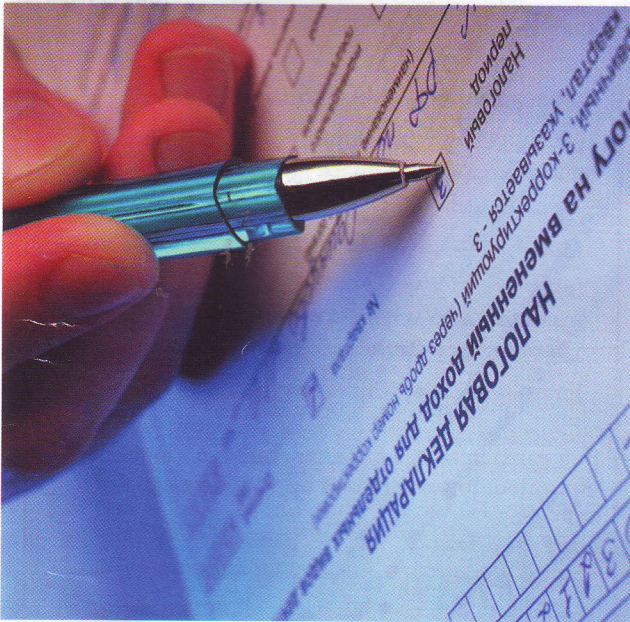


Let's look first at the tax system, and in particular at income tax. Income tax is one of the biggest sources of income for a government. Many

As we saw in unit 12, fiscal policy is one of the tools that governments have to keep the economy on a steady path. The two main components of fiscal policy are changes to the tax system and changes in government spending. But what changes can governments make in these two areas, and how do changes affect the growth of the economy?

Fiscal policy

Reading 1



- 1A transport B education C defence
- 2A components B allowance C policy
- 3A income B components C capacity
- 4A absolute B complete C full
- 5A full B disposable C spending
- 6A allowance B surplus C capacity
- 7A personal B public C disposable
- 8A surplus B shortage C allowance
- 9A employment B income C capacity
- 10A path B motorway C railway
- 11A component B project C scheme
- 12A surplus B progressive C public

- 1 The department of the government looks after roads, railways and airports.
- 2 The government hopes its will help reduce unemployment.
- 3 The parts that something is made of are sometimes called
- 4 employment is when everyone who can work has a job.
- 5 The money that you have after you've paid taxes is called your income.
- 6 The part of a person's salary that is not taxed is called their personal
- 7 The government plans many new projects, such as building new hospitals and schools.
- 8 Another word for extra goods that are not needed is
- 9 When the economy is working at full it is using all its resources for production.
- 10 A is a large, fast road which connects cities.
- 11 A is a plan for achieving something.
- 12 In a tax system, people who earn more pay more tax than people who earn less.

A Vocabulary

Choose the correct answer A, B or C from the list opposite.

Discuss these questions with your partner.

- ➔ What taxes do people pay in your country?
- ➔ Are the taxes fair? Why / Why not?

Before you read

Unit 14