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# Introduction

As we all know

All Economies share three  
Goals -

## Growth

An economy provides people with goods and services, and economists measure its performances by studying the gross domestic product (GDP) - the market value of all goods and services produced by the economy in a given year.

GDP up - Economy Growing

GDP down - Economy contracting

## High Employment

Because most people earn their money by working, a goal of all economies is making jobs for everyone who wants one.

## Price Stability

When the average prices of products either don't change or change very little, price stability occurs.

Overall price go up - inflation

Overall price go down - deflation

While consumers and producers obviously make most decisions that mold the economy, government activities have powerful effects on the economy of any country.

# Government's Role

In any country's economy, government activities have at least four powerful effects -

Direct Services  
Stabilization and Growth  
Regulation and Control  
Direct Assistance

Direct Services -

Each level of government provides direct services.

For example, Postal service, is a federal system serving the entire nation, similarly the large military establishment.

The construction and maintenance of most highways is the responsibility of individual state governments.

The public education systems are primarily paid for by state, county or city governments.

In general, police and fire protection are the responsibilities of local government.

Stabilization and Growth -

Branches of government, including Congress and such entities as the Federal Reserve System, control the extremes by adjusting tax rates, the money supply and the use of credit.

By balancing federal budget.

# Government's Role

## Regulation and Control -

The government regulates and controls private businesses in many ways in order to ensure the best interests of the people.

Public policy permits such companies to make reasonable profits but limits their ability to raise prices "unfairly" (as defined by the regulators) because the public depends on their services.

Often control is exercised to protect the public, for example, when the Food and Drug Administration bans harmful drugs, or requires standards of quality in food.

## Direct Assistance -

The government provides many kinds of help to businesses and individuals. For example, imports are sometimes taxed or limited by volume so that American products can better compete with foreign goods.

Government also provides aid to farmers by subsidizing prices they receive for their crops. In quite a different area, government supports individuals who cannot adequately care for themselves by making grants to low-income parents with dependent children, by providing medical care for the aged and indigent, and through social insurance programs that assist the unemployed and retirees.

Government also supplies relief for the poor and help for the disabled.



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