

## PS 2211E - 570 [PRACTICE] Final Exam

**I) Please identify 6 (six) of the following 10 (ten) terms and state their significance: [6X5 = 30 marks]**

### **Monetary policy:**

*One of the ways that the government attempts to control the economy. If the money supply grows too fast, the rate of inflation will increase; if the growth of the money supply is slowed too much, then economic growth may also slow. The actions of a central bank, currency board or other regulatory committee that determines the size and rate of growth of the money supply, which in turn affects interest rates. Monetary policy is maintained through actions such as increasing the interest rate, or changing the amount of money banks need to keep in the bank reserves.*

### **Federalism, nationalism, regionalism:**

***Federalism-** A political system in which government power and responsibility is divided between a federal legislature and a number of state or provincial legislatures. In Canada, the federal government has jurisdiction over particular portions of the population. Both levels of government derive their authority from the written Constitution. A true federation, in the modern sense, means a state in which the smaller parts are not sovereign and cannot legally secede. Canadian federalism has been tested throughout the country's history and remains a subject of great debate.*

***Nationalism-** Is a belief creed or political ideology that involves an individual identifying with or becoming attached to one's nation. Nationalism involves national identity, by contrast with the related construct of patriotism, which involves the social conditioning and personal behaviors that support a state's decisions and actions. Nationalism is very important in the case of nations which have unity in diversity. It is considered very significant in arms of patriotism that unites the nation under one single government. The nationalism helps in reducing the violence inside the state and keeps it away from civil war.*

***Regionalism-** Regionalism is a political ideology that focuses on the interests of a particular region or group of regions, whether traditional or formal. Regionalists aim at increasing their region's influence and political power, either through movements for limited form of autonomy or through stronger measures for a greater degree of autonomy. In international relations, regionalism is the expression of a common sense of identity and purpose combined with the creation and implementation of institutions that express a particular identity and shape collective action within a geographical region.*

### **Macroeconomic policy:**

*The set of government rules and regulations to control or stimulate the aggregate indicators of an economy frames the macroeconomic policy. Aggregate indicators involve national income, money supply, inflation, unemployment rate, growth rate, interest rate and many more. In short, policies framed to meet the macro goals. Two main regulatory macroeconomic policies are fiscal policy and monetary policy. Fiscal policy is the macroeconomic policy where the government makes changes in government spending or tax to stimulate growth. Monetary policy deals with changes in money supply or changes with the parameters that affects the supply of money in the economy. Contract laws, debt management policy, income policy are some of the other macroeconomic policies designed to modify macroeconomic indicators of the economy.*

### **Institutions:**

*The organizational structures and the stable system of rules and the means for their environment in public, private and non-profit sectors. Institutions are becomes more important in the international economy to watch over and regulate free trade between countries. The organizations such as World Trade Organization, the*

*United Nations, the International Monetary Fund and the International Criminal Court are institutions that are becoming more important as the international economy grows with globalization.*

**Transfer payments:**

*A collection of fiscal equalization processes used in Canada. The federal government distributes or transfers money to provincial governments to equalize the social programs available to every Canadian citizen. Transfer payments allow the Human Rights, such as health care and education, to be evenly distributed to every Canadian citizen. Further to this, transfer payments allow a provincial economy that is growing to help another provincial economy that is declining. These payments promote Canada as a nation and use its regions or provinces to benefit the entire country.*

**‘Embedded Liberalism’:**

*The institutionalization of prevailing liberal assumptions in legislation, government, economic, and social structure in ways that both reflect and shape public attitudes, expectations, and behavior. This liberal assumption promotes freedom and less government involvement in the free market. Embedded liberalism promotes free trade and growing economies and has been fully supported by developed countries since the end of World War II. Embedded liberalism has ‘embed’ market forces into a framework that could be regulated by national governments; with states able to control international capital flows.*

**The ‘resource-export-nature’ of the Canadian economy:**

*Natural resources such as oil, natural gas, timber and minerals are an important fabric of Canada’s economy. Canada has an abundance of natural wealth from huge reserves of energy to massive tracts of forest and an abundance of minerals and metals. Natural resources account for about 50% of Canadian exports which implies that Canada is largely dependent on other nations for their economic prosperity. More specifically, Canada is dependent on the United States, where a majority of natural resources are exported. In times of economic downturn in the United States, Canada also feels negative impacts on their trade due to this dependence. It can, therefore, be said that Canada is a price taker as opposed to a price maker and is at the mercy of market fluctuations.*

**International political economy**

*International Political Economy is the study of how political decisions – and to what extent these decisions – impact international economic relations. It emerged in the 1970’s with the advent of the ‘oil shocks’ and the breakdown of the Bretton-Woods system.*

**Single-member majoritarian voting system**

*A majoritarian voting system is an electoral method which gives the right to appoint all the representatives to the majority of the electors, denying representation to all minorities. Historically it was the first electoral method to be used, but was later modified or eliminated, due to its perceived non-democratic effects.*

- *Is an electoral method which gives the right to appoint all the representatives to the majority of the electors, denying representation to all minorities? Historically the first electoral method to be used, it was later progressively modified or eliminated, due to its perceived non-democratic effects. The plurality voting system is a single-winner voting system often used to elect members of a legislative assembly which is based on single-member constituencies. This voting method is also used in multi-member constituencies in what is referred to as an exhaustive counting system where one member is elected at a time and the process repeated until the number of vacancies is filled.*

**Factors of production:**

*An economic term to describe the inputs that are used in the production of goods and services in the attempt to make an economic profit. The factors of production include land, labor, capital and entrepreneurship. These factors are also frequently labeled ‘producer goods’ in order to distinguish them from the goods or services*

*purchased by consumers, which are frequently labeled "consumer goods". All three of these are required in combination at a time to produce a commodity.*

**Proportional representation:**

*It characterizes electoral systems by which divisions in an electorate are reflected proportionately in the elected body. If 30% of the electorate support a particular political party then roughly 30% of seats will be won by that party. The essence of such systems is that all votes contribute to the result, not just as a plurality, or a bare majority, of them. Proportional representation requires the use of multiple-member voting districts, it is not possible using single-member districts alone.*

**Hybrid voting systems:**

*In some countries, the majoritarian and proportional systems are combined into what are called mixed-member proportional or additional-members systems. Although there are a number of variants, all mixed-member proportional systems elect some representatives by proportional representation and the remainder by a non-proportional formula. A country's choice of electoral system, like its conception of representation, generally reflects its particular cultural, social, historical and political circumstances. Majority or plural methods of voting are most likely to be acceptable in relatively stable political cultures.*

**Import substitution industrialization (ISI):**

*Is a trade and economic policy which advocates replacing foreign imports with domestic production. ISI is based on the premise that a country should attempt to reduce its foreign dependency through the local production of industrialized products. The term primarily refers to 20th century development economics policies. The ISI policies were enacted by countries in the Global South with the intention of producing development and self-sufficiency through the creation of an internal market. ISI works by having the state lead economic development through nationalization, subsidization of vital industries, increased taxation and highly protectionist trade policies.*

**Warsaw Pact:**

*A collective defense treaty among eight communist states of Central and Eastern Europe in existence during Cold War. The Warsaw Pact was the military complement to the Council for Mutual Economic Assistance, the regional economic organization for the communist States of Central and Eastern Europe.*

**Marshall Plan:**

*An American initiative to aid Europe and Asia, in which the United States gave \$13 billion in economic support to help rebuild European economies after the end of World War II. The plan was in operation for four years beginning in April 1948. The goals of the United States were to rebuild war-devastated regions, remove trade barriers, modernize industry and make Europe prosperous again. The Marshall Plan required a lessening of interstate barriers, a dropping of many petty regulations*

**Social democracy:**

*A political ideology that officially has as its goal the establishment of democratic socialism through reformist and gradualist methods. Alternatively, social democracy is defined as a policy regime involving a universal welfare state and collective bargaining schemes within the framework of a capitalist economy. It is often used in this manner to refer to the social models and economic policies prominent in Western and Northern Europe during the latter half of 20th century. Social democracy was originally known as revisionism because it represented a change in basic Marxist doctrine, primarily in the former's repudiation of the use of revolution to establish a socialist society.*

**Leninism:**

*The body of political theory for the democratic organization of a revolutionary vanguard party, and the achievement of a dictatorship of a proletariat as political prelude to the establishment of socialism. Developed by, and named for, the Russian revolutionary and later Soviet premier Vladimir Lenin, Leninism comprises political and socialist economic theories, developed from Marxism, as well as Lenin's interpretations of Marxist theory for practical application to the socio-political conditions of the agrarian early-20th-century Russian Empire.*

**Foreign Aid:**

- *Financial aid aimed at poverty reduction by filling the financial gap between 1st and 3rd world countries. Foreign aid is most effective when it promotes the development of high quality institutions instead of throwing money at a problem.*
- *The aim to reduce poverty by filling the finance gap. The way out of poverty is to invest in physical and human capital. The creation of such capital by investing in manufacturing would create growth and rising per capita income. Foreign aid promotes development by not focusing on the finance gap; throwing funds at the problem but by developing institutions. Foreign aid must promote high quality institutions and effective state involvement within society (protection of property and public service rights).*

*The Supportive Argument:*

- *Countries are poor because of the institutions they contain.*
- *Institutions in these countries are persistent and foreign donors do not have control over them.*
- *Foreign aid is effective at the state, but also, community level.*
- *Aid should be tied to the development of improved institutions as that is what makes aid provision most effective.*

*Foreign aid is ineffective why?*

- *Because of bureaucracies of the multilateral organizations which administer aid. These bureaucracies focus on pleasing the states which make up these organizations, and not on projects which generate higher returns in developing societies. The solution: Competition, market and accountability.*

**Globalization:**

- *The increase of social relations such in that so people can link persons situated in any inhabitable place on earth, essentially international integration of world views, products, ideas, and aspects of culture.*
- *Shifts in the nature of social space*
- *Generates a new human experience*
- *Best described as “the intensifying level of interactions among major societies around the world, and the interconnections among different kinds of interactions, generated a new framework for the human experience.”*
- *The spread of Trans planetary and in recent time’s supraterritorial connections between people. A global Trans planetary and supraterritorial social relation is such that it can link persons situated at any inhabitable point on earth.*

**Exclusive economic zone:**

- *Seazone prescribed by UNCLOS, which extends 200 nautical miles from a states cost.*
- *States have exclusive rights to this area including:*
  - *Exploration*
  - *Resource extraction*
  - *Energy production.*

**Comparative advantage:**

- *A comparative advantage is present when a country has a lower opportunity cost for a production of a good when being compared to another country, or the rest of the world.*
- *If a country decides to specialize in production of a good in which they have comparative advantage then free trade improves production and consumption efficiency by increasing aggregate output with the same amount of resources and expanding the choice for consumers.*

**The 'gold standard':**

- *The Gold Standard was a standard regulating the quantity and growth of a country's money supply.*
- *It was also an international standard determine the value of a country's currency when converted/compared to another countries currency.*
- *The Gold Standard ensures long term price stability, but because countries following the Gold Standard were so vulnerable to real and monetary shocks, in the short-term, prices were very unstable.*

**II) Please choose 2 (two) of the following 4 (four) essay questions, and provide your answers in essay format. [2X15=30 marks]**

- a) Please list the six (6) Canadian state structures we discussed in the fall term, and note the significance of each on the Canadian economy, and on Canadian business-government relations.
- b) What is the role of small-business in the Canadian economy? [ALEX AND AHMED]
- c) Is the Canadian economy too reliant on the US economy? Is this reliance dangerous? Are there any alternatives? What are these alternatives? Should Canada pursue these alternatives more aggressively?
  - *Canada is reliant on the U.S. but not too reliant. They are the nation we have the largest exports to, and also our largest trading partner overall.*
  - *Based on location, how close we are to them, and how far we are from other developed countries, it makes sense that we have such a strong trade relationship with the US.*
  - *The reliance can have dangerous effects because the US economy is not perfect, and when it faces any troubles, we also face those same troubles.*
  - *It is important for Canada to look at alternatives because more options are always better, and for long term gains, it is beneficial to mitigate risk by spreading out our exports to more countries, because then if one country's economy is doing poorly, we will not be as greatly affected.*
  - *However, we are somewhat limited on certain exports due to our proximity or lack thereof to other nations besides the US.*
  - *Overall, Canada should continue to have strong ties to the United States, as they will continue to be our largest trading partner, but Canada must also work to improve trade relations with other nations to increase its worldwide exports.*

d) What are 'sweatshops', and should they be regulated? In your answer please state what the definition of a 'sweatshop' is, comment on how and why sweatshops were established, and if their regulation is beneficial for the countries they are predominantly located in.

- *Sweatshops: a factory or workshop, especially in the clothing industry, where manual workers are employed at very low wages for long hours and under poor conditions.*
- *Located in underdeveloped countries or in countries that have a close proximity to developed nations for easier trade*
- *Benefits of sweatshops: sometimes these low paying labour jobs are the best option for a worker in this country. It is important to consider the alternatives that they may or may not have if they did not work in a sweatshop. It could be the only place they can get a job that supports their family.*
- *It can be argued whether they should be paid below minimum wage, or increased to a living wage, but companies who operate the sweatshops continually argue that they are paying much higher than any other job their workers could get*
- *Many people argue that people who work in sweatshops should be paid more, but these same people also argue that prices for clothing and other goods continues to rise and they should be cheaper.*

e) What is it meant by 'race to the bottom' in the global political economy? Please discuss.

f) What is the significance of NAFTA? Is it beneficial for Canadian, US and Mexican business- and economic relations? [MARCUS AND JONATHAN]

g) What were some of the economic and financial *barriers* to free or open trade we discussed during the Winter Term? To what extent are they barriers? And, to what extent do they inhibit the economic development of a state?

*Over exploit developing nation (human capital, human right)*

*Over exploit developing nation's natural resources (environmental protection issue)*

*Developing nation sovereignty is losing power (developing nation's economy highly depend on developed countries, interrupt developing nation's economic structure)*

*Developing nation's corporations lost innovation ability and market share.*

*Free trade cause developing nations' economic development lack of sustainability, less improvement of labor market and working condition, interrupt developing nations' economic development path, and threat developing nations' sovereignty and social stability.*

h) Please explain the notion of 'comparative advantage' in international trade? Does it make sense; why, or why not?

*A nation's comparative advantage in production of a product has lower opportunity costs compare with another country or rest of world. If countries specialize in the production of those products in which they have a comparative advantage then free trade improves production and consumption efficiency by increasing aggregate output with the same amount of resources and expanding the choice for consumers. Make sense: e.g.: some countries have plenty natural resources and low cost reach those natural resources; as result, those countries' product has advantage in global market.*

i) Please comment on the 'oil shocks' in the 1970s. What was their significance for the global political economy? What was their significance for developing nations?

*The “oil shocks in the 1970’s” is referring to the global economic oil crisis that began in 1973, when the Arab states of OPEC (Organization of Petroleum Exporting Countries) placed an oil embargo on the United States and their Western allies (Canada, UK, Netherlands, Japan). This embargo was put in place as a retaliation of the funding that Israel was receiving from the U.S and their allies during the war between Israel and the Arab states lead by Syria and Egypt).*

*As a result of the embargo the global price of oil quadrupled. Many gasoline stations were closed down, and people were also forced to wait long hours at service stations that did have gasoline. Moreover, being that a lot of products use oil in some part of their production stage, there was also an increase in the price of consumer goods.*

*Major industries were also affected like the airline and manufacturing industries. Because aircrafts were forced to reduce their quantities on fuel, they had to be a cutback on flights. Consumers were no longer purchasing big American cars, and were opting for smaller fuel-efficient cars, which caused many job losses.*

*The oil embargo highlighted the significance of oil in the global economy, and how oil could be used as a “political weapon”, and also exposed the dependence of Western states on receiving oil from the Middle East. The embargo on oil also forced governments to adapt to the new economic conditions. Oil conservation began to be the new mantra, and states started to shift their energy policy by focusing on renewable, solar and wind energy in order to be more efficient. The oil shocks in developing nations made their economies more impoverish due to the rise of the global standard of living, resulting from an increase in the cost to import oil, and also the cost in consumer products.*

**III) Please choose 1 (one) of the following 3 (three) essay questions and provide an answer in a formal essay format. [40 marks]**

- a) If you are asked to evaluate the *context* of business-government relationship in Canada, what would you emphasize? What themes in the course would you draw upon, and what detailed information would you include in your answer?

- a) If you are asked to evaluate the *context* of business-government relationship in Canada, what would you emphasize? What themes in the course would you draw upon, and what detailed information would you include in your answer?

To properly evaluate the context of the relationship between business and government in Canada, one must consider a variety of factors while considering the notion that the ultimate goal of government with regards to business is to bolster the economy and post growth across its sectors. Some factors to include and themes to draw upon:

**Economic policy**

**(Microeconomic, Macroeconomic, Structural Adjustment)**

- Set by government to create conditions that aim to help businesses and grow the economy
- Aims to improve standard of living; when an economy is prospering, its people usually are seen to be prospering as well
- Increasing economic efficiency to promote the optimization of resource use so that waste is minimized.
- Protection of public goods
- Promotion of equality and fairness; creating a landscape in which businesses can compete fairly with one another and in which people have access to equal opportunities
- International agreements/policies -> Canada's government plays a large in encouraging foreign investment; also plays large role in international trade agreements (GATT, WTO, etc.)

**Regionalism**

- Canada is an extremely diverse nation with differing values and peoples from coast to coast
- Each region contributes to the economy in different ways
- Heavy reliance on Alberta with oil exports
- Governmental role split between federal/provincial to best deal with each region
- Resource dependant regions often depend on government for relief in economic downturn
- Government provides offsetting of regional disparities through items such as transfer payments to support certain areas of the country

- b) Is trade liberalization a beneficial policy aim? Please discuss, and supplement your answer with relevant Canadian and other examples. *[You will need to consider 'liberalization vs. protectionism', 'free trade vs. regulation', 'the global financial crisis', and 'trade vs. growth', the effectiveness or ineffectiveness of foreign aid, etc.]*

*The world is fast becoming a global village, a metaphor that is often invoked to depict global interdependence and the increasing interaction among and the integration of economic activities of human societies around the world. By definition, economic globalization is the increase in cross-border trade and the increased investment among various nations across the world. This is promoted by the advancement of communication and*

*information technology. There is no question that increased trade and investment help nation states develop more quickly as it creates more income and relative productive capital. Nonetheless, not every country is fully integrated into the global village. Industrialized nations use their comparative advantage to boost their share of world trade and finance, and so largely benefit from globalization. Developing countries, on the other hand, have had mixed results with liberalizing trade policies. Many have experienced deterioration of domestic industries and as a result a worsening of economic development the unequal distribution of political, economic and military power has meant that while globalization has created enormous benefits for some countries, it has produced vastly different results for other countries.*

*Trade liberalization is a policy that seeks to eliminate artificial borders put in place by governments to encourage the flow of goods and services between nations. When trade barriers, such as tariffs and subsidies are put in place, they protect domestic producers from international competition and redirect trade flows. Advocates of free trade argue that opening borders allows countries to specialize in production of commodities in which they have a comparative advantage. By specializing in specific industries, nations are able to take advantage of efficiencies gained from economies of scale and increased output. Since international trade increases the potential market size of a country, there are more opportunities to exploit these economies of scale, ultimately leading to increased production. By reducing tariffs and opening their borders, countries are able to attract substantial inflows of foreign direct investment which can in turn help to develop specific sectors within their economy. This presents new job opportunities for local workers which arguably lead to a higher standard of living and more disposable income to be spent within the economy.*

*Another key part of the opening of borders is the idea of foreign aid in order to help impoverished countries. Governments often channel some of their aid funds through multilateral agencies such as The United Nations or the World Bank in hopes to improve living conditions and economic growth in developing countries. Despite their intentions, the perceived effects of foreign aid are often less than positive. Multilateral agencies such as the World Bank often have very strict regulations as to which countries qualify for aid. Many times, countries who are the poorest are not the ones that actually receive funds. Furthermore, funds could be given to countries with corrupt governments who have no intentions of using foreign capital to benefit the country as a whole. There is also*

*Globalization and a country's openness to trade can only help said country develop if there are democratic institutions in place to help redistribute gains from free trade, investment and technology. Weak institutions, such as those found in many developing countries, are not able to effectively prepare for the adjustment to globalization which puts them at risk of worsening their economic standing. Developing countries must be able to develop strong institutions at the national level, including independent and effective judiciaries, strong parliaments, and accountable executives, and without strong social policies, including those on health, education, and social security systems, there are too many risks that the benefits of globalization will be unequally distributed among the population. Trade liberalization has great potential for countries to reduce poverty and become prosperous, but it must be pursued in the proper manner. In order to ensure the success of economic globalization in developing countries there are a few caveats that should be met. The reinforcement of democratic institutions and promotion of decentralized decision making is one requirement. Furthermore, the state must support strong social policies and emphasize social capital. There should also be efficiency within public administration and an effective strategy of resource mobilization. The importance of sound government*

*institutions in order to successfully implement liberal trade policies implies that many countries are not suitable candidates to free trade and therefore should not participate in the global arena.*

- c) What was the significance of the 'Bretton Woods system' in the post-World War II international political economic order? Which institutions were developed at Bretton Woods? How did these institutions encourage trade liberalization? Lastly, please also comment on the more general impact and demise of the Bretton Woods system. [ALEX AND MUAZ]
- d) Based on our discussions during the fall and winter terms, would you argue that 'the market' should be the final arbiter of the allocation of resources within an economy – as well as within the global political economy – OR should political considerations be more important? Please supplement your answer with relevant Canadian and other examples.

*In regards to the allocation of resources within an economy, political considerations, like governmental intervention, should take precedent. This is only because the market as a system of exchange has proved to be vulnerable to the economy. This is mainly due to its dependent on international trade. When the market shows signs of an evident downturn, this is when the government must intervene for providing relief before Canada faces further economic turmoil.*

*In order to decide whether the market or our government should be the arbiter of our resources, one must consider the implications of both sides. The market in itself is still essential to the Canadian economy. It allows for buyers and sellers to exchange in various types of goods, services, and information. The market also runs under laissez-faire policies being free from government intervention. The main reason why the Canadian economy cannot rely on the market dictating its resource distribution is due to its vulnerability. This stems from the four major determinants of the interaction, between politics and economies in Canada. One of these determinants being that different regions of the country depend exclusively on the export of resources which makes them vulnerable to market fluctuations. These regions include the west and their growing reliance on the resource based industries like oil and farming. These industries have investment through the outcome of the market as a source of profit. But while many communities rely on the provision of profit through the market, it may not translate to long term wealth. This is because another determinant of the interaction between politics and economies is that the production of wealth is dependent on the production and export of resources. Due to this determinant, industries across Canada cannot rely on the market due to its uncontrollable fluctuation of prices. The allocation of resources in Canada should not rely on the outcome of the market that is not assured success. It will need more political feedback in regards to where and how the resources should be allocated.*

*Political considerations, like government regulations are essential to the allocation of resources. This is because small resource producers need government protection from large and foreign producers. In these*

circumstances, the government establishes marketing boards (grain, fish, fur, and pulpwood). Governments of each level and can speak on behalf of each region in regards to what resource should be emphasized during allocation. The market can provide for the resources to still be systematically traded, but there should be a level political intervention involved as well.

#### *Interaction between Politics and Economics*

- *Production of wealth is dependent on the production and exports of resource commodities to international markets.*
- *Different regions of the country depend on export resources which makes them vulnerable to the fluctuations of the international markets. Because not every region is resource reliant, the resource economy is also regionally based.*
- *Different interest groups enjoy different degrees of access.*
- *Government is responsible for production of export resources seeing how they are in control of the limits and capabilities of businesses.*
- *The Government can intervene by:*
  - *Insurance Schemes*
  - *Government protection from large and foreign producers*
  - *Government must redistribute income earned from primary and secondary sectors to other sectors which do not see as many benefits.*
  - *The tendency for the government is to even out market-based inequalities in incomes and opportunities.*
  - *However, the government is constrained in their ability to redistribute income and opportunities due to reliance on the international trade and the resource export dependent nature of the production of wealth.*
  - *Governments should aim to increase transfer payments which will go on to aid and improve production and services related to export resources.*

*I feel it would be ideal that the market should have a strong impact on the decision of the allocation of resources within an economy, however it would be in best interest to have a political standpoint for the final arbitration of the allocation of resources within an economy.*

- e) Please outline Canada's foreign policy dealing with the Arctic. Do you think it is sufficient to protect Canadian interests in the North, or should Canada utilize a more robust and aggressive foreign policy with respect to the Arctic?

*The Arctic is fundamental to Canada's national identity. It is home to many Canadians, including indigenous peoples, across the Yukon, the Northwest Territories and Nunavut, and the northern parts of many Canadian provinces. The Arctic is embedded in Canadian history and culture, and in the Canadian soul. The*

*Arctic also represents tremendous potential for Canada's future. Exercising sovereignty over Canada's North, as over the rest of Canada, is our number one Arctic foreign policy priority.*

*In Canadian Arctic foreign policy, the first and most important pillar towards recognizing the potential of Canada's Arctic is the exercise of our sovereignty over the Far North. Canada has a rich history in the North, and Canada's sovereignty is the foundation for realizing the full potential of Canada's North, including its human dimension. The potential for wealth and job creation through resource development, both living and non-living, is significant. It is estimated that one-fifth of the world's petroleum reserves lie in the Arctic. That is why the Government of Canada is investing significantly in mapping the energy and mineral potential of the North.*

*The potential for wealth and job creation through resource development, both living and non-living, is great. Canada is the world's third largest diamond producer. It is estimated that one-fifth of the world's petroleum reserves lie in the Arctic. That is why the Government of Canada is investing significantly in mapping the energy and mineral potential of the North. Managed in a sustainable manner, Canada's incredible endowment, including living marine resources such as fisheries, will contribute to the prosperity of Northerners and all Canadians for generations. These resources can and will be a cornerstone of sustained economic activity in the North and a key to building prosperous indigenous and Northern communities.*

*The Arctic environment is being affected by events taking place far outside the region. Perhaps the most well-known example is climate change, a phenomenon which originates outside the Arctic but is having a significant impact on the region's unique and fragile environment. The resulting rapid reduction in Arctic multi-year sea ice has had, and will continue to have, profound consequences for the peoples and communities of the Arctic. What happens in the Arctic will have global repercussions on accelerating climate change elsewhere.*

*The Government of Canada is committed to providing Canadian Northerners with more control over their economic and political destiny. Canada is taking steps to endorse the United Nations Declaration on the Rights of Indigenous Peoples in a manner fully consistent with Canada's Constitution and laws. In recent decades, Canada's Northern governments have taken on greater responsibility for many aspects of their region's affairs. Progress is continuing in this area and represents another way in which Canada is exercising its sovereignty in the Arctic. Canada's North is also home to some of the most innovative, consultative approaches to government in Canada and the world. Through land claim and self-government agreements, indigenous communities are developing made-in-the-North policies and strategies to address their unique economic and social challenges and opportunities.*

*The rapid pace of change and growing importance of the Arctic requires that we enhance our capacity to deliver on Canada's priorities on the international scene. Facing the challenges and seizing the opportunities that we face often require finding ways to work with others through bilateral relations with our neighbors in the Arctic, through regional mechanisms like the Arctic Council, and through other multilateral institutions.*

*Canada is a Northern nation, the North is a fundamental part of our heritage and our national identity, and it is vital to our future. The North is home to many Inuit and other Aboriginal peoples, as well as those drawn there from around the world. Our government recognizes the tremendous opportunities, as well as the many challenges that exist in the North today. That is why Canada is allocating more resources and attention to*

*Northern issues than at any time in our country's history, therefore it is important that Canada remains sufficient in the North.*

*Through Canada's Arctic foreign policy, it will deliver on the international dimension of our Northern Strategy. Canada will show leadership in demonstrating responsible stewardship while we build a region responsive to Canadian interests and values, secure in the knowledge that the North is our home and our destiny. Through Canadian Arctic foreign policy, Canada is also sending a clear message that Canada is in control of its Arctic lands and waters and takes its stewardship role and responsibilities seriously. Canada continues to stand up for its interests in the Arctic. When positions or actions are taken by others that affect our national interests, undermine the cooperative relationships we have built, or demonstrate a lack of sensitivity to the interests or perspectives of Arctic peoples or states, we respond.*

f) Our discussion with regards to globalization entailed the notion that certain 'forces' of production and governance enabled globalization to take place, and at the same time, globalization also had a direct effect on the forces of production and governance as well. Please outline how the 'forces' of production and governance had contributed to globalization, and what effects has globalization had on production and governance.

- The intention of this essay is to outline the 'forces' of production and governance that have contributed to globalization, and to discern what effects has globalization had on production and governance. This essay will argue that globalization has not, in fact, been beneficial for developing states, and will continue to marginalize them in years to come.*

- Globalization can be defined as the extension of social relations without the limit of borders.*

- It suggests that regardless of where one individual might be, they can share their thoughts with another, who too may not necessarily be within a geographical proximity. Globalization is in large caused by a development of technology, whereas mentioned above, allows us to communicate with each other regardless of where we are.*

- Globalization has led to several challenges to the development of the state, and thus challenged the abilities for a state to govern over its territorial borders.*

- Initially, it allowed the Western world overcome the challenges associated with Communism, and in that regard, it is without question that globalization played a major part. Individuals behind the 'Iron Curtain' were able to see that 'the grass is greener on the side'. Within a few months, the Berlin wall was removed, symbolizing the fall of Communism.*

- Today, globalization provides many challenges for states. Specifically, it creates unfair expectations on a weak state or a state who has yet to begin development. In many situations, people see how prosperous Western states are, and demand change with their state. This is not possible because of 'the race to the bottom': the process in which developed countries create and exploitive relationship with developing countries. They seek cheap labor and create unfair relationships, draining the disadvantaged state of its entire resources. Thus, when the state is pushed by its people to radically develop and it is unable to, it sparks a legitimation crisis for the government.*

• *Globalization has in large led to further inequality within developing states. Developing states should in practice focus on developing their internal trades but are unable to either through the exploitation of Multi-national corporations (MNCs), or through large trade institutions such as the International Monetary Fund (IMF) and the World Trade Organization (WTO). Many of these developing countries have a corrupt government, which pushes developing countries into financial hardship. Institutions like the IMF and the WTO then offer a 'bailout' that severely limits the autonomy and finances of these developing countries. Social provisions are subject austerity, and borders are forced opened to exploitive Western countries and MNCs.*

• *In this sense, those who argue that trade promotes growth because it creates policies for education, taxation and social services are naïve. Theoretically trade increase would work on paper, much like Communism, but in the real world it does not. As argued above, developing countries do not have the opportunity to create policies, barring outliers such as Singapore. And remember: this is all a function of globalization, the push for rapid development in consumer products (i.e. communications technology). Developing countries are rich with resources used for communications and thus have a large target painted on their back for Westernized countries.*

- g) Please compare and contrast liberal and socialist thought with respect to the ideal way of organizing a national economy. Please comment on the following questions: what are the philosophical bases of these theories? How do these theories view society in general? What do these theories prescribe to be the ideal way of organizing an economy? What do the *variants* of these theories say about the way in which an economy should be organized? Lastly, please explicitly state your own opinion on the matter. In other words, in your opinion do any of these theories offer an accurate description of the ways in which the Canadian economy is organized? Why, or why not?

***Liberal thought:*** *The liberal thought on the ideal way of organizing a nation's economy sees as little government or state interference as possible. They believe that market forces such as supply and demand should dictate all aspects of the different economic sectors and industries to self-regulate themselves. They critique the socialist view by saying the state cannot run business as efficiently as the private sector nor should the tax payer be burdened with fronting the cost of their endeavors. This thought is rooted in the philosophical base that the right of the individual is of the utmost importance, and the ideal state is built up of these self-interested individuals. These individuals need to be able to operate freely without any state interference while having the "liberty" to dictate how and where they use their resources. Capitalism evolved from this train of thinking.*

***Socialist thought:*** *came as a critique of capitalism. Socialists believe that the market forces of supply and demand do not bode well for the overall well-being of society. They fundamentally believe that it creates winners and losers in the system which is problematic because their train of thought views every citizen as equal making the state one large cohesive unit. The only way this can be achieved is through direct state intervention in both the lives of the citizens as well as the economy. If left alone they believe the market forces and greed will create inequalities that will damage the cohesive strength of the state. In a socialist system the state controls almost if not all aspects of industry. State owned corporations dictate the distribution of resources equally amongst the citizens to ensure that there are no winners and losers.*

- h) Imagine that you are an advisor of the Head of State of a newly ‘democratic’ country that is just emerging from a dictatorship, and a centrally planned economy where all aspects of economic interactions were controlled and pre-planned by the state. Imagine then that you are asked to brief the individual on the most appropriate ways in which to organize the political system and the national economy. You – as you are an advisor from Canada – are asked specifically about capitalism, socialism, liberalism and democracy, and how these economic and political notions ‘play out’ within our political and economic system. What would your advice be? (Please keep in mind Canada’s political and economic history; the origin, size and density of Canada’s population; the political structure, political parties, the electoral system and the type of government we have here in Canada.) [CALVIN AND ANDREW]
- i) A fellow student at King’s asked you about PS 2211E. The student was really interested in taking this course, but was hesitant to enroll because this student had very minimal knowledge of Canadian politics, business or the Canadian economy. The student then asked you to provide a brief overview of the course. What would you say to them, and why?
- *PS 2211 will help student to learn the relationship between business and government. First part of course introduces Canadian political and economic contexts, and second part is global economy and international relationship.*
  - *First part will explain, analysis, and evaluate the interaction or relationship between Canadian political field and economic field. How does those two field impact each other?*
  - *Second part will focus on North American regional context and global economic order. Some organizations’ function, and international relationship. (Globalization)*
  - *This course involves many open-answer questions. Debate will help student understand learning material in different ways, and final negotiation will let student experience international negotiation process and atmosphere and how does it work in global battle.*