
In your answer you will be assessed on how well you:
use your knowledge and the economic information provided
apply economic terms, concepts, relationships and theory
present a sustained, logical and well-structured answer to the question

Question 26 (20 marks)

Explain how the Federal Government can use fiscal policy to promote economic growth, redistribute income and assist external stability.

Growth in the Australian economy strengthened over the course of 2001 against a backdrop of weakening world economic conditions. GDP increased at an annualised rate of 4 per cent over the three quarters to September 2001.

The deterioration in the world economy has been reflected in a switch in the composition of Australian growth from external to domestic demand, with the external sector subtracting from growth over the second half of 2001 after contributing 2 percentage points to growth over the preceding year.

Adapted from Reserve Bank, *Statement on Monetary Policy*,
February 2002

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Commonwealth Government Budget

Operating Result

Amounts in \$ million

1998–1999	1999–2000	2000–2001
+ 5630	+ 9514	+ 4743

Note: + surplus, deficit

Adapted from *Reserve Bank Bulletin*, January 2002