

The Federal Government uses fiscal policy as a ~~one~~ part of its macroeconomic reforms to help promote economic growth, help to redistribute income and also assist external stability.

The fiscal policy as a demand influencing reform, consists of two instruments to achieve its economic objectives. It uses the budget and the use of taxation to both effectively contribute to its main aims.

As economic growth is one objective of the fiscal policy, it is largely an influential ~~pa~~ factor as well in determining how fiscal policy can achieve and in the long run, sustain and maintain relatively strong growth in Australia's economy.

Through the budget, it has three different outcomes which can effect economic growth, ~~an~~ as well as effect other concerns in the economy. By implementing a budget deficit, the government plans to spend more in that ~~of~~ economic year than it receives in taxation revenue. Whereas in a budget surplus, the government plans to collect more revenue from taxation rather than use

its income in expenditure. A neutral budget reflects how both government spending and receiving revenue is balanced. Therefore in terms, of Australia's economic growth, the budget outcome for ~~that~~ a year can be a clear indication of how growth may be achieved or perhaps something that would need improvement.

Since 1998 - 2001, the Government budget results revealed three consecutive surplus' within the three budget years. Perhaps, the differences in the amount in \$ millions of the surplus' can also reflect how economic growth contributes to these outcomes. In 1999-2000, the budget surplus was at the highest of ~~\$29~~ \$954 million, revealing how the government may have planned to use the revenue through taxes to use as a contractionary method. Certain parts of the budget however contributes to a better rate of economic growth such as its spending in certain areas of the economy. The 1999-2000 budget surplus therefore may have revealed how the government used the surplus as the economy was already strong and capable to maintain without

the further government expenditure, if there was like in a deficit.

The redistribution of income can also be effected by the ^{of automatic stabilisers} budget, as the government can use it to promote a more fairer tax revenue collection, and spending on areas such as community servicing and pension payments to those who do not earn high incomes or to those unemployed. This overall helps to promote a more reasonable balance within income distribution in Australia.

Also, through such automatic stabilisers such as the progressive taxation policy the government can further achieve a more fairer distribution of income. Through this ~~policy~~ progressive taxation method, the tax collected from households of different incomes is determined also by the general level of economic growth and the economy's cyclical component of the business cycle. Usually in recessions, tax will decrease relative to any economic situations, which would overall help to prevent those on low

per capita incomes to suffer most thus helping to promote the balancing of income levels and distribution.

Through external stability, the government uses fiscal policy to help achieve the stability of prices from export income and import expenditure.

To achieve external stability, export income must be more than that of ~~the~~ the amount spent on imports. Through the budget, the government may set aside specific amounts in order to cover this sector of Australia's economy which ~~is~~ also impacts on the growth and development of the economy.

In 2007, as growth strengthened in the Australian economy, when compared to a backdrop of weakening economic conditions, GDP had increased by 4% ~~over~~ as an annualised rate over three quarters to September 2007. Not only did this reflect the contribution of fiscal policies aims but also the government's overall use of using fiscal policy stances to achieve this.

Especially due to the government's assistance in the external stability of the economy, where Australia switched its composition from external to domestic demand and helped to increase the overall economic activity within Australia.

Therefore through fiscal policy, the federal government helps to promote economic growth, the distribution of income & help assist external stability.