Fiscal policy is a form of macroeconomic policy. It is the use of government spending to influence the economy and is implemented through the annual federal budget.

When the budget is in surplus, it has a contractionary effect on the economy as there is a reduction in spending.
When the budget is in deficit, it has an expansionary effect on the economy as the government is investing in the economy. and providing economic stimuli

Governments can use fiscal policy to promote economic growth. They do this through increasing spending and reducing savings. Governments can allocate funds to infastructure which is a major stimulant of economic growth through the multipler effect. ~~[illegible]~~ Infrastructure such as roads, schools and hospitals create alot of investment in the economy as supplies have to be purchased and labour paid. ~~[illegible]~~ This money is then reinvested back into other areas of the economy and creates economic growth.

Governments can also promote economic growth through taxation rate cuts, which will icrease the workforce's income and should lead to an increase in consumer spending, creating economic growth. The federal government can use fiscal policy to provide cash payouts and bonuses to consumers e.g first homebuyers grant which will encouge investment and promote economic growth.

The federal government can use fiscal policy to redistribute income, which attempts to reduce the inequality within society. Transfer payments such as unemployment benifits are reoured government payments to ~~cen~~ certain groups of society. They aim to provide people with enough money to invest into the economy and promote economic growth. ~~The~~

The progressive tax system in place in Australia is also a use of fiscal policy to redistribute income. Under the system the more money you earn the more you get taxed. The marginal government revenue from the progressive tax system can be used to fund transfer payments

Both transfer payments and the progressive tax system are automatic stabiliers that is they are in place to smooth out flucations in the economy without the government having to implement them.

External stability is when Australia's trading with the rest of the world is in equilbrum. The federal government can use fiscal policy to assist external stability by spending money to promote domestic investment, by primarly spending and investing in Australia. and reducing import expendehre.

The federal government can use fiscal policy in many ways to promote economic growth, redistribute income and assist external stability, by altering their spending pattern. An improvement in one area will affect another and overall have a positive impact on the Australian economy.