

# Political and Economic Institutions' Response to Economic Change in Canada

# Overview

- This lesson explores how governments, crown corporations, banks, and industries respond to economic change in Canada, and how fiscal policies influence these responses.

# Government Responses to Economic Change

- • Moral Suasion: Influence banks and financial institutions to align with policy goals.
- • Regulation: Maintain stability and manage economic activities.
- • Public-Private Partnerships: Collaborate with private sector for infrastructure projects.

# Crown Corporations

- • Implement government policies on economic development, public services, and infrastructure.
- • Ensure compliance with regulations and promote fair competition and consumer protection.

# Banks' Role in Economic Change

- • Implement monetary policy decisions, including interest rate and money supply adjustments.
- • Adapt lending practices to support financial stability and economic growth.

# Industry Response to Economic Change

- • Modify marketing strategies to align with market and consumer shifts.
- • Adjust R&D aims to develop new products and technologies suited to changing markets.

# Government Actions in Response to Unemployment

- • Fiscal Stimulus Packages: Increase spending and reduce taxes to create jobs.
- • Employment Insurance Benefits: Extend EI to support unemployed individuals.
- • Job Training Programs: Provide education and retraining to help workers re-enter the workforce.

# Firms' Response to Demographic Shifts

- • Adapt to changing consumer needs (e.g., aging population).
- • Explore new market opportunities from demographic changes.
- • Maintain competitiveness by aligning R&D and marketing with trends.

# Fiscal Policy in Canada

- Fiscal policy influences the economy through government spending, taxation, and borrowing.
- • Taxation: Affects disposable income and consumption.
- • Government Spending: Stimulates or slows growth and job creation.
- • Borrowing: Impacts interest rates and credit availability.

# Macroeconomic Consequences of Fiscal Policy

- • Inflation: Excessive spending or tax cuts may increase prices.
- • Economic Growth: Well-applied fiscal policy stimulates growth.
- • Budget Deficit/Surplus: Affects debt levels and long-term stability.

# Government Decisions on Infrastructure Funding

- Factors governments consider when allocating infrastructure funding:
  - 1. Current state of infrastructure
  - 2. Population growth and demand
  - 3. Economic development goals
  - 4. Environmental concerns
  - 5. Funding sources (public, private, or aid)

# Economic Impact of Infrastructure Development

- • Promotes long-term economic growth by improving productivity.
- • Creates jobs and stimulates investment.
- • Attracts new businesses and reduces transportation costs.