

7SSPN231 – 2025/26 – Seminar 1

- 1) What is a fiscal expansion? What is the expected impact of a fiscal expansion on economic activity, unemployment and inflation?
- 2) How is the government budget deficit defined? What is the *primary* budget deficit?
- 3) For each of these variables, briefly explain how it affects the evolution of the government debt-to-GDP ratio and why
 - a. Primary government deficit
 - b. Interest rate
 - c. Growth rate of the economy
 - d. Rate of inflation
- 4) Explain the difference between the following categories of government spending:
 - a. Interest spending vs. non-interest spending
 - b. Spending on goods & services vs. transfers
 - c. Current spending vs. investment
- 5) What is the difference between direct taxes and indirect taxes? What are some examples of direct and indirect taxes?