

Chapter 2: Unit IV: FISCAL POLICY

Questions

1. What are the objectives of fiscal policy
2. What is meant by non-discretionary fiscal policy?
3. 'Changes in fiscal policy do not always require explicit action by government'
Explain
4. How does non-discretionary fiscal policy function during recession?
5. How does non-discretionary fiscal policy function during inflation?
6. 'Fiscal policy a potential instrument for stabilization of the economy' Explain
7. Explain how fiscal policy can be used to influence aggregate demand during recession?
8. Explain how fiscal policy can be used to influence aggregate demand during inflation?
9. Explain briefly the major tools of fiscal policy
10. 'Government expenditure is an important instrument of fiscal policy' Elucidate
11. How do policies of taxation and government expenditure of government help stabilize the economy?
12. Explain how public debt can be used as an instrument of fiscal policy?
13. Explain the working of multiplier and its effect on national income
14. Explain the term 'pump priming'
15. Distinguish between 'pump priming' and 'compensatory spending'.
16. Explain how public expenditure can be used as a policy instrument to reduce the severity of inflation
17. Define government spending multiplier.
18. Explain the role of taxes as an instrument of fiscal policy
19. Explain how taxation policies are effectively used for establishing stability in an economy.

20. What is the role of tax as an instrument of fiscal policy during recession?
21. What is the role of tax as an instrument of fiscal policy during inflation ?
22. What is 'tax multiplier' How does it affect aggregate demand?
23. The tax multiplier has a negative sign. Why?
24. What is meant by balanced budget multiplier?
25. Explain how public debt can be used as an effective Instrument of fiscal policy
26. Explain briefly how government's budget may be used as a policy tool to stimulate or contract aggregate demand?
27. Enumerate the use of budget as an instrument of fiscal policy
28. Differentiate deficit budget and surplus budget. What impact will each have on economic stability?
29. When does a recessionary gap arise? What should be the fiscal policy to solve the problem of recessionary gap?
30. Explain what fiscal policy measures are appropriate to close a 'recessionary gap
31. Explain the concept of 'fiscal multiplier,'
32. 'Any increase in autonomous aggregate expenditures has a multiplier effect on aggregate demand'. Elucidate
33. 'Expansionary fiscal policy will be successful only if it is complemented by an accommodative monetary policy'. Explain
34. What is meant by 'inflationary gap'? What effect does it have on the economy?
35. When does a government use a contractionary fiscal policy?
36. 'Contractionary fiscal policy refers to the deliberate policy aimed at eliminating an inflationary gap' explain

37. When do you recommend a deliberate decrease in government spending for stabilization?
38. Explain how fiscal policy can be used as an instrument available by governments to influence income distribution? and plays a significant
39. Explain the role of fiscal policy in reducing inequality and achieving social justice
40. 'Government revenues and expenditure are regarded as important instruments for carrying out desired redistribution of income'. Explain
41. Explain how the tax system can be used tax system can be used as a redistributive measure? What is the disadvantage?
42. Explain how a planned policy of public expenditure helps in redistributing income?
43. Enumerate the major limitations of fiscal policy
44. What is meant by 'recognition lag' in connection with fiscal policy?
45. What are the circumstances under which fiscal measures may cause disincentives?
46. What is meant by deficit financing? What is its effect on macroeconomic variables namely income and employment?
47. What is meant by the term 'Crowding Out'. What consequences does it have ?