

# Example of governments role in economy case study

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The economy and the government are dependent upon each other. The country specific situations and size of the country are the two major factors that can determine what role, and to what level a government should regulate the economy. The United States economy is typically driven by a consumer-based society and a capital-driven system (US Department of State, 2012). Market based and capital oriented system has its own drawbacks. Lesser governmental involvement in social services, will lead to more privatized, individuated society with lesser social responsibility. In that context the US government has a role to play in social and environmental front. If the governmental involvement is less in economic management, then the social services sector would be affected, because the private companies would show least social responsibility. Similarly the environmental exploits will be higher if the companies are not constrained by the government. For social and environmental reasons the government has to interfere in the economics of the region.

One of the tools used by government in the acquisition and redistribution of wealth is the tax system. Increased taxes or more governmental control over certain aspects of social services comes with greater difficulty, especially in distribution of funds. Another tool is the legislative control for the protection of environment. In the last two decades the need for preserving the environment has increased and the US government is making laws to control the negligence by the private sector on environment.

However, Americans love to see growth in the economy or else they are worried. There is a paradox for the government with respect to taxation and individual Americans are inclined to pay taxes (US Department of State,

2012), but the taxes thus collected are used for administration and the funds are allocated to social development insufficiently. Some congress men believe that lesser taxation is more suitable. In this case the citizens will be left with more money, which they can use it for extra purchases. These extra purchases will drive the economy further. For regulating the economy the government needs to be watchful and make laws that can restrict environmental degradation and promote social development. In United States, the economic prosperity is contingent on government's role.

## **REFERENCES**

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