name: ______ class: ______ date: ______

Fiscal Policy Basics

In every country, the ____________ plays a crucial role in managing the economy. One of the key tools it uses is ____________, which involves adjusting its spending levels and tax rates. Through fiscal policy, the government aims to influence the country's economic ____________, steering it towards growth and stability. When the economy is slow, the government might increase ____________ or reduce taxes to stimulate demand. Conversely, in times of high ____________, it might do the opposite to cool down the economy.

Fiscal policy not only affects overall economic ____________ but also targets specific sectors or social ____________. For example, increasing spending on infrastructure projects can boost ____________ and improve long-term economic prospects. Similarly, tax incentives for certain industries can spur ____________ and competitiveness.

However, the effectiveness of fiscal policy can be limited by various ____________. These include the time it takes to implement changes, the state of the ____________, and external economic conditions. Moreover, fiscal policy must be carefully balanced, as excessive government spending can lead to high ____________ levels, while too much taxation can stifle economic ____________.

In conclusion, fiscal policy is a vital instrument for governments to guide the economic ____________ of a country. It requires careful planning and execution to achieve the desired ____________, ensuring that the economy remains healthy and dynamic.

innovation | fiscal policy | goals | outcomes | budget | spending | health | growth

inflation | employment | direction | government | activity | factors | debt

Reference: https://materials.school/educational-activities/task-collection/business-studies/fiscal-policy-basics (created with ChatGPT)