[Glossary]

[Issues in Fiscal Policy]

Subject:	Business Economics
Course:	B. A. (Hons.), 5th Semester, Undergraduate
Paper No. & Title:	Paper – 401 Macroeconomics - II
Unit No. & Title:	Unit – 5 Monetary and Fiscal Policy
Lecture No. & Title:	Lecture – 4 Issues in Fiscal Policy

Glossary

- **Crowding out:** Crowding out occurs when increased government spending results in decreasing the size of the private sector. For example if the government increase spending it will have to increase taxes or sell bonds and borrow money, both method reduce private consumption or investment. If this occurs AD will not increase or increase only very slowly.

- **Fiscal stabilization:** contribution of fiscal policy to output stability through its impact on aggregate demand.

- **Balanced budget:** when government spending and taxes are equal.

- **Discretionary fiscal policy:** the government passes a new law that explicitly changes overall tax or spending levels with the intent of influencing the level or overall economic activity.

- **Expansionary fiscal policy:** fiscal policy that increases the level of aggregate demand, either through increase in government spending or cuts in taxes.

- **Budget surplus:** when the government receives more money in taxes than it spends in a year.
- **Contractionary fiscal policy:** fiscal policy that decreases the level of aggregate demand, either through cuts in government spending or increase in taxes.
- **Budget deficit:** when the federal government spends more money than it receives in taxes in a given year.
- **Government debt:** the debt issued by a national government for example by the sale of bonds.
- **Keynesian economy:** the belief that the state can directly stimulate demand in a stagnating economy. For example, by borrowing money for projects like roads, schools and hospitals.