

Economy module

Government

The government consists of institutions that are tasked with regulating and issuing policies to influence economic activity. They include the central government, ministries, central banks, and local governments.

The macroeconomic objectives of the government sector are:

- Achieve sustainable economic growth

- Stable inflation

- Full employment

- Balance of payments equilibrium

Apart from going through regulations, the government sector also issues policies. Well-known examples of macroeconomic policy are fiscal and monetary policy. Both affect aggregate demand, which in turn has an impact on production activities and aggregate supply.

To finance operations and macroeconomic policies, the government collects taxes from the business and household sectors. If tax revenues are less than expenditure, the government runs a budget deficit. It must borrow to cover the deficit, for example, by issuing debt securities.

Furthermore, the government also launched structural policies to influence the supply side of the economy. Examples of policies are privatization, infrastructure development, improving the education system, and promoting competition.

In several sectors, the government also carries out various economic activities, especially where they are less attractive for private sectors (business). Examples are infrastructure development, defense, health and education services, and rail transportation. The private sector considers these activities high risk or unprofitable.