



# Fiscal Policy

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# Meaning Of Fiscal Policy

Fiscal derives from the Latin word *fiscus*, meaning "basket" or "treasury." In ancient Rome, "fiscus" was the term for the treasury controlled by the emperor, where the money was literally stored in baskets and was collected primarily in the form of revenue from the provinces.

✓ Fiscal policy refers to budgetary policy of the government (or revenue and expenditure policy of the government) to correct the situations of excess and deficient demand in the economy with a view to achieve the twin objective of 'growth with stability'.

✓✓ Fiscal policy is the guiding force that helps the government decide how much money it should spend to support the economic activity, and how much revenue it must earn from the system, to keep the wheels of the economy running smoothly.



# OBJECTIVES OF FISCAL POLICY

- ✓ **Economic growth:** Fiscal policy helps maintain the economy's growth rate so that certain economic goals can be achieved.
- ✓ **Price stability:** It controls the price level of the country so that when the inflation is too high, prices can be regulated.
- ✓ **Full employment:** It aims to achieve full employment, or near full employment, as a tool to recover from low economic activity.
- ✓ **Equity and Justice :-**  
Modern welfare governments provide social justice by providing equitable distribution of income and wealth. Fiscal policy is an important instrument that aims at reducing income and wealth gaps between people. Government can use its tax- expenditure policies in such a way that income distribution can be made more equitable

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