

4.2 Fiscal policy

Name: _____ Class: _____ Date: _____

Total: 19 marks

KEY WORDS government spending 政府支出 • budget 预算 • fiscal policy 财政政策
• budget deficit 预算赤字 • direct tax 直接税

Objective

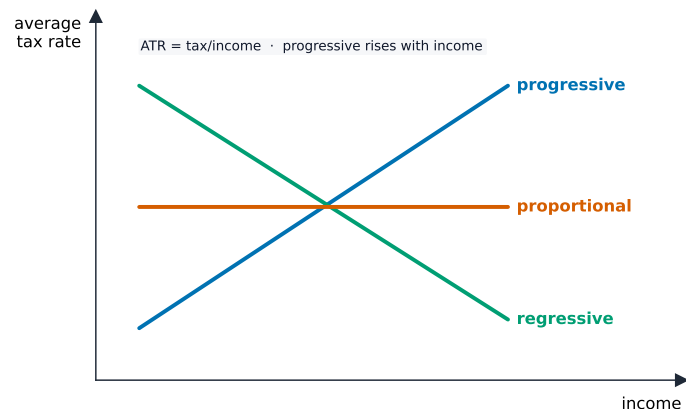
Build the skills to answer exam questions on **fiscal policy** 财政政策 — **government spending and taxation** 政府支出与税收, the **budget** 预算 (deficit/surplus), **types of tax** 税收类型, and how fiscal policy manages the economy.

You must be able to:

- explain fiscal policy, budget deficit and surplus
- classify taxes (direct/indirect, progressive/regressive)
- analyse how fiscal policy affects the economy

1 Worked examples

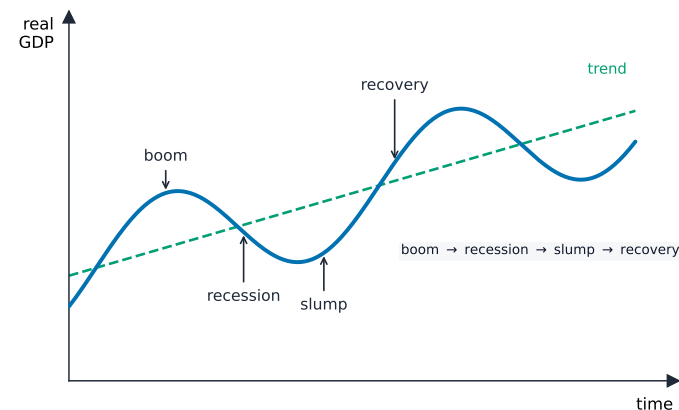
■ Spending, tax and the budget



Fiscal policy = government spending and taxation

- **Budget deficit** 预算赤字: spending > tax (must borrow). **Surplus** 盈余: tax > spending.

- **Direct tax** 直接税: on income/profit. **Indirect tax** 间接税: on spending.
- **Progressive tax** 累进税: rate rises with income (redistributes). **Regressive tax** 累退税: rate falls with income.
- **Boost the economy**: more spending or lower taxes (raises demand) — but may cause inflation.



Fiscal policy is used across the cycle — expansionary in a recession, tighter in a boom

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *fiscal policy*. [2]

2.2 State the difference between a *direct* and an *indirect* tax. [2]

2.3 Define the term *budget deficit*. [2]

3 Exam-style questions

3.1 A progressive tax takes: [1]

- A

B
- A a bigger percentage from higher incomes
-
- C

D
- B a smaller percentage from higher incomes
-
- C the same percentage from everyone
-
- D no tax from the rich

3.2 Explain how a government could use fiscal policy to increase economic growth. [4]

3.3 Discuss whether raising taxes is a good way for a government to reduce inflation. [8]
