

Economic growth, redistribution of income and external stability are the few major economic objectives that the current Federal government sets as a main priority through the use of the fiscal policy. Economic growth refers to an increase in the country's production, a more efficient redistribution of income means that the achievement of unequal distribution of income be closer and external stability refers to the achievement of a sustainable foreign liabilities, a sustainable current account deficit and a less fluctuation of the Australian ~~ex~~ currency. ~~When~~ There are 3 main fiscal outcomes:

- i) Fiscal surplus where government revenue exceeds expenditure.
- ii) Fiscal deficit where government expenditure exceeds revenue.
- iii) Fiscal balance where government expenditure equals revenue.

The 3 objectives of sustaining economic growth, redistribution of income and external stability all have a close link and relationship with the fiscal outcome.

The fiscal outcomes will be a deficit if the federal government wishes to promote economic growth. This will mean that the government expenditure on the components of aggregate demand will exceed on the

total revenue that the government collected. By increasing the expenditure of the structural component of the economy, increase investment and spending on the economy will have an effect of an expansionary in the economic growth. This will create an increase in the tax revenue and the government pursue a target of 3-4% growth as it is considered to be the sustainable level in the ~~domestic~~ internal and external balances. ~~An increase in the growth rate will always have~~ The government also have an "automatic stabiliser" which is a counter-cyclical tool that operates without the government (govt.) alteration of the fiscal policy. ~~But~~

During times of high growth, as mentioned above the tax revenue collected ~~will~~ will ~~not~~ be increased as well. This will leads to a reduction in the welfare expenditure which is the largest spending that the govt. have and decreases in amount of payment. through the progressive tax system, more ^{tax} revenue will be generated and with a lower expenditure on welfare, the government will then be able to sustain and achieve its external balance. More revenue will be able to be used to repay its

foreign liabilities and foreign debt without causing any concerns in the money supply. This will also reduce the level of current account deficit as the amount owed to foreigners will be smaller due to Australian ability to repay.

The level of exchange rate will be less volatile if the growth is around the targetted band of 3-4% of GDP. This would cause the exchange rate to stabilise as there won't be an increase in the speculators perception of the dollar to fluctuate and thus reducing the possibility of ~~reheat~~ the economy to 'overheat'.

~~This can~~ clearly, this shows the use of a fiscal deficit by the govt. spending will promote growth, redistributing income and the sustainability of ^{external} ~~economic~~ stability.

The use of fiscal surplus in the other does promote economic growth, redistributing income and assisting external stability as well but in a rather slower pace. The argument that economist have is that by an implementation of a fiscal surplus which is a contractionary stance, ~~would promote~~ the govt. is still able to achieve those economic objectives.

In pursuing a slower growth, the economy will be more stabilise and ~~the~~ a contractionary policy doesn't solely refers to the economic will be growing ~~is~~ negatively. A slower growth could be caused by the external factors such as ~~of~~ 'the deterioration in the world economy' and the composition of Australia's growth would mainly be in the "domestic" sector. This ~~would refer~~ means that Australian economy is growing at a faster rate than the world growth which also leads to the relationship between distribution of income and external stability.

The distribution of income will be slower as less income is available due to the slow down in the exports sector. This could ~~of~~ have an effect of ~~as is~~ a slight increase in the welfare payment as some industry will be affected. This will redistribute the income and for ~~the~~ the inequality of the distribution of income will be smaller. This can be done by the ~~the~~ counter-cyclical role of the 'automatic stabilisers'. as ~~as~~ a contractionary will increase the welfare payment.

The external stability from a fiscal surplus will be a rather difficult objective to achieve in times of a slowdown in economic growth. Foreign liabilities will tend to decrease as there will be a reduced confidence in investors on their perception of the economy. This thus reduces the KAS and a smaller current account deficit. ~~The current account is the~~ ~~However, the dom.~~

However, due to the strong ~~domestic~~ growth in the domestic sector will leads to an increase in the demand for ^{Imports} ~~exports~~. This will create a problem of goods deficit and due to Australia's low level of savings, more foreign borrowings will be required as thus increases back the current account deficit. This argument also leads to the ~~the~~ validity of the exchange rate as ~~it~~ ^{to} lender's perceive Australia as an 'old economy' and main export revenue ~~is~~ are from commodity goods. These goods are relatively inelastic which means that they tend to fluctuate depending on the world growth and a reduce in the ^{world} growth will see a ~~drop~~ reduce in the commodity prices thus a

lower exchange rate. Thus the government will need to consider which 3 aim is the most important and trading off with each another.

Clearly, it shows the possibility of a change in fiscal policy will lead to the changes in the way Federal govt. achieve their economic objectives. As Australia is more integrated into the world economy, this leads to ~~more~~ ~~more results~~ ~~more~~ choices of ways the federal govt. implementing fiscal policy.

There is no one clear solution and how the federal govt. wants to achieve its objectives will depend on the decisions they make as the objectives ~~are~~ are interrelated and some trade off between each ~~part~~ objective might be essential.