Fiscal policy is a vital tool in todays economic management. It allows the government to manage the budget suited to the time period and other various factors such as the ~~cu~~ current state of the economic cycle, the level of economic growth, the level of foreign and domestic investment and the levels of the CAD and other various factors that will be discussed.

Fiscal policy is an economic policy which is implemented by the government to achieve a variety of different approaches. The budget is given at the end of every financial year which stated by the tresury where the government will spend the dollars of revenue it has.

The Revenue comes from a variety of various places direct taxes such as personal, and company, direct taxes excise, GST and the like and other revenue which comes from profit from government business enterprises, and tariffs. The majority of these taxes vary in the amount they each give fora example direct tax accounts for approx 75% of all government revenue, indirect tax approximately 20% and the rest is the other forms of revenue.

When the government sets out the amount it wants to spend this is spent on a variety of different things. Social and welfare payments approximately 45%, education, health (medicare) and other important issues such as transport, policies.

The budget ~~has the~~ can have three results being budget surplus, where the government has aditinal funds it hasn't used. There are a variety of ways to use this deposit with the RBA or repay debt. Budget deficit where the government needs to borrow money to pay the difference and budget balance where revenue equals expenditure.

Fiscal policy can be used in many ways and directed at various economic objectives. Economic growth being one, the government can influence public and private sector spending to a large extent simply by having a debt or surplus. If the government ~~were~~ were to have a surplus this increases the chances of there being no need of economic stimulation and is the governments way of showing that the economy doesn't need an extension of the amount of spending to growth at the present rate or higher. This concept although simple ~~[illegible]~~ can push the economy one way or another. By having a budget deficit this shows to the public that the government feels or anticipate a recession or down period and that the kick start the economy some additional spending needs to occur to begin to develop and stimulate the economy this is how the government uses its authority and power to direct an economy in the correct direction.

When increasing the deficit as well as increasing spending it transfers a message towards in which direction the government feels it is appropriate to increase or help become more efficient and effective. Because fiscal policy is macroeconomic and affects every body, each and every person should ~~R~~care about where their tax money goes and what it is the government is focusing on. By focusing on a particular industry or avenue this shows the importance of what the industry does. The government on the whole spends its dollar on what it thinks need the most money are more important or can improve the most. It is a general concept how ever before an election the government gives some money to every body where it feels it needs more votes coming from. For example the health industry doctors are continuously complaining about the restrictions that health and its research are put under because of the lack of funding so before an election the government gives them some to help the chances of getting more votes. The fiscal budget is in some way not relyable on this respect and isn't being aimed at for the maximisation of economic growth.

An important factor in fiscal policy is the redistribution of income. Today the distribution of income and wealth is increasing the gap which is resulting in the need for more skilled work force. The fiscal policy aims for a redistribution in income by taxing individuals differently, the wealthier or higher income bracket are taxed at a higher rate for example over $50,000 47cent ~~for~~ ~~the~~ each dollar. This concept has good theory although this doesn't seem to work the general low income earners still struggle paying mortgages although are taxed at an ~~[illegible]~~ substantial rate. [Fiscal policy has other aspects of redistribution of income simply by the government allocating money to training scenes, ~~all~~ apprenticeships scemes, work for the dole scenes. All of these policies are in someway helping those who are on lower paid incomes to enhance their skills and the complete aim of closing the gap between rich and poor people within Australia.

Fiscal policy has direct effects on the external stability of the Australian economy. The tax money as with economic growth is spent to stimulate growth or stabilise growth. While the ~~economy is~~ budget has a deficit this enables investment to increase by the behaviour of the government which in all is out to achieve the highest level of sustainable growth possible with in the economy with the reasources the economy has. The Australian government has an aim and a problem of the level of CAD yes the economy is growing although the level of the private sectors savings is next to nothing. The CAD of Australia is growing each year at an ever increasing rate through the variety of goods, services, income, transfers. The government when ever possible is pushing the fact that Australia needs to stabilise and become a more spender ~~~~ concerned country. This is the reason why superannuation funds have been introduced because the budget cannot manage with the level of Social and welfare payments.

The government has many goals in respect to the level of exchange rates, terms of trade each as important as each other. Although very indirectly the government aims through fiscal policy to stabilise these components and give the Australian economy a stable grounding, not like it is known today (cyclical).