

Government and EU influences on business activity

Our national government as well as the European Union play a big part in influencing business activity today:

- * through taxation and spending
- * through laws, directives and [regulations](#)
- * through encouraging business activity through subsidies and support
- * by providing advice and support for business.

Here are some examples of the way in which government influences business activity today:

1. Employment policy:

Governments play a major part in trying to stimulate employment. For example, the present government is keen to encourage business efficiency so that UK businesses are competitive in international markets and therefore create jobs. For those who have difficulty finding work, the government has created what is termed 'The New Deal', offering people the opportunity of developing training and experience on government funded and sponsored employment programmes.

2. Regional policy:

At European Union level, funds are made available to support regions of high unemployment and social deprivation such as large areas of Southern Italy and rural France, as well as the Highlands and Islands of Scotland. Regional policy sets out to compensate for the fact that with the development of the more prosperous parts of the European Union, jobs have been lost in other areas.

3. Inflation policy:

The government seeks to make sure that there are no sudden general rises in prices. They do this through the Monetary Policy Committee (MPC) of the Bank of England which sets interest rates. Interest rates are put up if there is a danger of people borrowing and spending too much, thus pushing prices up. Raising interest rates makes it more expensive for businesses to borrow money. It also makes it more expensive for consumers to borrow money. They then have less to spend, which helps to force down prices.

4. Education and training policy:

Education and training is seen in the UK as having a valuable contribution to make to business life. The government plays an important part in forcing through education and training changes, for example by creating more Vocational Subjects in the school curriculum.

5. Taxation policy:

Businesses can make a valuable contribution to the community by the taxes they pay. In return, the government can help businesses by spending money on projects like airports, roads, aid to developing countries and many other items.

6. International policy:

The government can promote trade, encourage sales of British goods abroad (exports), or discourage goods coming in from other countries (imports).

7. Establishing the 'rules of the game'.

Many of the laws of this country have been in existence for a long time. Others are much newer. New [legislation](#) can be made at a European Union, national or local level. These laws set out how people can and should behave towards one another, and particularly, how business should be conducted. They are very important in setting 'the rules of the game'.

European Union

The European law making it compulsory for coach passengers to wear seatbelts was costly for bus companies because it forced them to fit safety belts - but it also makes passengers a lot safer.

European Union regulations are directly binding on all Member States without the need for national legislation to put them in place.

European Union directives bind Member States to the objectives to be achieved within a certain time-limit, but leave national authorities to decide on how to implement them. Directives have to be implemented in national legislation.