# ECONOMICS

**Federal Budget**

---

**1. Define fiscal policy and describe the main objectives of this government policy.**

Fiscal policy refers to the Federal Government's use of its annual budget, which is generally handed down in parliament each month, to affect the level of economic activity, resource allocation and income distribution. The budget strategy can also influence the achievement of the government's objects of economic growth, internal and external balance. The two main instruments of fiscal policy are government spending and taxation. Changes in either of these have an effect on the economy, including:

- Aggregate demand
- Pattern of resource allocation
- Distribution of income

The budget is an annual statement of expected government expenditure and revenue for the forthcoming year (1$^{st}$ July to 30$^{th}$ June). The budget estimates may change as economic conditions change and therefore the actual budget outcomes for expenditure and revenue may vary for the original estimates. For this reason, the Government issues a Mid-Year Economic and Fiscal Outlook (MYEFO) statement in December or January, with midyear forecasts, which may contain revisions to the original budget forecasts to account for any changes in both domestic and external economic conditions.

A rise in government expenditure, or a fall in the burden of taxation, should increase aggregate demand and boost employment. The size of the resulting final change in equilibrium national income is determined by the multiplier effect. The larger the national income multiplier, the greater the change in national income will be.[1]

There are a number of objectives associated with fiscal policy, which include:

- **Price stability:** Fiscal policy can contain inflationary and deflationary tendencies on the economy

- **Accelerate economic growth:** By redistributing various income sources, productivity can become most efficient

- **Minimise inequity:** By redistributing income in favour of less socio-economic persons, spending revenue is raised on social welfare thus reducing inequity

- **Creating employment opportunities:** By implementing fiscal incentives in such forms as tax rebates and concessions, the growth of industry is promoted in industries with a high employment potential

- **Price level:** The stability of prices is highly necessary in order to create economic stability. By maintaining a level of price, there are positive effects on production, national income and employment. Fiscal policy is used or removes fluctuations in price level so that the ideal level is achieved.

[1] http://tutor2u.net/economics/revision-notes/a2-macro-fiscal-policy.html

- **Consumption level:** Just as price levels are important, consumption levels are significant for political, social and economic consideration as this can be affected by expenditure and tax policies of the government.

- **Income distribution:** Distribution of income determines the type of economic activities and the amount of savings. Fiscal policy aims to achieve equity in distribution of income.

- **Macroeconomic stability:** Fiscal policy is now designed to support monetary policy in 'smoothing the path of aggregate demand over the economic cycle' and in contributing to an environment of sustainable growth and stable inflation – this is the main macroeconomic objective of fiscal policy. Gordon Brown has introduced two fiscal rules to support this objective

## 2. Outline the main features of the 2010 federal budget

The 2010 budget has been described as 'no frills' and 'fiscally responsible', but what is it that this means?

| | 2009-10 $m | 2010-11 $m | 2011-12 $m | 2012-13 $m | 2013-14 $m | TOTAL $m |
|---|---|---|---|---|---|---|
| **Making tax time simpler** | | | | | | |
| Standard deduction for work-related expenses and the cost of managing tax affairs | 0.0 | 0.0 | -2.6 | -92.7 | -608.4 | -703.7 |
| **Skills for sustainable growth and building infrastructure** | | | | | | |
| Skills for Recovery - Critical Skills Investment | 0.0 | -50.0 | -50.0 | -50.0 | -50.0 | -200.0 |
| Skills for Recovery - Apprenticeship Kickstart Bonus II | 0.0 | -28.6 | -50.8 | 0.0 | 0.0 | -79.4 |
| Training System for the Future - Quality Skills Incentive | 0.0 | 0.0 | -43.3 | -43.3 | -43.3 | -129.9 |
| Foundation Skills Package - language, literacy and numeracy for job seekers - expansion | 0.0 | -14.2 | -17.4 | -17.6 | -17.8 | -67.0 |
| Infrastructure Fund | 0.0 | 0.0 | 0.0 | -700.0 | -735.0 | -1,435.0 |
| **Renewables and energy efficiency** | | | | | | |
| Renewable Energy Future Fund | 0.0 | -42.0 | -352.0 | -149.0 | -109.5 | -652.5 |
| **Growing the whole economy** | | | | | | |
| Lowering the company tax rate | 0.0 | 0.0 | 0.0 | -300.0 | -2,000.0 | -2,300.0 |
| Small business instant asset write-off and simplified pooling | 0.0 | 0.0 | 0.0 | -2.0 | -1,030.0 | -1,032.0 |
| Resource exploration refundable tax offset | 0.0 | -0.5 | -521.6 | -601.2 | -681.2 | -1,804.5 |
| **Saving for the future** | | | | | | |
| Increasing concessional contribution caps for individuals over 50 with low superannuation balances | 0.0 | -22.5 | -16.4 | -573.4 | -810.4 | -1,422.7 |
| 50 per cent discount for interest income | 0.0 | -5.2 | -52.8 | -516.2 | -525.8 | -1,100.0 |
| Government super contributions tax rebate for low income earners | 0.0 | 0.0 | -0.7 | -19.6 | -866.7 | -887.0 |
| Increasing the super guarantee rate to 12 per cent | 0.0 | -0.6 | -7.0 | -13.8 | -251.2 | -272.6 |
| **Better health and better hospitals** | | | | | | |
| New sub-acute hospital beds | 0.0 | -234.3 | -318.2 | -447.1 | -625.9 | -1,625.5 |
| Improving access to elective surgery | -75.0 | -351.0 | -144.0 | -116.5 | -116.5 | -803.0 |
| National access targets for emergency departments | -100.0 | -201.0 | -150.9 | -150.7 | -150.7 | -753.3 |
| Coordinated diabetes care | 0.0 | -5.7 | -13.3 | -183.2 | -247.0 | -449.2 |
| Improved primary care infrastructure | 0.0 | -56.7 | -179.4 | -119.1 | 0.0 | -355.2 |
| Improving access to after hours primary care | 0.0 | -14.0 | -66.6 | -156.5 | -179.7 | -416.8 |
| Support for practice nurses | 0.0 | -3.9 | -70.7 | -147.6 | -168.2 | -390.4 |
| More places on the GP Training Program | 0.0 | -3.3 | -30.8 | -104.0 | -206.9 | -345.0 |
| E-Health - individual electronic health records | 0.0 | -185.6 | -281.2 | 0.0 | 0.0 | -466.8 |
| **Protecting our troops, protecting our borders** | | | | | | |
| Aviation Security - strengthening passenger and air cargo security | 0.0 | -79.3 | -61.8 | -27.0 | -30.2 | -198.3 |
| Biometrics for border and visa processing | 0.0 | -29.7 | -15.5 | -11.6 | -12.5 | -69.3 |
| Overseas development assistance(a) | -30.0 | -231.7 | -520.5 | -570.0 | -475.1 | -1,827.1 |

The table below shows a summary of the major incentives in the 2010-11 budget and their impact in the fiscal balance.

In 2010, the Federal Government has put in place income tax cuts. This is a key point within the budget. As of July 1st 2010, tax payers will be keeping more money in their pockets, as the tax cuts are put into effect. Government figures claim that in comparison with tax paid in 2007-08, a worker earning $50,000 per year would have received an estimated 18 per cent tax cut, come July 1 this year.[2]

The table below shows the tax cuts with apply to 2010/11 and Projected improvement in the real disposable incomes and the net tax thresholds of different household types from 2007-08 to 2010-11.

| Family type and wage as percentages of AWOTE(a) | Real disposable income(b) ($2009-10) | | | Real net tax threshold(c) ($2009-10) | | |
|---|---|---|---|---|---|---|
| | 2007-08 | 2010-11 | % change | 2007-08 | 2010-11 | % change |
| Single person (67%) | $34,151 | $36,726 | 7.5% | $19,409 | $20,222 | 4.2% |
| Single person (100%) | $47,535 | $50,432 | 6.1% | $19,409 | $20,222 | 4.2% |
| Single person (167%) | $73,283 | $77,854 | 6.2% | $19,409 | $20,222 | 4.2% |
| Sole parent (0%) | $28,203 | $29,447 | 4.4% | $53,639 | $56,586 | 5.5% |
| Sole parent (67%) | $47,983 | $50,988 | 6.3% | $53,639 | $56,586 | 5.5% |
| Single income couple (133%) | $63,352 | $66,613 | 5.1% | $33,789 | $35,078 | 3.8% |
| Single income couple (167%) | $75,499 | $80,077 | 6.1% | $33,789 | $35,078 | 3.8% |
| Dual income couple (100 & 33%) | $66,220 | $70,536 | 6.5% | $36,092 | $36,837 | 2.1% |
| Dual income couple (100 & 67%) | $81,687 | $87,158 | 6.7% | $36,213 | $37,886 | 4.6% |
| Single income couple with children (100%)(d) | $57,244 | $60,060 | 4.9% | $53,639 | $56,586 | 5.5% |
| Single income couple with children (133%) | $68,911 | $72,589 | 5.3% | $53,639 | $56,586 | 5.5% |
| Single income couple with children (167%) | $80,606 | $82,420 | 2.2% | $53,639 | $56,586 | 5.5% |
| Dual income couple with children (100 & 33%)(e) | $74,267 | $79,891 | 7.6% | $63,723 | $69,153 | 8.5% |
| Dual income couple with children (100 & 67%)(f) | $90,547 | $95,831 | 5.8% | $67,614 | $76,762 | 13.5% |
| Dual income couple with children (167 & 100%)(g) | $126,595 | $136,009 | 7.4% | $66,877 | $75,529 | 12.9% |
| Senior single (0%) | $15,279 | $18,044 | 18.1% | $29,505 | $34,592 | 17.2% |
| Pensioner couple (0 & 0%) | $25,169 | $27,205 | 8.1% | $47,365 | $57,591 | 21.6% |

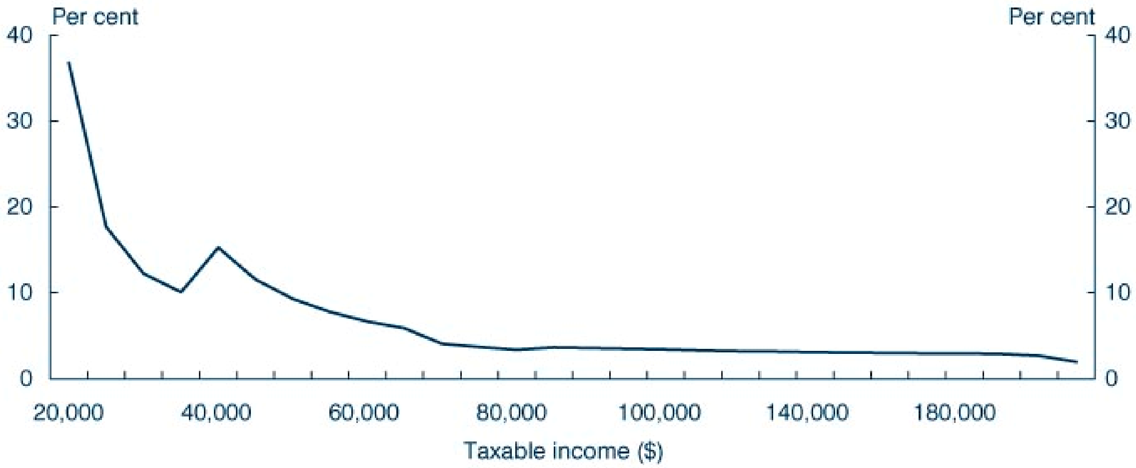
Economic growth (GDP) is also projected to grow to 3.25 percent in 2010/11 and 4 percent by 2011/12.

There are a number of key elements in the 2010/11 budget. These include:

- **Easing living costs and reducing tax:** From the 1st of July, the fourth and final round of tax breaks will apply, giving workers on average an additional wage of $450 per year. The latest budget will raise the low income tax offset to $1500 as well as lower tax on savings, including a 50% discount on up to $1000 on interest income. As well as this, there will be a higher tax-free threshold of $16 000 for salaries up to $30000.

A new 40% super tax on mining profits will also apply from July 2012, stimulating the economy by over $40 billion. Company tax on small businesses will further drop to 29% in 2013-14 and 28% in 2014-15 thus allowing an additional income to be gained.

[2] Quote - Treasurer Wayne Swan




Total tax benefit as per cent of tax paid in 2009-10

- **Renewable energy:** $652 million
- **Skills for sustainable growth and building infrastructure:**
    - $661 million for the *Sustainable Growth Strategy*
    - $5.6 Billion for new infrastructure funds
- **Transport**
    - $1 Billion to renew railway networks
    - The mining super tax will find $5.6 billion in new infrastructure
    - $71 million towards development of an intermodal precinct at Moorebank
- **Increasing the economy size**
    - Resource Super Profits Tax as of July 2012
    - Company tax rate cut to 29% in 2013-14
- **Superannuation**
    - Increasing super to 12% (affecting 8.4 million Australians)
    - From 1st July contributing up to $500 for those on incomes up to $37 000
    - Allowing catch up contributions by older workers up to $50 000
- **National Health**
    - Additional $2.2 billion to meet needs of the modern health system
    - $355 million for GP super clinics
    - $417 million to enhance after hours care

- $523 million to train nurses
- $467 million to introduce individual electronic health records
- 25% increase in tobacco taxes

- **Employment:** By mid-2012, the unemployment rates are set to fall from 5.3% to 4.75%, creating 70 000 new jobs and 22 500 apprenticeships. The government will also spend $300 million over four years to tackle workplace shortages. $67 million will also be dedicated to help the unemployed improve reading, writing and literary skills.

- **Defence:**
    - $25.7 billion on defence
    - $1.1 Billion to current operations in Iraq, Afghanistan and East Timor
    - $487 million will be put towards enhanced protective services for our troops in Afghanistan.
    - Eight new border patrol vessels, including $42.6 million over four years for ongoing costs.
    - $759.4 million will be allocated to policing at Australian airports.
    - A further $163.2 million (over four years) will go toward combating illegal foreign fishing.
    - $32.9 million will be allocated over four years to help Indonesia combat people smuggling.

2009 saw the global financial crisis in which the treasury had predicted a surplus would not come around until 2015-16, however, in 2010; the deficit is forecast to grow to $40.8 billion next financial year, moving into surplus in 2012-13 to a small $1 billion, three years ahead of schedule. The Government will maintain the 2 per cent cap on real spending growth, on average, until the surplus reaches 1 per cent of GDP.

**3. Describe the fiscal stance of the government and explain the economic reasons for this stance**

If not for the direct impact of the fiscal stimulus, Australia would have experienced a technical recession and the economy would have gone without growth for two consecutive years, in both 2008-09 and 2009-10.

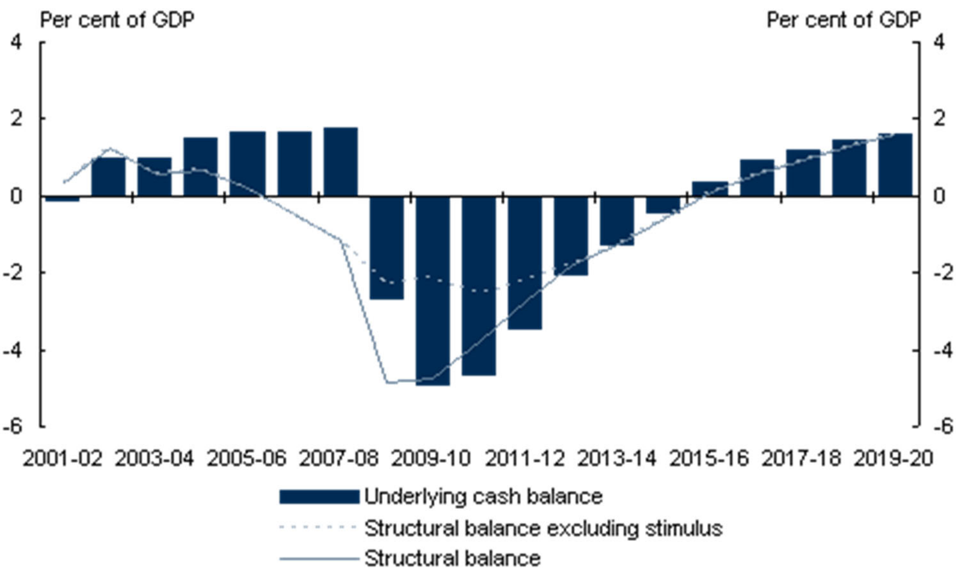
The stance of the 2010-11 fiscal policy is slightly contractor which is due to the fiscal deficit rising from $50 billion in 2009-10 to $56.3 billion in 2010-11. There are a number of factors contributing to this contractor stance which are both cyclical factors caused by discretionary change and structural factors which are non-discretionary change.

Cyclical factors are also known as automatic or inbuilt stabilisers, which include unemployment and the progressive tax system. These will automatically change the level of economic activity. A deficit which is driven by cyclical factors will gradually reduce as the economy grows and recovers. In 2008-09 budget, the change in budget is largely due to cyclical factors. Changes in tax revenues have estimated to have reduced the budget balance by around $49 billion in 2009-10 and $55 billion in 2010-11.

The structural budget balance which is show in the chart below uses trends in productivity and employment levels. The cyclical component includes changes in capital gains tax revenue from the decade average. Based on these estimates, the structural balance decreased in 2002-03 before entering deficit in 2006-07. This means that the underlying cash balances in past years were primarily due to Australia's strength in terms of trade (increasing by 40% over this period.).

Whilst temporary fiscal stimulus measures cause a widening of the structural deficit, this narrows over the medium term which reflects the savings as well as the government's commitment to reduce spending as the economy recovers.

**Chart 10: Structural budget balance**




Cyclical factors are set to inject up to $15.8 billion into the budget, which is a key reason for the increase in commodity prices, as this is the largest export. This has led to improved terms of trade and production is expected to grow as the production capacity increases. Due to these factors, there should be a decrease in cyclical unemployment from an increase in economic growth.

The taxation cuts will further inject $36.7 billion over a period of four years into the economy. This will lead to an increase in economic activity as aggregate demand is set to rise. Due to this, cyclical factors will also be influences, creating more employment. The small business tax cuts of around $3.8 billion will reduce government revenue and as such encourage domestic businesses to increase investment thus remaining competitive within the global market.

It can be estimated that the government's fiscal stimulus measures added around 2% points to GDP growth in 2009. Due to this point, the Australian economy grew by 1.4% in 09, making it the strongest growth of all developed countries. Without this fiscal stimulus, the economy would have contracted by at least 0.7%.

The government has further acted with fiscal policy, to consolidate spending, which has improved the fiscal outlook. The government has committed to keeping real growth in spending to 2% in years which the economy is set to rise above trends. Below shows the government keeping this commitment with only 0.9% growth in 2009.

Delivering on the 2 per cent commitment

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|---|
| Real payment growth | 4.9 | 0.9 | -0.6 | 1.7 | 1.9 |

In addition to the 2% commitment the government has made, there is also an offset of all new spending measures across estimates, which will achieve a net save of $544 million. In the table below, the net save is outlined.

| | Estimates | | | Projections | | |
|---|---|---|---|---|---|---|
| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Total |
| | $m | $m | $m | $m | $m | $m |
| Effect of policy decisions since MYEFO | | | | | | |
| Spends | -2,590 | -4,708 | -4,635 | -7,094 | -11,438 | -30,466 |
| Saves | 466 | 1,684 | 4,862 | 4,446 | 16,693 | 28,150 |
| Total effect of policy decisions since MYEFO | -2,124 | -3,024 | 227 | -2,648 | 5,254 | -2,316 |
| *Add* Contingency reserve offsets to policy decisions | 212 | 671 | 664 | 698 | 615 | 2,860 |
| Net budget impact | -1,912 | -2,354 | 890 | -1,950 | 5,869 | 544 |

**Table 3: Delivering fiscal reprioritisation**

In the coming years, the government is focusing on returning the budget to a surplus, by reprioritising expenditure, keeping 2% growth and allowing tax receipts to recover over a natural course as the economy improves.

The fall which is expected in the deficit will represent a tightening of the fiscal stance of around 1.5% of GDP per year, which is the most substantial fiscal consolidation in modern history.

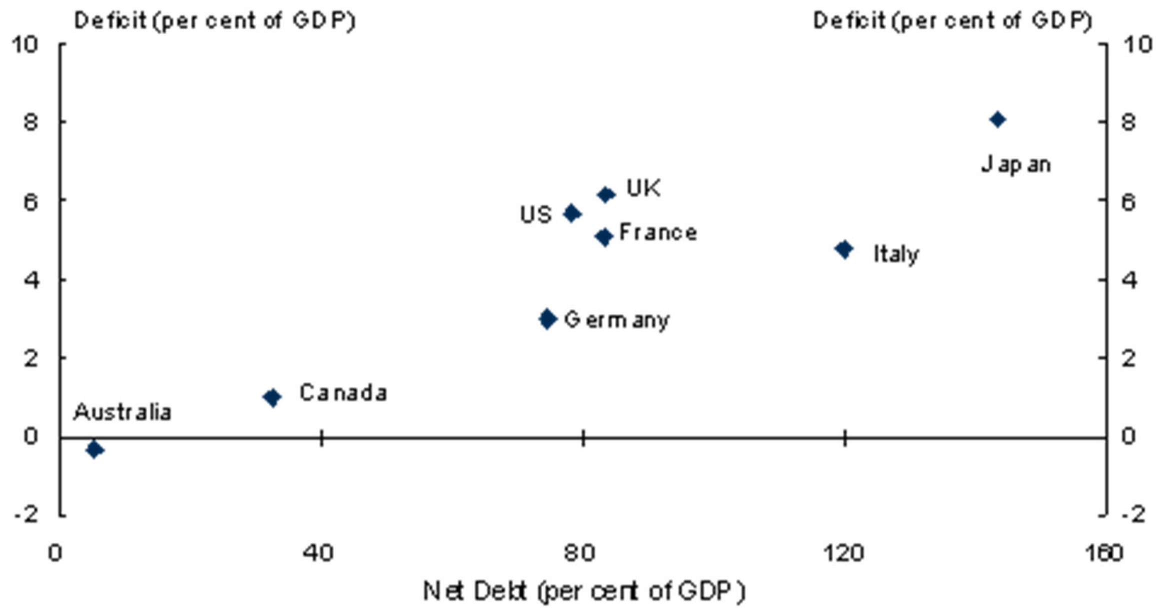
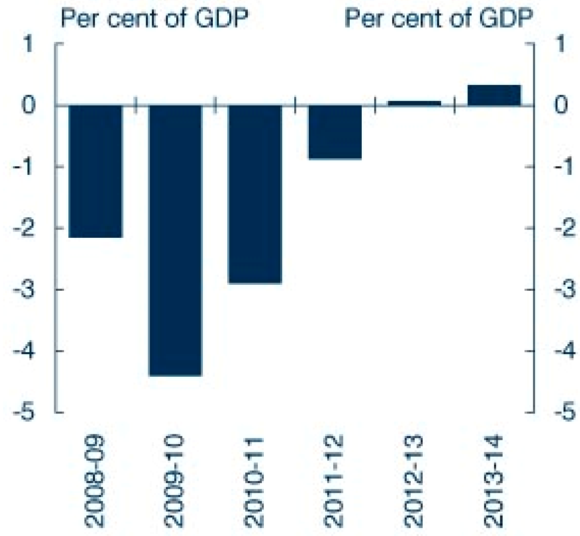



**Chart 4: Net debt and deficits of the G7 in 2013 and Australia in 2013-14**

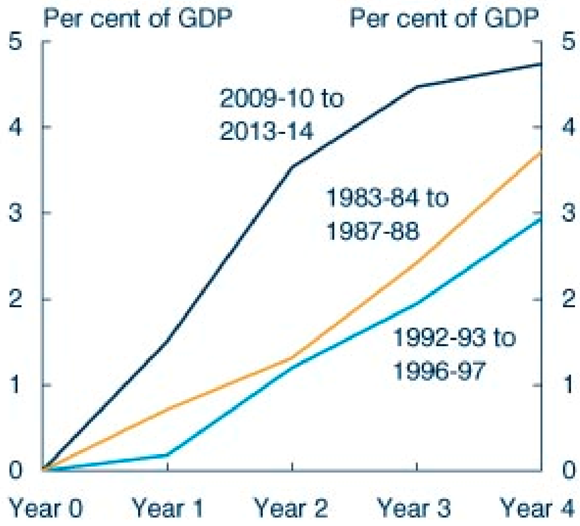
**Source: IMF *World Economic Outlook* April 2010 and Treasury**

The graph below shows the projected forecast for the economy to return to surplus, as well as the budget improvements over the past.

Returning to surplus – budget balance.



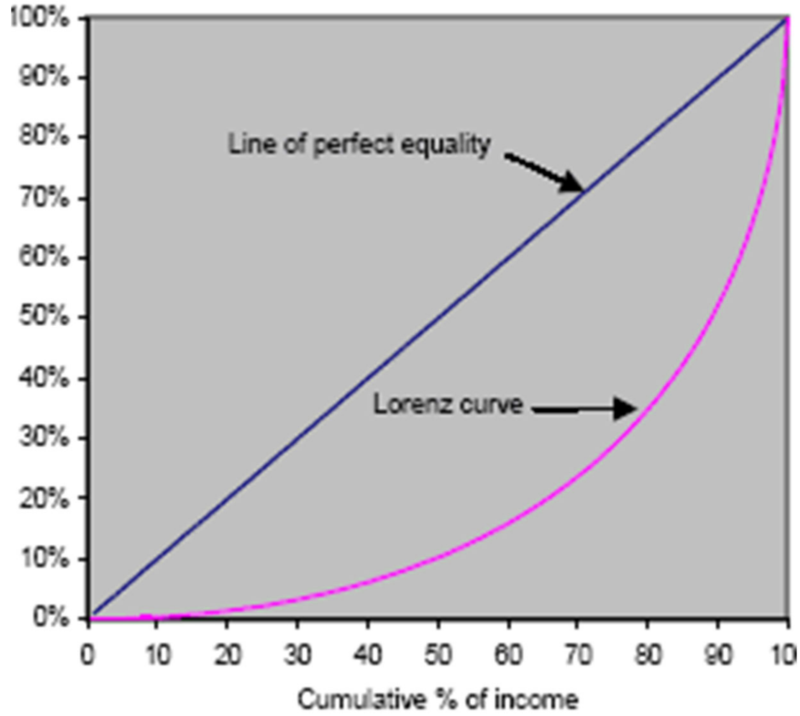

Fiscal consolidation –Budget Improvements



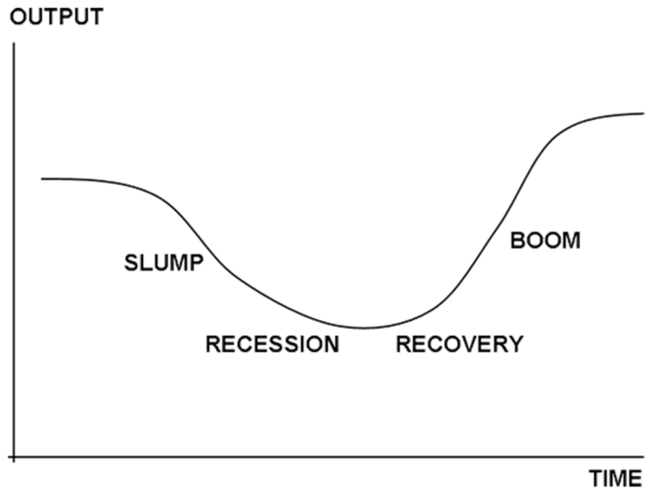

**4. Evaluate the success of fiscal policy over the past 20 years.**

Over the past 20 years, fiscal policy has been used in a variety of ways, in particular to influence income distribution, which has been successful. In 2010 the government introduced progressive taxation, which will lead to furthering equal distribution. This uses taxation from the wealthy income earners and injects it into welfare payments. In 1994, prior to government intervention, the lowest 20% of the population were earning just 0.8% of total income, whilst the highest 20% gained 47.6%. As a result of tax, the share of income to the lowest 20% reached 14% of final income in 1998. Shown below is a Lorenz Curve, showing the top 20% and lowest 20% of income earners in Australia.

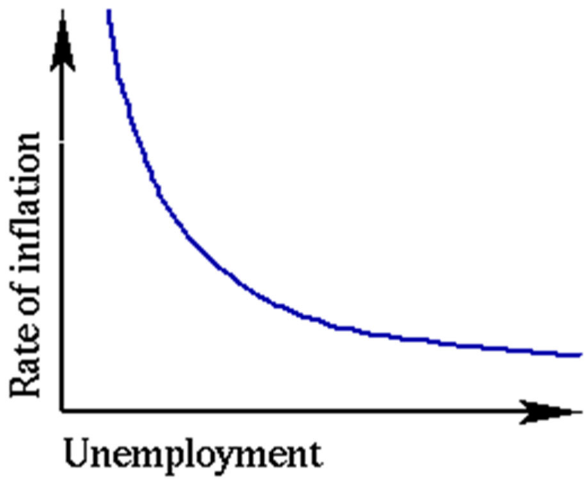
In 2000 however, the implementation of the Goods and services tax (GST), which came in the form of a regressive tax, meaning the more you earn the less is paid, along with reduced tax rates for the higher income sectors led to an increased inequality. This was largely due to income earners not gaining the benefits of the tax break, but still having to pay tax on goods and services.



100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Line of perfect equality
Lorenz curve
0
10
20
30
40
50
60
70
80
90
10
Cumulative % of income

OUTPUT
SLUMP
RECESSION
RECOVERY
BOOM
TIME

Rate of inflation
Unemployment

The table shown below provides historical data as well as forward estimates for the general sector cash receipts, underlying cash balance and net financial worth.

| | Receipts | | Payments | | Underlying cash balance(a) | | Net Financial worth | |
|---|---|---|---|---|---|---|---|---|
| | $m | Per cent of GDP | $m | Per cent of GDP | $m | Per cent of GDP | $m | Per cent of GDP |
| 1977-78 | 24,019 | 22.8 | 26,057 | 24.8 | -2,037 | -1.9 | na | na |
| 1978-79 | 26,129 | 22.0 | 28,272 | 23.8 | -2,142 | -1.8 | na | na |
| 1979-80 | 30,321 | 22.5 | 31,642 | 23.5 | -1,322 | -1.0 | na | na |
| 1980-81 | 35,993 | 23.6 | 36,176 | 23.7 | -184 | -0.1 | na | na |
| 1981-82 | 41,499 | 23.6 | 41,151 | 23.4 | 348 | 0.2 | na | na |
| 1982-83 | 45,463 | 24.0 | 48,810 | 25.7 | -3,348 | -1.8 | na | na |
| 1983-84 | 49,981 | 23.4 | 56,990 | 26.6 | -7,008 | -3.3 | na | na |
| 1984-85 | 58,817 | 24.9 | 64,853 | 27.5 | -6,037 | -2.6 | na | na |
| 1985-86 | 66,206 | 25.4 | 71,328 | 27.3 | -5,122 | -2.0 | na | na |
| 1986-87 | 74,724 | 26.1 | 77,158 | 26.9 | -2,434 | -0.8 | na | na |
| 1987-88 | 83,491 | 25.5 | 82,039 | 25.1 | 1,452 | 0.4 | na | na |
| 1988-89 | 90,748 | 24.5 | 85,326 | 23.1 | 5,421 | 1.5 | na | na |
| 1989-90 | 98,625 | 24.2 | 92,684 | 22.7 | 5,942 | 1.5 | na | na |
| 1990-91 | 100,227 | 23.9 | 100,665 | 24.0 | -438 | -0.1 | na | na |
| 1991-92 | 95,840 | 22.4 | 108,472 | 25.4 | -12,631 | -3.0 | na | na |
| 1992-93 | 97,633 | 21.7 | 115,751 | 25.8 | -18,118 | -4.0 | na | na |
| 1993-94 | 103,824 | 22.0 | 122,009 | 25.8 | -18,185 | -3.9 | na | na |
| 1994-95 | 113,458 | 22.7 | 127,619 | 25.5 | -14,160 | -2.8 | na | na |
| 1995-96 | 124,429 | 23.4 | 135,538 | 25.5 | -11,109 | -2.1 | na | na |
| 1996-97 | 133,592 | 23.9 | 139,689 | 25.0 | -6,099 | -1.1 | na | na |
| 1997-98 | 140,736 | 23.8 | 140,587 | 23.8 | 149 | 0.0 | na | na |
| 1998-99 | 152,063 | 24.4 | 148,175 | 23.8 | 3,889 | 0.6 | na | na |
| 1999-00 | 166,199 | 25.0 | 153,192 | 23.1 | 13,007 | 2.0 | -67,956 | -10.2 |
| 2000-01 | 182,996 | 25.8 | 177,123 | 25.0 | 5,872 | 0.8 | -72,808 | -10.3 |
| 2001-02 | 187,588 | 24.7 | 188,655 | 24.8 | -1,067 | -0.1 | -78,642 | -10.4 |
| 2002-03 | 204,613 | 25.4 | 197,243 | 24.5 | 7,370 | 0.9 | -84,314 | -10.5 |
| 2003-04 | 217,775 | 25.2 | 209,785 | 24.3 | 7,990 | 0.9 | -73,845 | -8.5 |
| 2004-05 | 235,984 | 25.5 | 222,407 | 24.0 | 13,577 | 1.5 | -59,941 | -6.5 |
| 2005-06 | 255,943 | 25.6 | 240,136 | 24.0 | 15,756 | 1.6 | -63,129 | -6.3 |
| 2006-07 | 272,637 | 25.0 | 253,321 | 23.2 | 17,182 | 1.6 | -39,668 | -3.6 |
| 2007-08 | 294,917 | 25.0 | 271,843 | 23.0 | 19,704 | 1.7 | -17,765 | -1.5 |
| 2008-09 | 292,600 | 23.2 | 316,046 | 25.1 | -27,079 | -2.2 | -73,800 | -5.9 |
| 2009-10(e) | 285,201 | 22.0 | 339,478 | 26.2 | -57,079 | -4.4 | -118,509 | -9.2 |
| **2010-11(e)** | **314,417** | **22.4** | **352,253** | **25.1** | **-40,756** | **-2.9** | **-160,624** | **-11.4** |
| 2011-12(e) | 348,834 | 23.5 | 358,987 | 24.2 | -13,045 | -0.9 | -174,312 | -11.7 |
| 2012-13(p) | 378,014 | 24.1 | 374,074 | 23.8 | 1,016 | 0.1 | -173,767 | -11.1 |
| 2013-14(p) | 398,983 | 24.1 | 390,529 | 23.6 | 5,432 | 0.3 | -168,480 | -10.2 |

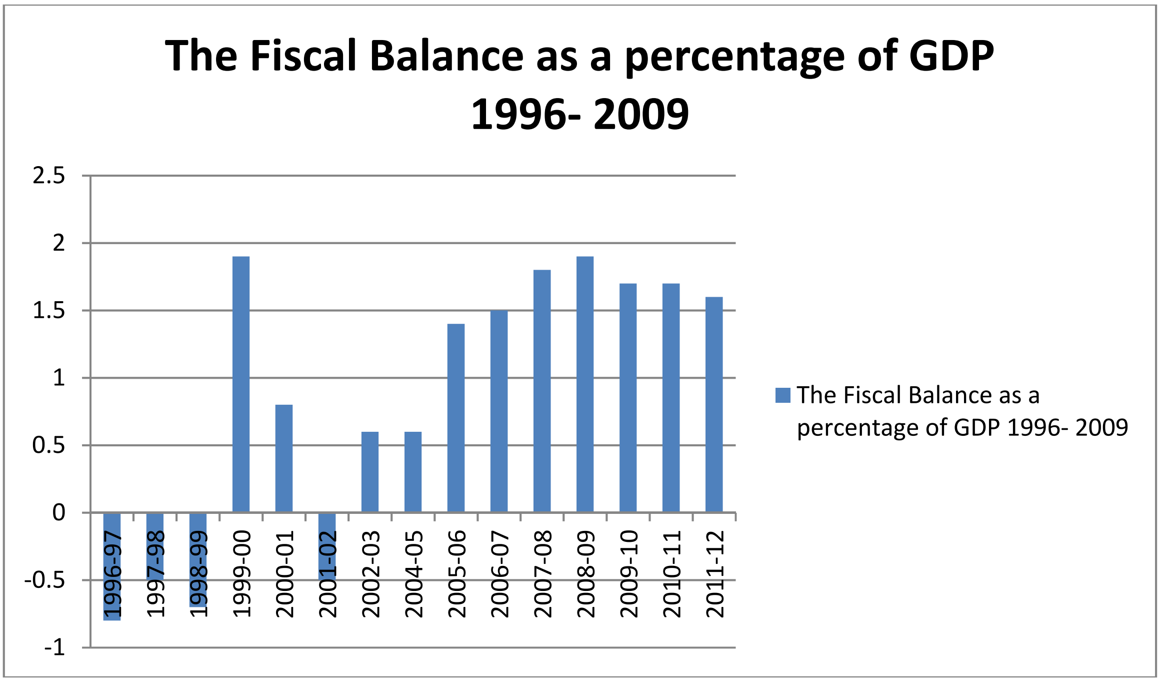
The government has maintained an underlying cash surplus since 1996-97, with the only exception being a small budget deficit in 2001-02. Whilst this has occurred, the government has also been able to increase spending and implement taxation cuts, which has led to an increase in the economy. Fiscal policy has been strongly focuses on microeconomic objectives.

In the more recent budgets, the government has aimed to keep the change in the budget balance broadly steady as a share of nominal GDP, in what otherwise would have been a sharp fiscal contraction. Since 2001-02 the federal budget surplus has ranged from 1% to 1.6% of GDP, with the change in the budget balance from one financial year to the next generally not exceeding 1% of GDP.

The government's fiscal strategy aims to ensure the financial stability over the medium term period. This means that the government is responsible for meeting its current and future spending commitments. The government's medium term fiscal strategy involves three major objectives;

1. Achieving budget surplus
2. Keeping taxation as a share of GDP
3. Improving net financial position

This third element of the government's fiscal strategy has a much longer term view of fiscal sustainability by improving the government's net financial worth over a period of time. Most of the financial assets of the Australian government are held in Future Fund, which was created in 2006, to finance unfunded public sector superannuation. A further contribution of $3.9 billion was added to the future fund in 2008 from past budget surpluses, as well as $6.6 billion in proceeds from the sale of the third instalment of Telstra. In addition to these, the Rudd government established the Education Investment Fund, Health and Hospitals Fund and Building Australia for a total of $41 billion in the 2008-09 budgets.




The graph above shows the improved fiscal position of the Australian Government between 1996 and 2010. This is measure by the Fiscal balance as a percentage of GDP. From small fiscal deficits in the mid to late 1990s, the fiscal balance has been in surplus since 2002, with the surplus increasing to 1.9% of GDP in 2008-09. In comparison to other OECD countries, the Australian economy is in a very strong fiscal position.

After comparing planned outcomes with actual outcomes, it can be said that Australia's use of fiscal policy in the past 20 years, has been effective in achieving most economic objectives while at some points over this period not achieving other objectives.

**Bibliography**


- Year 12 economics 2009
- Federal Budget Newspapers
- www.budget.gov.au
- Mr Greentree
- http://www.theaustralian.com.au/news/opinion/economic-stimulus-was-the-right-policy-at-the-right-time/story-e6frg6zo-1225811144761
- http://www.budget.gov.au/2010-11/content/bp3/html/bp3_appendix_d.htm

- http://www.news.com.au/business?nicmp=business&nipchn=google_search&niseg=federal_budget&nipkw=federal%20budget

- http://www.theaustralian.com.au/in-depth/budget

- http://www.smh.com.au/business/federal-budget