

Governments have 2 tools
to influence the economy

Monetary Policy -
production and
consumption influenced
by the quantity of
money in an economy

Fiscal policy - production
and consumption
influenced by government
taxation and spending
activities

(As described by John Maynard Keynes)

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Other Ways Governments
have influenced economies:

War

Monopolizing Resources

Regulating Factors of production

Colonialism

Merantilism

Colonies provide raw
materials & markets
for goods produced by
Colonial power