The national budget

Do some research on the national budget and answer the questions below in your workbook.

a) What is the Medium-Term Expenditure Framework (MTEF)? [2 marks]
b) Explain what is meant by a budget deficit. [2 marks]
c) What is the goal of an expansionary budget? [2 marks]
d) What actions can Government take to bring about economic growth? [2 marks]
e) What is the purpose of a restrictive budget? [2 marks]

[Total: 10 marks]
### Suggested Solutions

<table>
<thead>
<tr>
<th>Question number</th>
<th>Possible marks</th>
<th>Solution</th>
</tr>
</thead>
</table>
| 1               | 10             | a) The Medium-Term Expenditure Framework (MTEF) is the 3-year spending plan that Government draws up to present to Parliament. This allows for cooperation across ministries and longer-term planning than just for the coming year. [2 marks]  
   b) A budget deficit is created when Government spends more money than it receives. This means Government expenditure exceeds its revenue (income). [2 marks]  
   c) The goal of an expansionary budget is to encourage growth in an economy and to fight against rising prices. This kind of budget is used for managing periods of low growth in the economy. [2 marks]  
   d) In order to bring about economic growth, a government can reduce taxes, give rebates or increase government spending. This injects money into the economy so that more goods and services can be produced. [2 marks]  
   e) A restrictive budget is meant to slow down the economy by reducing the money supply and spending in a country. [2 marks] |