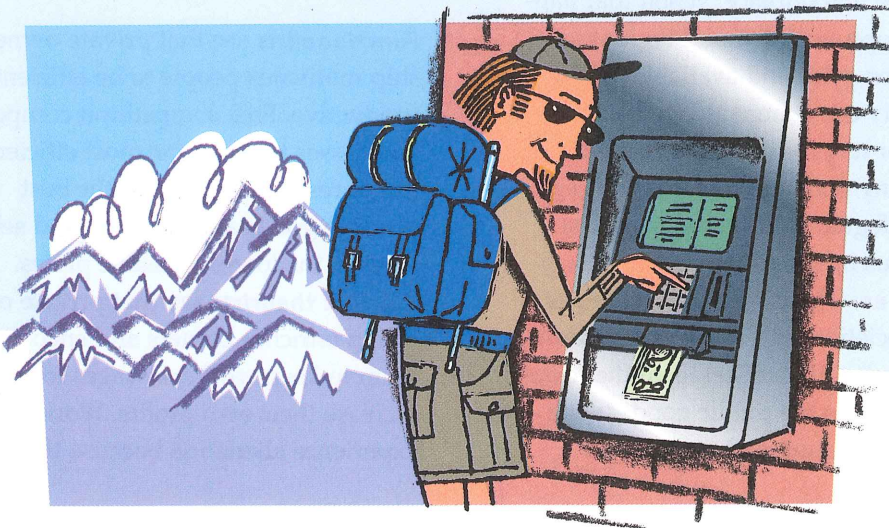
Today, money has been replaced by credit cards—not only in the United States but throughout many areas of the world. Travelers no longer find it necessary to exchange money when they travel abroad. Many businesses, especially those that cater to tourists, accept credit cards. Foreign ATM machines return local currency in exchange for credit card information.

Credit cards can also be used on the Internet to make purchases of goods and services from all over the world.

What do today's sociologists make of these changes? Sociologist George Ritzer warns that the global use of credit cards helps "Americanize the globe and erode national differences. . . . A world of sameness is a world of decreasing interest."

Look at these examples of our global economy:

- * U.S. manufacturers use parts made all over the world.
- * Fruit grown in Montana appears on a table in Japan within 48 hours.
- * U.S. investors buy and sell stocks on the Asian stock exchanges over the Internet.
- * Two-thirds of the sales of Coca-Cola are outside the United States.



Three Types of Economic Systems

Economic systems are often closely tied to types of government. Three common economic systems in the world today are capitalism, socialism, and democratic socialism.

Capitalism: The Market Economy

Capitalism features the private ownership of property, competition in the production and distribution of goods and services, and maximization of profit. In a capitalist economic system, supply and demand in the marketplace determine prices.

Societies have considered **three** forms of capitalism:

1. Unregulated Capitalism. Trade is unrestrained and production is not regulated. Supply and demand determine both the availability and price of goods and services. Monopolies can occur. In a **monopoly**, a business becomes so powerful that it has forced all its competitors out of the marketplace. When that happens, supply and demand no longer operate on price and availability. The monopoly can charge as much as it wants for its product and can offer it or limit it any way that it wants. No regulation safeguards consumers against dangerous or shoddy goods.

EXAMPLES: There are no examples of major societies with unregulated capitalism. This is a theoretical ideal that does not operate in the public good, as the above description makes clear.

2. Welfare Capitalism. Government plays a significant role in assuring fair competition, worker compensation, and the welfare of the consumer. Environmental issues and working conditions are also regulated through legislation. Societies that practice welfare capitalism struggle to find the balance between letting market forces operate and providing safeguards against excesses. They tend to lean more heavily on regulation at one time and on “hands off” approaches at others.

EXAMPLES: United States, Canada, Great Britain.

3. State Capitalism. Companies are privately owned but often receive financial assistance from the government and are aided by governmental control of competing imports. This causes other countries to charge them with unfair practices.

EXAMPLES: Japan, Korea.

Sociological perspectives on capitalism differ:

- * **Functionalists** see that private ownership motivates people to be efficient and productive. Free competition compels businesses to make the most efficient use of resources, produce the best possible goods and services, and sell them at the lowest possible prices.
- * **Conflict theorists** say that private ownership enriches owners and encourages them to keep workers’ wages low to increase their own profits. Workers experience alienation because they lack

control or ownership over the goods they produce.

* **Interactionist** Max Weber saw a relationship between the value early U.S. Protestants put on the ethic of hard work and investment of profits in their workplaces. He theorized their business interactions led to capitalism.

Socialism: Centrally Regulated Economy

In **socialism**, the means of production are owned and controlled by the state. Goods and services are distributed as a cooperative enterprise without regard for personal profit. Ideally, all citizens share in both work and profits.

Proponents of socialism argue that centralized planning can control inflation and recession. Manipulation of production and consumption can ensure full employment. Growth is steady and does not undergo the rapid fluctuations that can occur in a capitalist society. In practice, however, none of these benefits has been fully realized.

EXAMPLES: The former Soviet Union, Cuba, North Korea, China (though it is moving toward a market economy).

Mixed Economy: Democratic Socialism

Democratic socialism combines private ownership of property and competitive markets with state ownership of large corporations that are run for the benefit of all citizens. The state owns the largest industries and services, such as transportation, health care, utilities, and the media. Although taxes are high, many public

programs are provided, such as low-cost housing and pensions for retired people.

EXAMPLES: Sweden; to a lesser extent, Holland, Germany, France, and Italy.

The U.S. Economy and Work

Sociologists look at how the economy influences people's attitudes, changes their goals, and affects values. They also look at how people experience work and whether they find it satisfying.

A Strong Economy

The United States is primarily a capitalist economy. The success of the economy is measured in **two** ways.

1. **Gross Domestic Product (GDP)**, the total dollar value of all goods and services produced in one year by a nation's people.
2. **Productivity**, the nation's efficiency in producing goods and services. It is defined as the ratio of output to input. Output is represented by the GDP, and input is represented by the dollars spent on labor and materials.

When GDP is divided by population, the United States ranks as the "richest" country in the world. The inequity that this represents worries many people. When one nation controls so much of the world's resources and can control even more through the use of its economic power, there are moral and practical problems. The moral ones create a need for

Americans to be just and wise in their exercise of power. The practical ones create a need for vigilance against terrorism and other expressions of frustration and anger.

Taxes

Governments have collected taxes for thousands of years. The ancient pharaohs made people pay taxes in the form of grain, which was then stored as a surplus to protect against times of famine. Conquered peoples were required to pay taxes to their conquerors, and the powerful also became rich.

With the growth of democracy came the idea that those who paid the taxes should have a voice in how they were raised and spent. The American Revolution, you'll recall, was fought in part over "taxation without representation."

Taxes are collected in the United States by every level of government:

- * **The federal government** collects income taxes and social security taxes from individuals and businesses.
- * **State governments** also collect income tax in most states. Fees paid for drivers' licenses and automobile licenses, highway tolls, and sales taxes are some of the other ways the states raise money.
- * **Local governments** most commonly raise money through taxes on property. Homeowners pay these on the value of their homes. Renters pay them, though they don't see them as clearly, in the rent they pay to landlords. Cities can also levy sales taxes and other taxes.

In all, the average U.S. family spends nearly 30 percent of its income on taxes. In addition, business and other corporations pay close to 50 percent of their profits. Almost everyone agrees that they must pay taxes because the money is needed for the smooth running of a myriad of things—highways, school systems, waste removal from our cities, police protection, and so on.

Tax policy is a major issue, because not only does the money raised help our society run smoothly, but how it is collected can have a major effect on our economy. When taxes are raised, individuals and businesses have less to spend. Shoppers buy less; manufacturers cut back on production and may lay off workers. When taxes are lowered, the opposite happens. When legislators design new programs for such things as improved health care or new weapons and military innovations, part of the public debate always revolves around how the programs will be paid for.

A Regulated Economy

The economy in the United States is regulated in a number of ways to achieve **three** important goals:

1. To protect the value of the money people earn so they can plan to meet their current and future needs.
2. To protect the economic climate in which businesses operate so they can plan for their growth and make profits for their investors.

3. To provide security to the nation's business partners around the world and protect the world from major economic downturns that could cause massive unemployment, cause starvation, topple governments, and cause civil rebellions and revolts.

The Federal Reserve System ("the Fed") is the central banking system of the United States. By "tightening" or "loosening" the amount of money available at any time, the Fed attempts to control the rate of economic growth. When the economy grows too quickly, inflation can result, bringing a reduction in the buying power of money (prices go up).

When the members of the Federal Reserve Board believe that the economy is growing too quickly, they can raise interest

rates. This makes it more expensive to borrow money. Individuals feel that money is "tighter," and they tend to reduce their spending, slowing the economy. Businesses find it harder to borrow the money to invest in raw materials or in improvements, and this too slows the economy. Lowering interest rates has the opposite effect.

Not only do the actions of the Fed affect producers and consumers, they also affect investors in the stock market. Announcements of interest-rate changes by the Fed can create rapid and major changes in stock prices.

An increasing number of Americans are investing in the stock market through programs in which their employers add to the savings they set aside for retirement in Individual Retirement Accounts (IRAs). Thus the effect of decisions by the Fed on the stock market has become a matter of serious interest to many.



Corporate Capitalism

Even though small business owners and service providers represent the largest segment of a capitalist society, large businesses dominate the wealth. This is as true in the United States as it is elsewhere. There are **two** main types of large businesses:

1. **Corporations**, formal organizations that have legal status, power, and liabilities that are separate from the people who own or manage them.

EXAMPLES: ExxonMobil, McDonald's, Microsoft.

2. **Conglomerates**, huge corporations consisting of smaller corporations or subsidiaries engaged in different kinds of business. Their size and presence in different areas of business give them tremendous influence.

EXAMPLE: General Electric owns subsidiaries providing aircraft engines, broadcasting, appliances, financial services, medical systems, power, real estate, and transportation.

Many large businesses are also *multi-national corporations*, with manufacturing, sales, or service subsidiaries in one or more foreign countries. Typically, a multinational corporation develops new products in its native country and manufactures them abroad, thus gaining trade advantages and lower costs of labor and materials. These corporations also provide significant economic influence for the United States in the economies of other countries.

EXAMPLE: General Motors is a conglomerate with manufacturing operations in 50 countries. Its income in 1999 was over \$176 billion, more than the GDP of many countries.

Capitalistic Values

Capitalistic societies tend to have particular values in common. See if you can recognize any of the following as values in the United States:

- * Material rewards for an individual's efforts.
- * The ability to "get ahead."
- * Change—sometimes for its own sake, as in "new, improved" products.

- * Openness to diversity.
- * Creativity and individualistic pursuits.

Some people in capitalist societies, uncomfortable with the rapid changes society is undergoing, seek more security and stability. Others are less concerned with control and order than with personal improvement.

Work and Society

"What do you do?" This common question asked when people first meet demonstrates the importance we place on our work as a part of our identities. Work not only provides people with necessary income but also contributes to their sense of self. The onset of a knowledge-based rather than labor-based economy has changed the concept of work for many people.

Job Satisfaction

In the United States today, economists divide the workforce (or labor market) into **two** broad categories. The category in which one works can influence one's satisfaction with the job.

1. **The primary labor market** includes occupations that provide high income, prestige, and extensive benefits.
2. **The secondary labor market** includes jobs that provide low wages and few benefits.

Sociologists are interested in how much job satisfaction different kinds of work offer. Job satisfaction is a good indicator of such things as a society's perception of the quality of life and the role people feel they

play in the work of their society. Repetitive jobs done under heavy supervision get low ratings on a job-satisfaction scale. Skilled jobs with a certain amount of self-direction and fair compensation rate higher. Many managers involve workers in decision-making processes to enhance job satisfaction.

Another factor that affects job satisfaction occurs when people are forced to accept jobs for which they are overeducated. This *underemployment* leads to frustration and emotional distress.

Changing Jobs

In the postindustrial age, manufacturing jobs are decreasing in number. New jobs come from the high-technology and service sectors. Service occupations include those

in education, health care, tourism, banking, real estate, and insurance. Jobs in this sector range from the higher-paid kind held by computer programmers to the lower-paid jobs of childcare or fast-food workers.

Automation and environmental pressures decrease the number of jobs requiring physical labor. People who once worked in industry or in resource jobs, such as mining and logging, must either retrain for “information” jobs or take lower-paying jobs. Other U.S. workers have even seen their jobs disappear as businesses hire lower-paid workers in other countries to do their jobs.

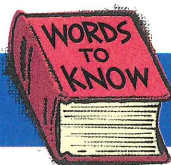
Chapter 11 Wrap-up

POLITICS AND THE ECONOMY

Politics is the social process through which people and groups acquire, exercise, and maintain power. Authority is legal, legitimate power that can be obtained through tradition, charisma, or rational-legal procedures.

The state is the main political authority in most societies. Functions of the state include enforcing norms, regulating conflict, planning and coordination, and conducting relations with other societies. In the United States, political parties and interest groups have a major effect on politics and political participation.

An economy is the systematic production, distribution, and consumption of goods and services in a society. Economic systems include capitalism, socialism, and democratic socialism. In the United States, corporations control most business income. Work provides individuals with both an income and a sense of identity.



- authority**—legitimate, recognized power to enforce laws, demand obedience, command, determine, or judge. *p. 203*
- capitalism**—economic system in which the means of production and distribution are privately owned and operated for profit by competing entities. *p. 218*
- coercion**—illegitimate exercise of power through force or threat. *p. 203*
- conglomerate**—huge corporation consisting of smaller corporations or subsidiaries engaged in different kinds of business. *p. 222*
- corporation**—formal organization with legal status, power, and liabilities separate from the people who own or manage it. *p. 221*
- democratic socialism**—economic system that combines private ownership of property and competitive markets with state ownership of large corporations that are run for the benefit of all citizens. *p. 219*
- economic institution**—system for producing and distributing goods and services. *p. 215*
- economy**—systematic production, distribution, and consumption of goods and services in a society. *p. 215*
- Gross Domestic Product (GDP)**—total dollar value of all goods and services produced in one year by a nation's people. *p. 219*
- influence**—legitimate power arising through persuasion. *p. 203*
- interest group**—organized collection of people who attempt to influence political processes and decisions. *p. 213*
- legitimate power**—power in a society that its people believe or trust. *p. 203*
- monopoly**—business that has exclusive control of a market because it is without competitors. *p. 218*
- nationalism**—people's sense of its right to have its own nation. *p. 207*
- nation-state**—political entity whose government holds jurisdiction over a large territory. *p. 207*
- political institutions**—organizations and customs that a society establishes for its government. *p. 203*
- political party**—organized group of people who work together to win elections and shape public policy. *p. 212*
- productivity**—efficient use of productive resources in making goods and services; it can be measured by the ratio of output (GDP) to investment in labor and materials. *p. 219*
- socialism**—economic system in which society owns the means of production and distribution and all citizens share in work and profits. *p. 219*
- state**—distinct set of institutions that has the authority to make the rules that govern society. *p. 205*