

THE ROLE OF GOVERNMENT

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THE ROLE OF GOVERNMENT

- 1. **Diplomacy and Defense** (Foreign relations)
- 2. Special research, business and development, job training, **unemployment** insurance
- 3. **Protect and regulate** the use of natural resources.
- 4. Enforce and regulate fair and responsible business practices.
(**Monetary policy, consumer protection, banking practices**)
- 5. Determine and enforce **civil laws, freedoms** of the press, **religion** and **rights of property**.
- 6. Provide public goods and services for the well-being of the community such as **infrastructure**, disaster relief, basic **healthcare**, public **education**.

SIMPLE SCHEME FOR ECONOMY

Government

Gains

Spending

Taxation

Goods and services

Borrowing

Transfers

Justice

National defence

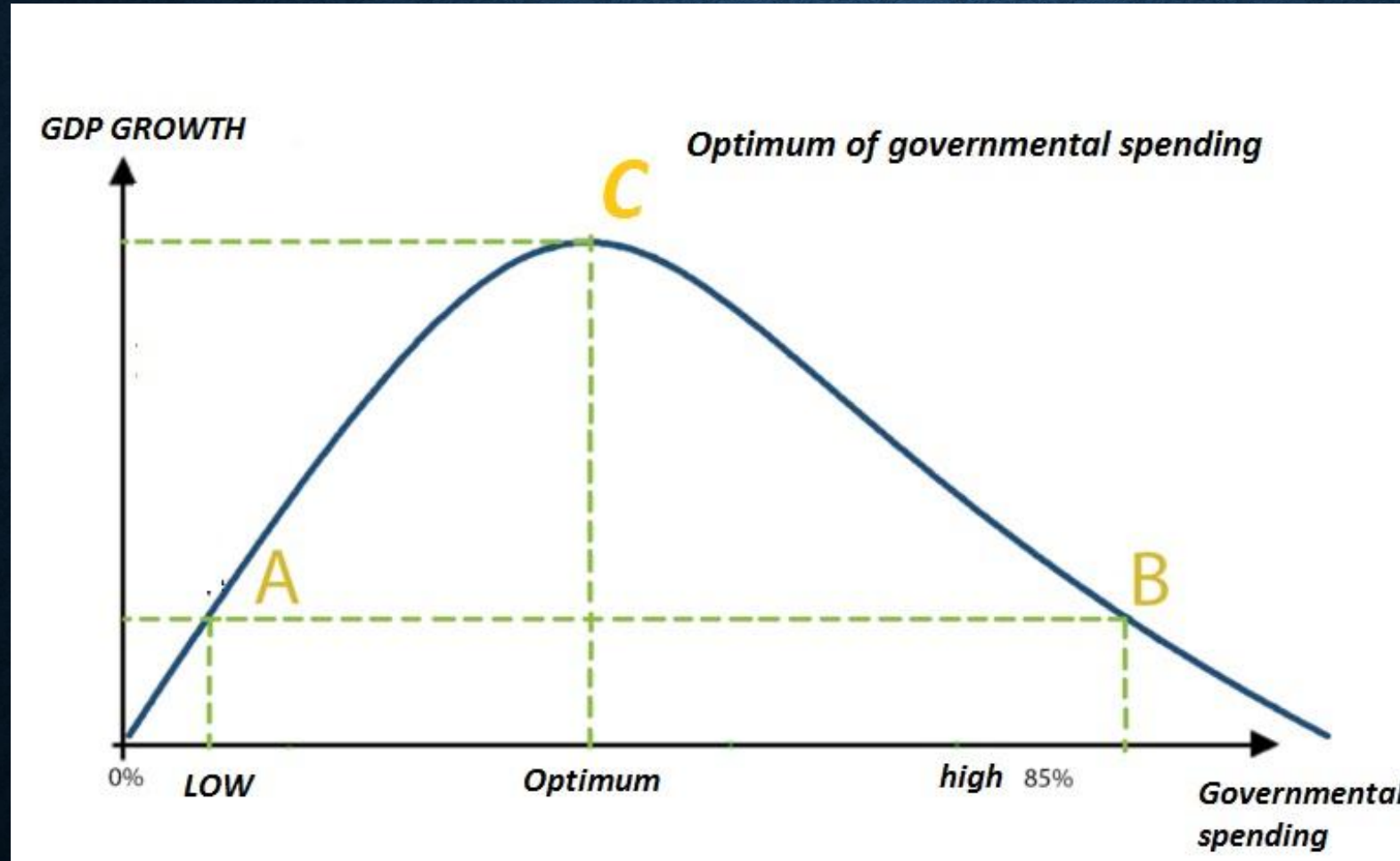
THEORY

- If the governmental sector is too small, its possibility **is not enough** to regulate **safety** and **healthcare**. It badly affects investing into economy and **economy growth**.
- Government invests until marginal product of investing one ruble gains less than one ruble



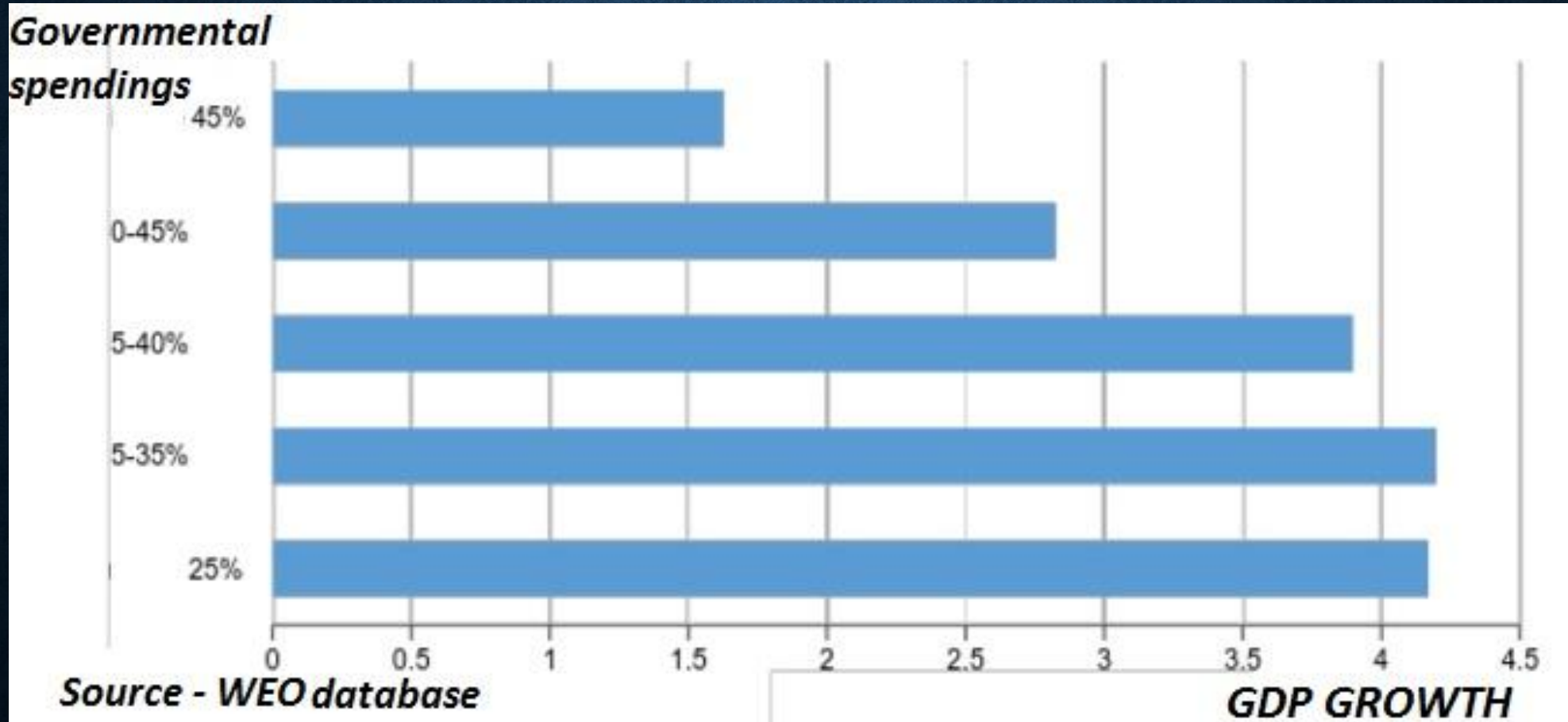
RICHARD ARMEY CURVE

One of the difficulties that could arise in these studies is to obtain relevant data for calculating the optimum proportion of public spending.



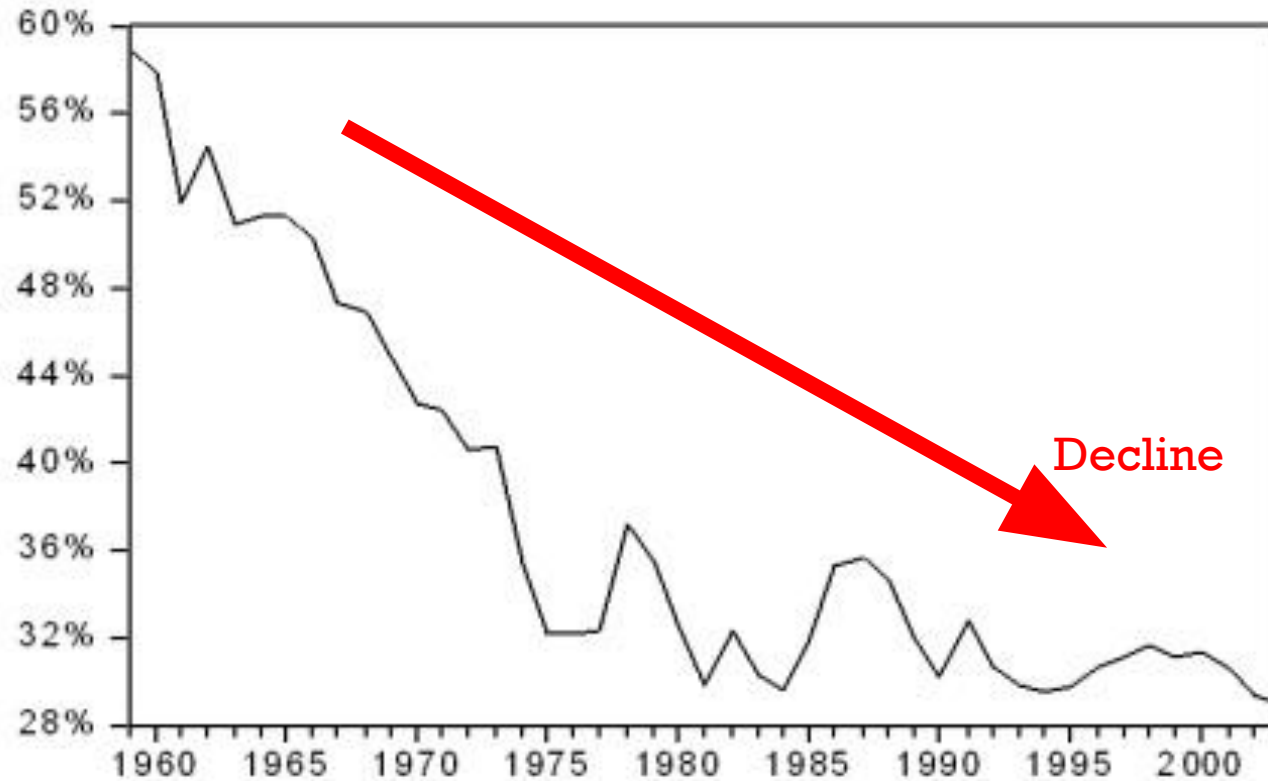
The USA – 20%
Europe 10 %

THE INCREASE IN GOVERNMENTAL SPENDING



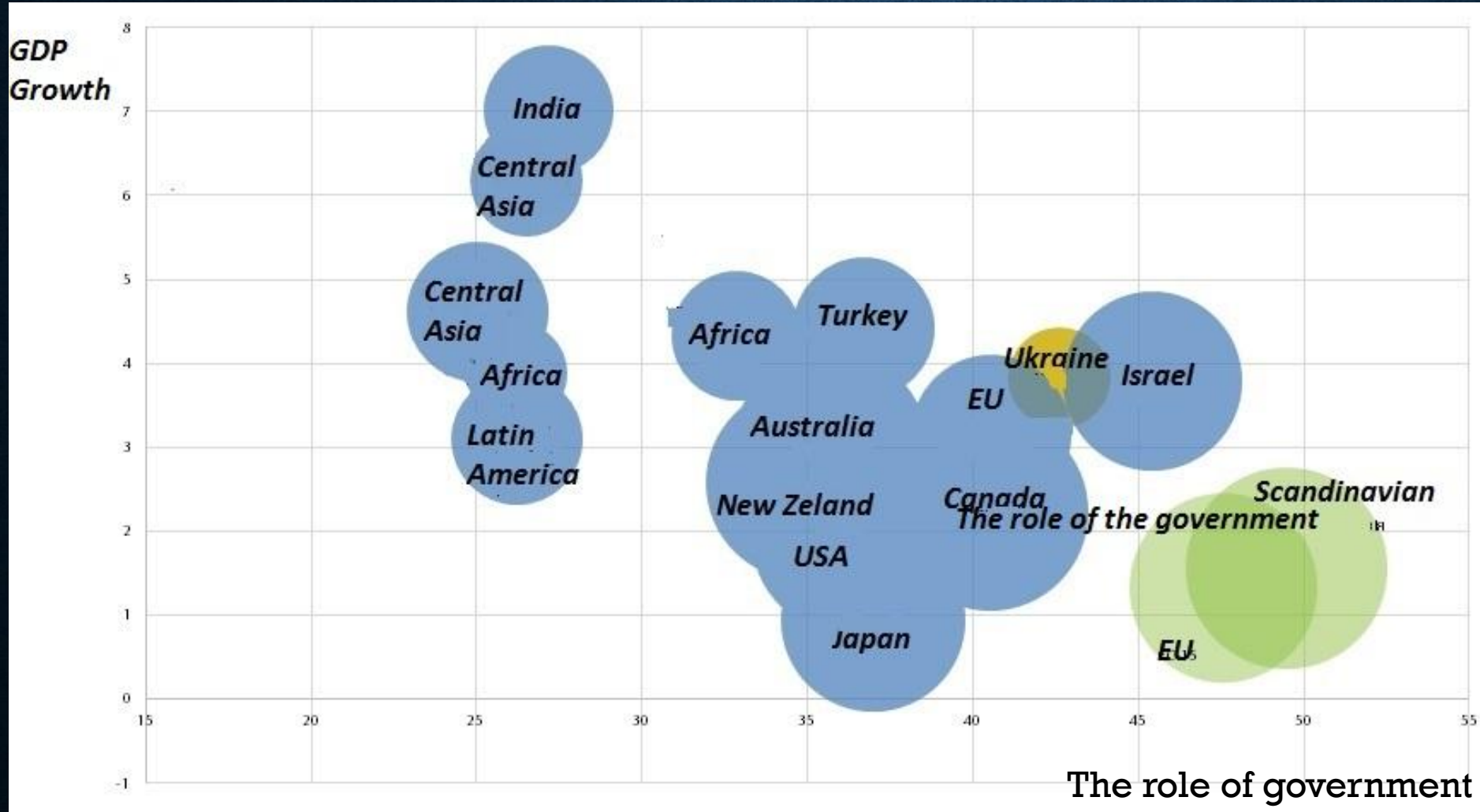
THE USA GOVERNMENT ROLE

Government expenditure as a per cent of real GDP



Data source: Alan Heston, Robert Summers and Bettina Aten, Penn World Table Version 6.2, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, September 2006.

INTERCONNECTED SYSTEM

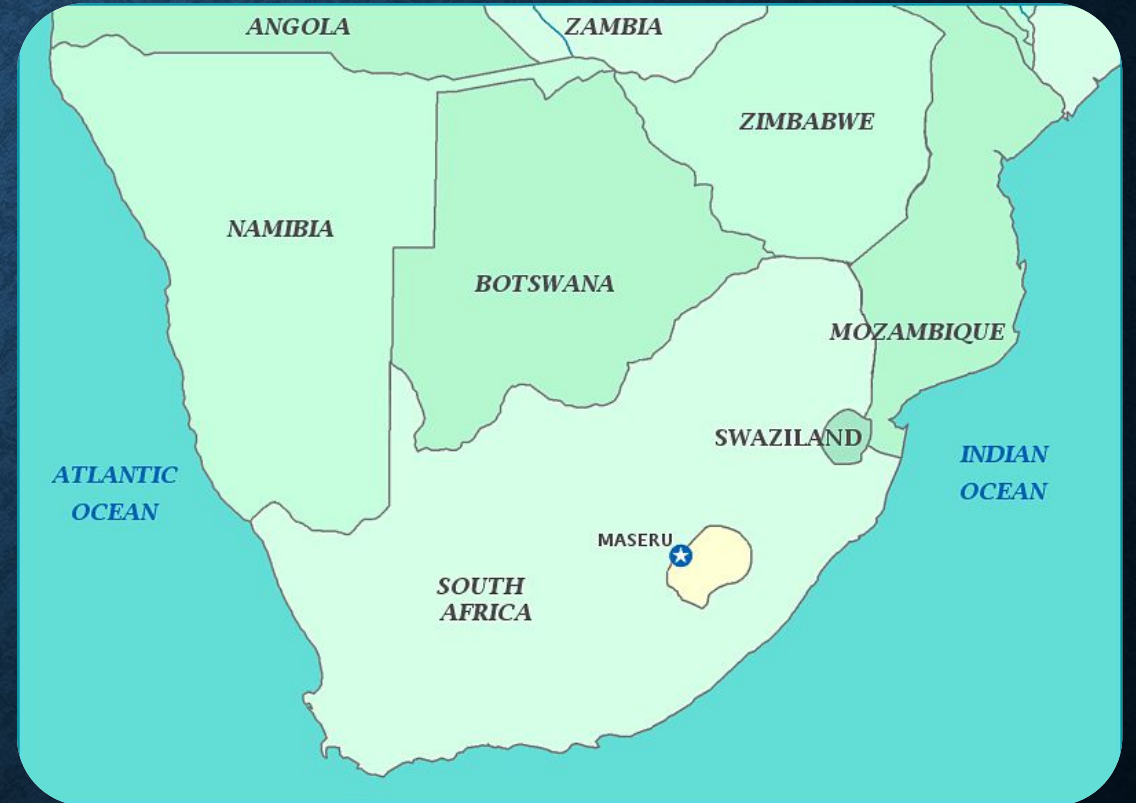


The bigger circle –
the bigger government
efficiency

COUNTIES WITH THE MOST GOVERNMENTAL INFLUENCE

	Governmental spending (GDP %)
Livia	84,44
Lesotho	64,11
Finland	58,26
France	57,5
Denmark	54,6
Belgium	54,54
Austria	53,31
Italy	51,69
Ukraine	50,95
Sweden	50,62

Resource – World Bank



The best countries sorted by life's rate level - red

THANK YOU FOR YOUR ATTENTION!