

Module 1: Government Foundations
Topic 4 Content: Comparative Government Economies

Introduction



Glover Mint: Welcome to the show. Today we have another special economic edition of Global Guide with our foreign correspondent, Emily Airheart, and our financial analyst, Cain S. Hayek.

Module 1: Government Foundations
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Global Guide Intro



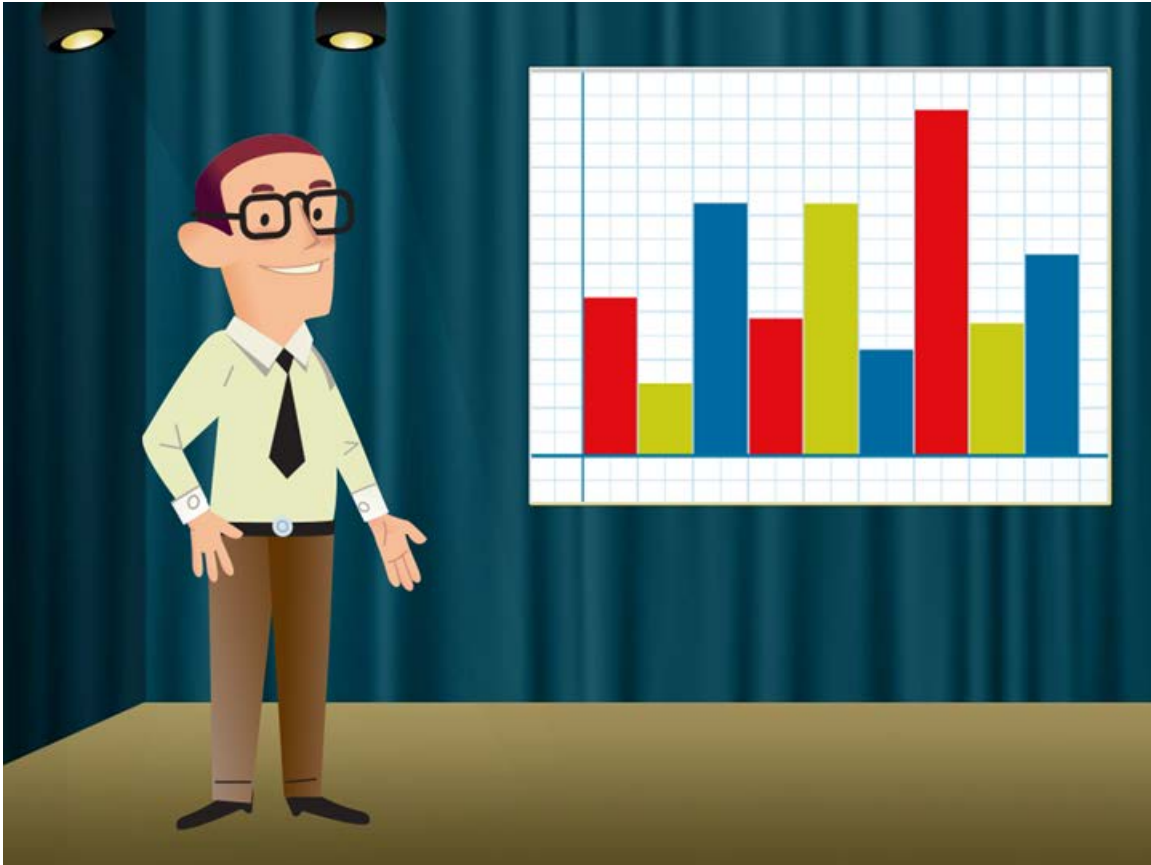
Emily Airheart: Governments that restrain their power and provide their citizens with a lot of political freedoms, are known as limited governments. Along with political freedoms, citizens of limited governments tend to enjoy many economic freedoms, as well.

They are free to decide the answers to the three basic questions, within the confines of the law. They can choose for themselves how to earn a living. They may decide, like our example Eve, to start an event planning service. They may choose to manufacture cars. They may even choose to entertain people by becoming actors. The choices are theirs to make. Cain S. Hayek joins us in the studio to talk about how political freedom relates to economic freedom around the world.

Module 1: Government Foundations

Topic 4 Content: Comparative Government Economies

More Political Freedom = More Economic Freedom



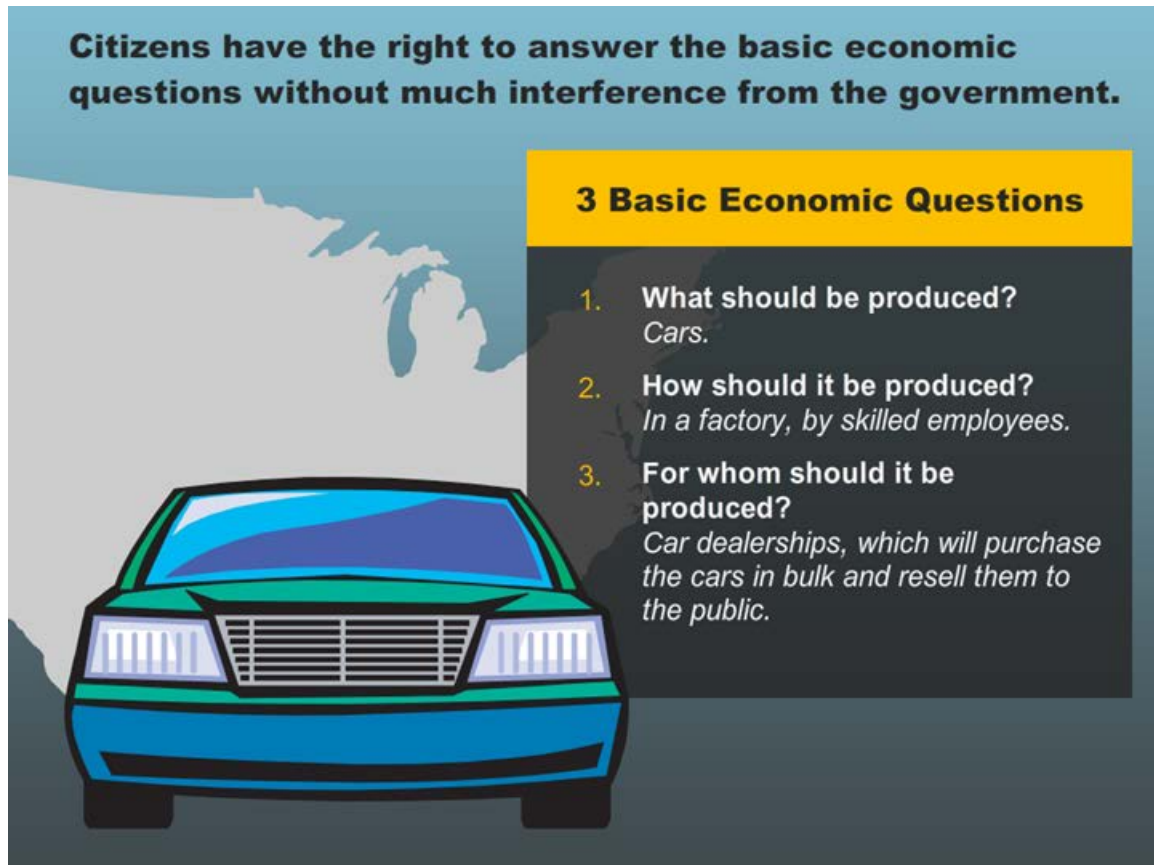
Cain S. Hayek: Hello. I'm Cain S. Hayek. By design, democratic nations allow for a significant amount of political freedom. Citizens of democratic countries are encouraged to participate in the political process, and are allocated various rights and freedoms. This distribution of power in government paves the way for similar practices in the economy. In democratic countries, like the United States, the United Kingdom, and Mexico, citizens enjoy economic freedoms, without much intrusion from the government.

Module 1: Government Foundations

Topic 4 Content: Comparative Government Economies

United States

Citizens have the right to answer the basic economic questions without much interference from the government.



3 Basic Economic Questions

1. **What should be produced?**
Cars.
2. **How should it be produced?**
In a factory, by skilled employees.
3. **For whom should it be produced?**
Car dealerships, which will purchase the cars in bulk and resell them to the public.

Cain S. Hayek: In the United States, citizens enjoy a lot of economic freedom. Citizens have the right to answer the basic economic questions, without much interference from the government. In the United States, you are free to choose how to earn a living and contribute to the nation's economy.

For example, if you decide to start a car manufacturing company, your answers to the three basic economic questions would probably be something along the lines of:

1. What should be produced? Cars.
2. How should it be produced? In a factory, by skilled employees.
3. For whom should it be produced? Car dealerships, which will purchase the cars in bulk and resell them to the public.

By deciding to start a car manufacturing company, you used the freedom that you are entitled to as a U.S. citizen to answer the economic questions as you desired. There will, however, be some government involvement in your decision. For example, the Environmental Protection Agency is a federal organization that regulates gas emissions produced by vehicles. Although you had the freedom to decide to become a car manufacturer, you will not have the freedom to manufacture the cars in any way that you see fit. Your cars will have to meet government regulations in order to protect the quality of the environment.

Module 1: Government Foundations

Topic 4 Content: Comparative Government Economies

United Kingdom

Citizens are free to earn a living in any way that they choose, within the confines of the law.

U.K. Labor Regulations

- 28 paid vacation days each year
- Up to one year of paid maternity, paternity, and/or adoption leave
- A minimum wage that is updated annually and requires older citizens to be paid more than younger citizens



Cain S. Hayek: The United Kingdom is another democratic nation that allows its citizens a lot of economic freedom, without much government involvement. Citizens are free to earn a living in any way that they choose, within the confines of the law. The government provides a minimal amount of regulation. For example, if you are a business owner in the U.K., you are required by law to provide your employees with the following:

- 28 paid vacation days each year;
- up to one year of paid maternity, paternity, and/or adoption leave;
- a minimum wage that is updated annually, and requires older citizens to be paid more than younger citizens, as their living expenses are generally higher.

The government involvement in the economy is aimed at improving the quality of life for its citizens.

Module 1: Government Foundations
Topic 4 Content: Comparative Government Economies

Mexico

Citizens are not permitted to start a business in the oil industry.

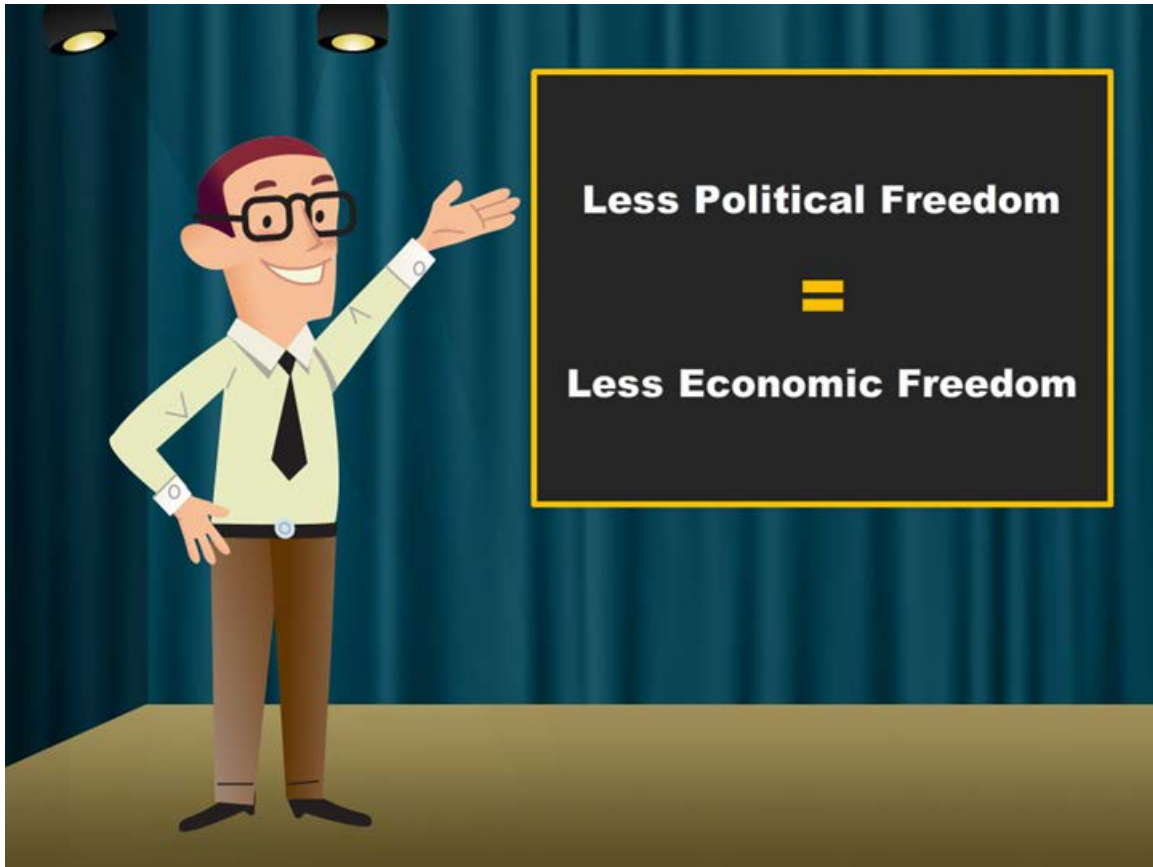
An illustration featuring a stack of five oil barrels in the foreground. In the background, there is a light-colored map of Mexico. The entire scene is set against a dark blue background.

- Citizens are free to choose the manner in which they contribute to the economy.
- The Mexican government retains control of certain aspects of the economy.

Cain S. Hayek: Mexico is another democratic nation that provides its citizens a lot of economic freedom. Its citizens are free to choose the manner in which they contribute to the economy. The Mexican government, however, retains control of certain aspects of the economy that would be relegated to the people in the U.S. and the U.K. For example, the oil industry is monopolized by Mexican Petroleums, a government-owned company. Mexican citizens are not permitted to start their own businesses in the oil industry. It is completely government-owned and operated.

Module 1: Government Foundations
Topic 4 Content: Comparative Government Economies

Less Political Freedom = Less Economic Freedom



Cain S. Hayek: You have seen that limited governments provide many political and economic freedoms to their citizens. On the contrary, unlimited or authoritarian governments provide their citizens very few political freedoms. This facilitates the making of a society with few economic freedoms as well. In authoritarian nations for example, the government exercises a lot of control on the lives of its citizens, and prohibits a lot of individual freedom. The Chinese government is an example of an authoritarian nation that provides for little economic freedom.

Module 1: Government Foundations

Topic 4 Content: Comparative Government Economies

China

Citizens were granted few economic freedoms and the national government controlled most aspects of production.



- Much of the control of the Chinese economy is held by local governments.
- Local government officials have the power to regulate the economy in their regions.
- These officials set the terms of employee contracts, the leasing of land, and the borrowing of funds.

Cain S. Hayek: In the 1950s, during the early days of China's authoritarian government, citizens were granted very little economic freedoms. The national government controlled most aspects of the production and distribution of goods. The government even regulated the consumption of goods. During the 1970s, the Chinese economy began to reform. Today, much of the control of the Chinese economy is held by local governments. Local government officials have the ultimate power to regulate the economy of their regions. For example, it is local government officials who set the terms of employee contracts, the leasing of land, and the borrowing of funds. Even privately-owned businesses are subject to the terms set by local government officials.

Module 1: Government Foundations
Topic 4 Content: Comparative Government Economies

Economic Edition Outro



Cain S. Hayek: As you can see, the political freedoms and economic freedoms of nations are directly related to each other. An authoritarian government typically ends up with a tightly controlled economic system, while a more free democratic society tends to offer more economic choices to its citizens. Thank you for joining me on this special economic edition of Global Guide.

Module 1: Government Foundations
Topic 4 Content: Comparative Government Economies

Conclusion



Demi Tracy: Thank you, Cain! As the saying goes, money makes the world go round. We will see you next time.