|  |  |
| --- | --- |
| Budget | Fiscal measures that are designed to stimulate (increase) demand in the economy. This is usually used during periods of low growth, high unemployment and recession. |
| Budget Deficit | The amount by which government revenues exceed government spending. |
| Budget Surplus | Taxes levied on the income of individuals and firms such as UK income tax and corporation tax. |
| Contractionary Fiscal Policy | The government’s spending and revenue plans for the next fiscal (tax) year. In the UK this prepared by HM (Her Majesty’s) Treasury in the USA by US Treasury and Congress |
| Indirect Taxes | Decisions about government spending, taxation and levels of borrowing which affect Aggregate Demand in the economy. |
| Direct Taxes | Fiscal measures that are designed to dampen (reduce) demand in the economy. This is usually used during periods of high growth, low unemployment and booms. The main reason to dampen growth would be if inflation starts to become a problem (i.e. starts to rise significantly) |
| Expansionary Fiscal Policy | Taxes levied on the spending of individuals, these include sales taxes like VAT in the UK or a state sales tax. |
| Fiscal Policy | The amount by which government expenditure exceeds government revenues. These are usually paid for by the sale of long term government bonds. |