**The Role of Government**

Modified market Economy

Economic systems which are based off free enterprise, private ownership and markets, but they feature a level of government intervention. In modified market economies, the roles of government can be categorised as:

* The provision of public goods and services
* The redistribution of Income
* The regulation of business enterprise
* Macroeconomic intervention

The Provision of Goods and Services

Why Governments sometimes produce private goods:

* High amounts of infrastructure needed
* To provide infrastructure so that firms do not exploit their position by changing in excess.
* Sometimes Natural monopolies are more efficient

Privatisation- is the transfer of public ownership to private ownership.

Public goods are essential to society, but are often subjected to free riders, so as a result the government will typically provide them.

Common property goods, rival in consumption but are non excludable. For example the fish in the ocean. Since there is no designated ownership, they are often exploited and over consumed, this is referred to as the ***tragedy of the commons.***

This why common property goods and free goods need the government to act as a protector and regulator.

Merit goods are private goods that are associated with a large positive externality. These are provided by the government to ensure that everyone has the same access to an essential good or service. These include education and health care.

Regulation of Business Enterprise

* Laws and regulations
* Statutes and standards
* Registration and licensing
* Inspection

Redistribution of Income

Governments try to maintain a minimum standard of living for all in an economy. A role of the government is to then redistribute income from the rich to the poor. This is done through progressive taxes and welfare services mainly.

Macroeconomic Management

To manage the overall economy, to prevent any large scale fluctuations in growth.