

Q26.

The Federal Government can use Fiscal policy to promote economic growth, redistribute income and assist external stability in many ways.

It can manipulate the budgetary outcomes to achieve all these ~~the~~ goals.

It can use fiscal policy to promote economic growth by allocating resources ~~to~~ to ventures and areas that are most likely to give the best returns and possible a budgetary surplus. It can also promote economic growth ensuring that inflation stays 2-3% over the business cycle by working in conjunction with monetary policy.

The government can use fiscal policy to redistribute income. It can do this by changes in tax brackets, increasing the tax-free threshold and ensuring taxes are evenly distributed in welfare payments

to those most in need for it. Fiscal policy can ~~also~~ help to achieve equality in the distribution of income. The Federal Government can use fiscal policy to promote and assist external stability. This is best done through working in conjunction with monetary policy to try and stabilise the exchange rate of the \$A, meet foreign debt requirements and ~~the~~ foreign liabilities.

All the examples explained previously explain how the Federal Government can use fiscal policy to promote economic growth, redistribute ~~the~~ income and assist external stability.