

AQA Economics A-level

Macroeconomics

Topic 5 - Fiscal Policy and Supply-Side Policies

Flashcards

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Automatic stabilisers



Automatic stabilisers

Parts of fiscal policy that automatically react to changes of the economic cycle



Balanced budget



Balanced budget

Achieved when government expenditure equals government revenue



Budget deficit



Budget deficit

Achieved when government expenditure exceeds government revenue



Budget surplus



Budget surplus

Achieved when government revenue exceeds government expenditure



Contractionary fiscal policy



Contractionary fiscal policy

Fiscal policy implemented to decrease aggregate demand



Corruption



Corruption

Government failure through abuse of power



Crowding out



Crowding out

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



Cyclical budget deficit



Cyclical budget deficit

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



Debt sustainability



Debt sustainability

The ability to manage debt so that it doesn't impede growth or stability



Deficit financing



Deficit financing

Borrowing to finance a budget deficit



Deindustrialisation



Deindustrialisation

Decline in the manufacturing industry of an economy



Demand-side policy



Demand-side policy

Government policies that aim to alter aggregate demand in the economy



Deregulation



Deregulation

Removing regulations



Direct tax



Direct tax

A tax on income and wealth



Discretionary fiscal policy



Discretionary fiscal policy

Altering taxation and government spending as a response to an economic cycle stimulus (e.g. a recession)



Dumping



Dumping

When a producer exports products at a price lower than the prices charged in their home country, or lower than the costs of production



Expansionary fiscal policy



Expansionary fiscal policy

Fiscal policy implemented to increase aggregate demand



Fiscal austerity



Fiscal austerity

When the government enacts policies to reduce the size of a fiscal deficit



Fiscal policy



Fiscal policy

Use of government spending and taxation to achieve macroeconomic objectives



Fiscal stimulus



Fiscal stimulus

Changing taxation and government spending to boost demand and output



Human capital flight (Brain drain)



Human capital flight (Brain drain)

When economies experience net outward migration of skilled/ young workers



Hypotheccation



Hypothecation

When tax revenue is saved to be used later for a specific purpose



Indirect tax



Indirect tax

A tax on expenditure



Interventionist policies



Interventionist policies

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



Laffer curve



Laffer curve

Curve illustrating the relationship between tax revenues and tax levels



Marketisation



Marketisation

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



National debt



National debt

Unpaid government debt



Natural rate of unemployment (NRU)



Natural rate of unemployment (NRU)

(NRU): Unemployment rate when the aggregate labour market is in equilibrium



Principle of taxation (canon of taxation)



Principle of taxation (canon of taxation)

Criterion used to judge whether a tax is good or bad



Privatisation



Privatisation

Shifting the ownership of state-owned assets to the private sector



Progressive taxation



Progressive taxation

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



Proportional taxation



Proportional taxation

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



Reflationary policies



Reflationary policies:

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



Regressive taxation



Regressive taxation

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



Reindustrialise



Reindustrialise

Growth in the manufacturing industry of an economy



Structural budget deficit



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



Supply-side

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



Supply-side improvements



Supply-side improvements

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



Supply-side policies



Supply-side policies

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



Tax threshold



Tax threshold

The level above which income tax must be paid

