

# Government managing the economy

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**GOVERNMENT MANAGEMENT OF THE ECONOMY** The government plays a vital role in the management of the economy through a number of strategies that focus on economic stability. A form of economy in which the government controls major aspects of the economy is referred to as the command economy. In such an economy, the government decides on what to produce, how much to produce, techniques to be used in the production process as well as the means of production to be applied (Kennedy, 2008). One of the roles that the government plays in the economy is to ensure stability and growth. The government aims at maintaining a steady economic growth, increased employment rate, general price levels, low inflation rates and stable price levels. The government employs the use of fiscal and monetary policy in controlling the economy. The fiscal policy uses spending and taxation to bring about stability. The monetary policy applies the use of the use of key tools by the central bank to bring about stability in cases of excess or limited liquidity in the economy. These roles can only be played by the government which confirms how important the role of government in the economy is. The government plays a critical role in capital budgeting through adoption of the various techniques in its public expenditure decisions. Just like individual firms, the government engages in authorization of capital spending on long-term projects that are of great significance to the entire nation. This is done through qualitative and quantitative analysis of projects (Lee, et. Al, 2012).

Provision of public goods in the economy is done by the government. These are goods that the society need for their survival and are meant to benefit everyone. If the provision of such goods is left in the hands of the private sector, many people will not be able to access such goods owing to the profit

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making initiative of private firms (Goldin, 1994). The government plays a vital role in creating order within the economy which is very critical for elimination of social unrest and political upheaval. Such order by the government eliminates social evils such as corruption, hoarding, smuggling of goods and operation of black market that sell illegal products in the economy. The economic policies applied by the government assist in maintaining the stability of the local currency thus promoting international trade and relations.

#### References

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