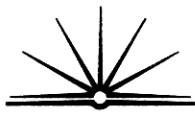


The federal Government makes use of fiscal policy to promote economic growth through increased spending and economic activity, redistributes income through taxes and welfare policies and assists external stability by providing stable economic management. The main weapon of fiscal policy is the federal budget, and the government uses this to achieve the above aims.

The federal Government in its fiscal policy, through the budget, promotes economic growth by increased spending and economic activity. If the budget is a ~~debit~~ deficit, this means that the government's expenditure has exceeded its revenue, including increased spending. A reduced surplus also indicates this. By spending more, the government is increasing economic activity, which may then cause the rest of the ~~economy~~ ~~to~~ ~~increase~~ ~~their~~ ~~economic~~ ~~activity~~, which then may lead to economic growth.

The federal Government, <sup>also</sup> uses its fiscal policies



to redistribute income, namely through taxation and its welfare policies that help poorer ones in the economy. Through taxation the Government not only collects its revenue, but attempts to create a fairer society with a progressive tax system. With its welfare policies, the Government then redistributes this income received through tax to welfare recipients such as the unemployed and those on pensions. All of this reallocation of funds is done through ~~the federal budget~~ fiscal policy, as indicated on the federal Budget.

Another way the federal Government uses fiscal policy is to assist external stability, through stable economic management. External stability is an indicator to foreign investors on how safe the Nation is to invest in, so it is important that fiscal policy, especially the federal budget, appears to be stable and sensibly run, which is an indication of good economic management that in turn helps

assist external stability, which improves the local economy.

The federal Government uses fiscal policy, through the federal Budget, to promote economic growth through increased spending, redistribute income via taxation and welfare, and assist external stability by stable economic management.