Fiscal policy and its implications in belgium

Literature, Russian Literature

Fiscal Policy and Its Implications in Belgium Introduction A fiscal policy implies the spending of the that influences microeconomic activities of the nation. Through fiscal policy, the economy is controlled with regulatory attempts of improving unemployment rates, control inflation, stabilized business cycles and influence interest rates. The government uses this policy in affecting the economy. When a state experiences recession, the government might lower tax rates to fuel economic growth. If the people pay their taxes, they have the money to spend or invest and with increased consumer spending, an improvement of economic growth is experienced (Moller 49). The government may also choose to increase its own spending and with this, jobs are created, an element that lowers the unemployment rate. Briefly, Fiscal policy is a major driver of the nation's economic performance.

Fiscal policy tools and Application

Fiscal policy implies the use of government spending in taxation and transfer payments to influence the demand and reach the GDP. The fiscal policy tools include;

Government Spending

Government spending would include the purchase of goods and services. Since it has the power to lower or rise, real GDP It qualifies to be a fiscal policy tool. The government can influence economic output if it adjusts its spending. Apart from the effect of government spending on the economy, it also affects businesses dealing with goods and services bought by the government thus multiplying through the economy (Moller, 52). The GDP may be stimulated if consumers spend the paychecks they earn from their businesses. When those dealing with government vehicles receive large orders, their sales tend to increase. This makes them hire more employees who in turn earn paychecks from the companies. The employees then spend this money on goods and services thus increasing spending, leading to a much greater result. This effect is called the multiplier effect.

Taxes

The changes that occur in taxes affect the average consumer income, and changes in consumption leading to changes in real GDP. These make it a fiscal policy tool. The government can influence economic output by adjusting taxes. They can be changed in several ways, and these include raising or lowering marginal taxes. Secondly, the tax rules can be modified or eliminated (Modigliani & Johnson 34).

Transfer payments

These include social security, welfare or unemployment checks. On a monthly basis, the checks go out all over the country thus serving as the income for millions of consumers. As in taxes, changes in transfer payments also leads to changes in consumer income. When consumers spend most of their income, they influence the economic output.

These three tools are the ones that the government mostly administers to the economy to help it in the short term. Government data are imperative budgetary policies and finances from the EU Member states. They provide the basis for economic assessments, policy recommendations and open discourse (Modigliani & Johnson 81). The aspect of monitoring budgetary policies and public finances of EU member states is a responsibility for the European Commission. The Fiscal policy in the US is conducted at the federal level in which individual states have their own budgets to retain, but in the rear, cases use them to try to influence the short-run economic fluctuations (Melina &Villa 67). The Fiscal policy in the EU is conducted at the individual country level in which there is no power to tax individuals at the European level. Many of the states balanced budgets governed by law so the ability to conduct a fiscal policy is limited. In the E. U, deficit levels are restricted under a growth pact.

Conclusion

Fiscal policy as economic stabilization mechanism foresees an aspect of the government preventing high rates of unemployment and inflation through a counteractive business cycle. The two primary stabilization policies are fiscal and monetary. Through stabilization, policies are derived to attempt to counter the difficulties of business cycles. The stabilization process is a government action that stimulates the economy through expansionary policies. During seasons of high inflation associated with the business cycle expansion, the appropriate action is to dampen the economy through contractionary policies.

Works Cited

MELINA, G. I. O. V. A. N. N. I., & VILLA, S. T. E. F. A. N. I. A. (April 01, 2014). FISCAL POLICY AND LENDING RELATIONSHIPS. Economic Inquiry, 52, 2, 696-712.

Modigliani, F., & Johnson, S. (2006). The collected papers of Franco Modigliani: Volume 4. Cambridge, Mass: MIT Press.

Möller, A., Parkes, R., European Policy Institutes Network., & Centre for

European Policy Studies (Brussels, Belgium). (2011). Germany as viewed by other EU member states. Brussels, Belgium?: CEPS.