

The role of the government essay

[Finance](#), [Financial Analysis](#)



The Role of the Government One of the government roles is to create an environment In which businesses thrive.

This Is because businesses create wealth for the nation as a whole and the people who live there. Above the Maltese Government there Is the European Government and since Malta makes part of the European Union It Is affected by the polices and laws that the European Government states. The EX.

protects the internal market by allowing businesses within the E to trade across borders without any controls or restrictions. The EX. tries to make sure that all businesses compete fairly with each other and promotes competition laws to keep prices low for consumers within the ELI. Businesses in the EX. also benefit from product standardization which means that most products can be sold all over Europe without needing to be adapted or changed. The Maltese government makes laws that apply to everyone but also has to abide by EX. directives on agreed areas, such as employment rights, product safety and competition. The government tries to attract businesses to locate in Malta to increase employment prospects.

The government alms to create a stable economy with continued growth so that new entrepreneurs are encouraged to start and grow businesses In Malta. How does the economy works? When consumers buy goods they spend money. Firms use this money to hire labor and pay wages. These workers then buy more goods and so on. The more this happens the greater number of people employed and everyone becomes richer. The Government gains tax from the people employed and pays out fewer benefits because unemployment is lower.

There are mainly four ways how to keep the economy strong and stable.

Steady Economic Growth Economic growth is measured by putting a monetary value on all the goods and services produced in the country. This is called Gross Domestic Product. It can be calculated by expenditure which means much money everyone spends each year, by income how much money everyone earns each year and by output by calculating the value of all goods and services produced in a year. Our standard of living improves on how much we produce and the more we earn as a nation, the more money we have to spend. **Full Employment** This means that everyone who is able to work and wants a job can have one. The local community succeeds as everyone has more money to spend, the government gains more in tax and pays out less in benefits. **Sustained low inflation** Inflation is when prices rise.

This means that the cost of living increases. If inflation is more than 4 or 5% it causes problems for individuals and businesses because they cannot compete with cheap imports. To try to control inflation, the government tries to reduce levels of consumer demands, because this causes prices to rise. One way is to increase interest rates so that people save more money. The opposite of inflation is deflation which means that the price of goods decreases. This is when people stop spending money and this reduces demand for goods and services.

A Surplus on the balance of payments Surplus is when you have more exports than imports. Malta earns more money when paying out more than it earns. The opposite means that Malta is selling more products than it is earning more money.