

The Australia Federal Government uses fiscal policy ~~uses~~ to help achieve its economic objectives. This is done each year through altering Government spending & taxation as outline in the Federal Budget. The Federal Government is able to control economic growth through the budget result (eg surplus, ~~neutral~~ balanced or deficit). If a surplus was to occur it may also use the surplus to impact on economic growth. Redistribution of income is managed ~~through~~ through the budget through ~~the~~ the governments welfare plans as well as taxation. It could also be influenced by the allocation of resources to helping low income groups eg ^{money towards} increase, job training. External Stability can be ^{assisted} promoted through fiscal policy by the decision on how to fund budget deficit or the ~~method~~ ^{way} of a surplus budget outcome is used.

Australia has experienced sustained levels of economic growth (11 years). ~~These~~ ^{This} continued growth ~~has~~ has been promoted through the fiscal policy each year. Economic growth has been encouraged through the provision of funds to ~~encourage spending~~ ^{encourage spending} eg first home owners ~~grants~~ ^{grants} to ~~businesses~~ ^{businesses} in an effort to ~~increase~~ ^{increase} ~~employment~~ ^{employment}. This has also had strong influence on other sectors such as ~~people~~ ^{people} in their ~~business~~ ^{business}. Support has been given to industries who are struggling eg rural areas, in an attempt to ~~save~~ ^{keep} keep their sectors 'alive'. The result of the budget has a strong impact on economic growth. A budget deficit for example injects more funds into the economy, having an expansionary effect which encourages economic growth. If the Government feels that growth may be ~~reaching~~ ^{reaching} an unsustainable level a budget surplus can be used as a contractionary measure to keep growth rates under control.

An Issue also ~~arises~~ ^{raises} as to how to use ~~the~~ ^{the} surplus funds from a ~~budget~~ ^{contractionary} budget. ~~They may be used to pay off~~ ^{past debt} and therefore help to ~~minimise~~ ^{minimise} ~~domestic~~ debt if they are used to pay off past debt it may result in a adverse effect on the contractionary outcome as the funds are injected into the economy.

A ~~balanced~~ ^{balanced} budget

The ~~re~~ redistribution of income is a key objective the government targets in its fiscal policy. This is ~~done~~ ^{done} through welfare plans, ~~as~~ as the budget sets out criteria for benefits and eg. The recent proposal ~~to~~ for the tightening of the disability pension will mean less people are eligible for these benefits.

Another method used to redistribute income is taxation. A progressive

tax system such as our income tax will benefit low income earners and help to improve ^{income} equality in Australia. A regressive tax system however such as the GST ~~taxes~~ ^{takes} ~~are~~ the poor a greater percentage of their income than that of a high income earner. The other possible tax system is proportional which means ~~if~~ your tax payed is proportional to what you earner eg Medicare levy & company tax. Taxation ~~tax~~ takes money away from ~~the~~ income earners and spends it on ~~the~~ society. It is therefore redistributing income to where they believe it is most needed.

External stability and in particular the CAD has been a concern for the government as CAD (Current Account Deficit) levels climbed (peaked at 9% GDP).

It is generally accepted that CAD levels should remain in the 3-6% of GDP bracket. Above 6% tends to give a negative impression to foreign investors who may decide Australian firms are a risky investment & demand greater return or take their money elsewhere. Despite this ~~is~~ Australia's CAD level is currently about 6.25% of GDP ~~and~~ although according to recent quotes from the budget; ~~and the treasurer~~ "CAD is no longer a concern of the government". Their primary aim ^{is} to ensure they don't contribute to the CAD. This ~~is~~ decision is aligned with the ^{Pitchford} theory the CAD is not a problem as long ^{as} it ^{is} used for investment by firms. It is therefore going to be increasing their productivity and benefiting our economy. If the firm is unable to repay the

debt there are minimal consequences to the state of the economy. The large CAD Australia has accumulated is due to continual budget deficits which were funded by overseas markets, ~~then~~ ~~was~~ borrowing from domestic market was unlikely due to Australia's low savings levels as well as its possible adverse affect as it forces domestic borrowers to go overseas). The cost of debt servicing (~~interest on debt~~) is the major reason for our previously large CAD. The government currently is attempting to assist external stability by ^{its contribution to} minimising the CAD.

The fiscal policy is able to influence economic growth & external stability through its budget result & its decision of finding of the result. Redistribution of income however is controlled in

the decision of how to ~~spend~~ tax
\$ spend money in the economy.