Political and Economic Systems

Governments and economies of countries around the world are becoming increasingly interconnected. Some countries or groups of countries, such as the European Union, have strong economies that allow them to improve standards of living in other countries.

Voices Around the World

“I drove east on the highway that connects the capital of Tallinn with Narva, Russian border. Nearly everywhere I looked I saw the handiwork of the European Union, starting with the road itself. The EU has already invested millions of dollars to improve the highway, which serves as the main link to St. Petersburg, Russia. This highway passes through the town of Sillamäe, once a “closed” city run by the Soviet military, which enriched uranium for weapons programs in a huge factory overlooking the sea. The EU is here, too, pumping in more than a million dollars to prevent the radioactive waste from leaching into the Baltic Sea.”

—Don Belt, “Europe’s Big Gamble,” National Geographic, May 2004
Features of Government

MAIN Idea Territory, population, and sovereignty influence levels and types of governments in countries around the world.

GEOGRAPHY AND YOU What do you know about the powers of government in the U.S. federal system? Read to learn about the powers of government in other places.

Today the world includes nearly 200 independent countries that vary in size, military might, natural resources, and world influence. Each country is defined by characteristics such as territory, population, and sovereignty, or freedom from outside control. These elements are brought together under a government. A government must make and enforce policies and laws that are binding on all people living within its territory.

Levels of Government

The government of each country has unique characteristics that relate to that country’s historical development. To carry out their functions, governments are organized in a variety of ways. Most large countries have several different levels of government. These usually include a national or central government, as well as the governments of smaller internal divisions such as provinces, states, counties, cities, towns, and villages.

Unitary System A unitary system of government gives all key powers to the national or central government. This structure does not mean that only one level of government exists. Rather, it means that the central government creates state, provincial, or other local governments and gives them limited sovereignty. The United Kingdom and France both developed unitary governments as they emerged from smaller territories during the late Middle Ages and early modern times.

Federal System A federal system of government divides the powers of government between the national government and state or provincial governments. Each level of government has sovereignty in some areas. The United States developed a federal system after the thirteen colonies became independent from Great Britain.

Another similar type of government structure is a confederation, a loose union of independent territories. The United States at first formed a confederation, but this type of political arrangement failed to provide an effective national government. As a result, the U.S. Constitution established a strong national government, while preserving some state government powers. Today, other countries with federal or confederal systems include Canada, Switzerland, Mexico, Brazil, Australia, and India.

Types of Governments

Governments can be classified by asking the question: Who governs the state? Under this classification system, all governments belong to one of the three major groups: (1) autocracy—rule by one person; (2) oligarchy—rule by a few people; or (3) democracy—rule by many people.

Autocracy Any system of government in which the power and authority to rule belong to a single individual is an autocracy (aw•TAH•kruh•see). Autocracies are the oldest and one of the most common forms of government. Most autocrats achieve and maintain their position of authority through inheritance or by the ruthless use of military or police power.

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Several forms of autocracy exist. One is an absolute or totalitarian dictatorship in which the decisions of a single leader determine government policies. The government under such a system can come to power through revolution or an election. The totalitarian dictator seeks to control all aspects of social and economic life. Examples of totalitarian dictatorships include Adolf Hitler’s government in Nazi Germany (from 1933 to 1945), Benito Mussolini’s rule in Italy (from 1922 to 1943), and Joseph Stalin’s regime in the Soviet Union (from 1924 to 1953).

Monarchy (MAH•nuhr•kee) is another form of autocratic government. In a monarchy, a king or queen exercises the supreme powers of government. Monarchs usually inherit their positions. Absolute monarchs have complete and unlimited power to rule. The king of Saudi Arabia, for example, is an absolute monarch. Absolute monarchs are rare today, but from the 1400s to the 1700s kings or queens with absolute powers ruled most of Western Europe.

Today some countries, such as the United Kingdom, Sweden, Japan, Jordan, and Thailand, have constitutional monarchies. Their monarchs share governmental powers with elected legislatures or serve as ceremonial leaders.

Oligarchy An oligarchy (AH•luh•GAHR•kee) is any system of government in which a small group holds power. The group derives its power from wealth, military power, social position, or a combination of these elements. Sometimes religion is the source of power. Today the governments of most communist countries, such as China, are mostly oligarchies. Leaders in the Communist Party and the military control the government.

Both dictatorships and oligarchies sometimes claim they rule for the people. Such government may try to give the appearance of control by the people. For example, they might hold elections but offer only one candidate. Such government may also have some type of legislature or national assembly elected by or representing the people. These legislatures, however, only approve policies and decisions already made by the leaders. As in a dictatorship, oligarchies usually suppress all political opposition.

Democracy A democracy is any system of government in which leaders rule with the consent of the citizens. The term democracy comes from the Greek demos (meaning “the people”) and kratia (meaning “rule”). The ancient Greeks used the word democracy to mean government by the many in contrast to government by the few. The key idea of democracy is that people hold sovereign power.

Direct democracy, in which citizens themselves decide on issues, exists in some places at local levels of government. No country today has a national government based on direct democracy. Instead, democratic countries have representative democracies, in which the people elect representatives with the responsibility and power to make laws and conduct government. An assembly of the people’s representatives may be called a council, a legislature, a congress, or a parliament.

Many democratic countries, such as the United States and France, are republics. In a republic, voters elect all major officials, who are responsible to the people. The head of state—or head of government—is usually a president elected for a specific term. Not every democracy is a republic. The United Kingdom, for example, is a democracy with a monarch as head of state. This monarch’s role is ceremonial, however, and elected officials hold the actual power to rule.

**Reading Check** Place How is a direct democracy different from a representative democracy?
Economic Systems

**MAIN Idea** The three major economic systems are traditional economy, market economy, and command economy.

**GEOGRAPHY AND YOU** Can you imagine not having a wide range of choices as you shop for clothes? Read to learn about economic systems in which choices are limited or do not exist at all.

All economic systems must make three basic economic decisions: (1) what and how many goods and services should be produced, (2) how they should be produced, (3) who gets the goods and services that are produced. These decisions are made differently in the three major economic systems—traditional, market, and command.

**Traditional Economy**

In a traditional economy, habit and custom determine the rules for all economic activity. Individuals are not free to make decisions based on what they would like to have. Instead, their behavior is defined by the customs of their elders and ancestors. For example, it was a tradition in the Inuit society of northern Canada that a hunter would share the food from the hunt with the other families in the village. Today, traditional economies exist in very limited parts of the world.

**Market Economy**

In a market economy, individuals and private groups make decisions about what to produce. People, as shoppers, choose what products they will or will not buy, and businesses make more of what they believe consumers want. A market economy is based on free enterprise, the idea that private individuals or groups have the right to own property or businesses and make a profit with only limited government interference. In a free enterprise system, people are free to choose what jobs they will do and for whom they will work. Another term for an economic system organized in this way is capitalism.

No country in the world, however, has a pure market economy system. Today the U.S. economy and others like it are described as mixed economies. A mixed economy is one in which the government supports and regulates free enterprise through decisions that affect the marketplace.

In this arrangement, the government's main economic task is to preserve the free market by keeping competition free and fair and by supporting public interests. Governments in modern mixed economies also influence their economies by spending tax revenues to support social services.

**Command Economy**

In a command economy, the government owns or directs the means of production—land, labor, capital (machinery, factories), and business managers—and controls the distribution of goods. Believing that such economic decision making benefits all of society and not just a few people, countries with command economies try to distribute goods and services equally among all citizens. Public taxes, for example, are used to support social services, such as housing and health care, for all citizens. However, citizens have no voice in how this tax money is spent.

**Communism** A command economy is called either socialism or communism, depending on how much the government is involved. In theory, communism requires strict government control of almost the entire society, including its economy. The government decides how much to produce, what to produce, and how to distribute the goods and services produced. One political party—the Communist Party—makes decisions and may even use various forms of coercion to ensure that the decisions are carried out at lower political and economic levels.
Supporters of the market system claim, however, that without free decision making and incentives, businesses will not innovate or produce products that people want. Customers will be limited in their choices, and economies will stagnate. As a result of these problems, command economies often decline. The Soviet Union, as described below by a Russian observer, provided an example of this situation:

“In 1961 the [Communist] party predicted . . . that the Soviet Union would have the world’s highest living standard by 1980. . . . But when that year came and went, the Soviet Union still limped along, burdened by . . . a stagnant economy.”


By 2000, Russia and the other countries that were once part of the Soviet Union were developing market economies. **China and Vietnam** have allowed some free enterprise to promote economic growth, although their governments tightly control political affairs.

**SECTION 3 REVIEW**

**Vocabulary**

1. Explain the significance of: unitary system, federal system, autocracy, monarchy, oligarchy, democracy, traditional economy, market economy, mixed economy, command economy.

**Main Ideas**

2. Define the three major economic systems. What are the three basic economic decisions that all economic systems must make?

3. Use a table like the one below to summarize the features of government—levels of government and types of government—that exist around the world.

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<th>Level of government</th>
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**Critical Thinking**

4. **Citizen** Explain the different ways in which an autocracy, an oligarchy, and a democracy exercise authority.

5. **Comparing and Contrasting** What different roles might local citizens have in government decision making under a unitary system, a federal system, and a confederation?

6. **Analyzing Information** How does a market economy affect other economies in a region?

**Writing About Geography**

7. **Expository Writing** Write a one-page essay explaining the human and physical geographic characteristics that can influence a country’s foreign policy. Use Iraq, Israel, Japan, and the United Kingdom as examples.

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