**PREP HOMEWORK MACRO – RWS 18 Fiscal and Supply Side**

Due w/b 29th January Time Taken 3.5 to 4.5 Hours

**TASK 1 (2 to 2.5 hours):** Read 14 pages of your textbook: 265 to 275 (up to Keynesian or demand-side fiscal policy. Also ignore all the green ‘Quantitative Skills’ boxes) and pages 282 to 286. Whilst reading, answer the following questions (they are in order of you reading the pages above) with rough notes to fill up one side of A4 in a mind map style (please, no more than 1 side of A3 (sheet given out in lesson) – these are just concise rough notes, handwritten – word processed if you use computers in the exam). You may need to supplement your reading by using the internet to consolidate your reading.

**Arm 1: Taxation pages 265 to 273 (probably half a side of the A3 page)**

1. How much tax do the Government raise in revenue each year
2. What has happened to taxes like VAT since 1979?
3. Which good has had the biggest rise from excise duties since 1978?
4. Progressive, Proportional and Regressive Taxes = explain what each of these terms mean and provide an example for each one.
5. What are the main principles (or canons of taxation)?
6. Provide a brief overview of the main taxes in the UK: Income, National Insurance, Corporation, VAT, Excise duties, stamp duty, inheritance tax, capital gains tax and council tax.
7. Explain why do Government’s levy taxes on their population? What are the merits of tax? Think about raising revenue, alter prices of goods (externalities?), distribution of income and wealth, demand management, supply side effects etc.
8. What is the difference between a direct and indirect tax? Provide at least two examples of each.
9. Margaret Thatcher in the 1980’s, significantly cut the rate of income tax for high earners. More recently, the Coalition and Conservative Governments have cut income tax for all earners by increasing the ‘personal allowance of income tax’. What are the arguments for and against decreasing a direct tax like income tax?
10. Margaret Thatcher significantly increased indirect taxation like VAT and excise duties. What are the arguments for and against increasing an indirect tax like excise duties or VAT on certain goods?
11. What is your opinion on inheritance tax, a tax on wealth? Should it be decreased or increased in your view?

**Arm 2: Government Spending (Public Expenditure) pages 273 to 275 (probably a ¼ max but maybe less of your A3 page)**

1. What are the top 3 main items of Government spending?
2. What is the ‘triple lock’ on the state pension? Why do you think the Coalition Government committed to this policy?
3. What has happened to social security spending since 2007 and why?
4. What has happened to education and health spending from 2002 onwards? How does New Labour’s approach (1997 to 2010) differ from the Coalition (Conservative and Liberal Democrat) Government (2010-2015)?

**Arm 3: The Budget pages 282 to 286 (probably a ¼ of your A3 page but maybe slightly more)**

1. Provide a brief history and explanation of the OBR
2. Use George Osborne’s example to explain what fiscal rules are and why Government’s feel the need to implement them? What criticisms have been made of fiscal rules in the past (including Osborne’s!)
3. The OBR has claimed that it is a ‘fiscal watchdog’ rather than a ‘fiscal lapdog’. What do these terms mean?
4. What did George Osborne say about ‘normal times’? Why was he criticized?
5. What is the difference between a budget deficit and the national debt?
6. Why was New Labour criticized for increasing the national debt from 29% of GDP in 2002 to 37% in 2007? How would New Labour defend it’s position?
7. Why might large amounts of inflation be good for the national debt?
8. What does ‘servicing the national debt’ mean?
9. What is the difference between a ‘reproductive debt’ and a ‘deadweight debt’?

**TASK 2 (1.5 to 2 hours):** On the other side of the A3 sheet, I want you to use HALF the A3 SIDE (leave the other side blank) to argue whether George Osbourne’s policy response in 2010 of ‘Austerity’ was either good or bad? To research this, there are a number of links below to read. I want you to make ONLY 3 main points either FOR or AGAINST (depending on what you have been assigned). No more or less than 3 key points, like it would be in an essay. Of course, each of the 3 points needs to be backed up with argument and data to support that point!

General reading links – definition and arguments on both sides (read this in order). Each article should take you 8-10 minutes to read.

1. <https://www.economicshelp.org/blog/6254/economics/what-is-austerity/>
2. <https://www.economicshelp.org/blog/9025/economics/case-austerity/>
3. <https://www.economicshelp.org/blog/5366/economics/austerity-pros-and-cons/>
4. <https://www.economicshelp.org/blog/5268/economics/is-austerity-self-defeating/>
5. <https://www.economicshelp.org/blog/15200/debt/is-austerity-necessary/>
6. READ THIS ONLY IF YOU STILL HAVE TIME <https://www.economicshelp.org/blog/2783/economics/the-biggest-lie-in-british-politics/>