

AQA Economics AS-level

Macroeconomics

Topic 4 - Macroeconomic Policy

Flashcards

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Balanced budget







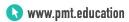




Achieved when government expenditure equals government revenue











Bank of England











Central bank in the UK economy, which is in control of monetary policy









Budget deficit













Achieved when government expenditure exceeds government revenue











Budget surplus











Achieved when government expenditure deceeds government revenue









Central bank













Controls the banking system and manages the government's monetary policies











Contractionary fiscal policy















Fiscal policy implemented to decrease aggregate demand





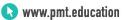




Contractionary monetary policy











Monetary policy implemented to decrease aggregate demand











Crowding out













When an increase in government spending displaces private spending, with little to no increase in aggregate demand











Cyclical budget deficit







Part of the budget that tends to rise in economic slumps and fall in economic booms











Deficit financing













Borrowing to finance a budget deficit











Deindustrialisation













Decline in the manufacturing industry of an economy







Deregulation













Removing regulations











Direct tax











A tax on income and wealth











Equation of exchange











The stock of money in an economy multiplied by the velocity of circulation equals the price level multiplied by real output (MV=PQ)











Expansionary fiscal policy













Fiscal policy implemented to increase aggregate demand







Expansionary monetary policy













Monetary policy implemented to increase aggregate demand









Fiscal policy











Use of government spending and taxation to achieve macroeconomic objectives











Indirect tax











A tax on expenditure











Interventionist policies













Occur when the government intervenes in, and sometimes replaces, free markets











Marketisation











Shifting the provision of goods or services from the non-market sector to the market sector











Monetary policy









Use of interest rates and other monetary instruments to achieve macroeconomic objectives









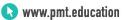




Monetary Policy Committee (MPC)









9 economists who meet monthly to set the Bank Rate as well as other monetary instruments









Money supply











Stock of money in the economy, comprised of cash and bank deposits











National debt











Unpaid government debt









Natural rate of unemployment (NRU)













Unemployment rate when the aggregate labour market is in equilibrium











Principle of taxation (canon of taxation)













Criterion used to judge whether a tax is good or bad









Privatisation













Shifting the ownership of state owned assets to the private sector













Progressive taxation











Taxes where a larger proportion of income is paid as income rises









Proportional taxation













Taxes where the same proportion of income is paid as income rises







Rate of interest











The reward for saving and the cost of borrowing











Reflationary policies











Policies to increase aggregate demand, with intent to increase real output and employment













Regressive taxation











Taxes where a smaller proportion of income is paid as income rises







Reindustrialise









Growth in the manufacturing industry of an economy









Structural budget deficit













Part of the budget that is unaffected by the economic cycle, and is more dependent on the decisions of the government











Supply-side











Relates to changes in potential output of the economy which is affected by the factors of production











Supply-side improvements













Reforms undertaken by the private sector to enable firms to become more productively efficient











Supply-side policies











Use of interventionist policies to encourage efficient markets, thus achieving macroeconomic objectives









Tax threshold











The level above which income tax must be paid





