Glossary

Chapter 10	
automatic stabilizers	changes in government spending or tax collection that automatically help counter business cycle fluctuations (p. 214)
budget deficit	government spending exceeds tax revenues for a given fiscal year (p. 203)
budget surplus	tax revenues are greater than government expenditures for a given fiscal year (p. 203)
contractionary fiscal policy	use of fiscal policy tools to reduce output by decreasing government spending and/or increasing taxes (p. 203)
crowding-out effect theory	that government borrowing drives up the interest rate, lowering consumption by households and investment spending by firms (p. 215)
excise tax	a sales tax on individual products such as alcohol, tobacco, and gasoline (p. 206)
expansionary fiscal policy	use of fiscal policy tools to foster increased output by increasing government spending and/or lowering taxes (p. 203)
fiscal policy	use of government spending and/or taxes to alter RGDP and the price level (p. 202)
multiplier effect	a chain reaction of additional income and purchases that results in total purchases that are greater than the initial increase in purchases (p. 208)
progressive tax	the amount of an individual's tax rises as a proportion of income, as the person's income rises (p. 205)
regressive tax	the amount of an individual's tax falls as a proportion of income, as the person's income rises (p. 206)