**Chapter 15 Vocabulary**

* **Fiscal Policy:** the use of government spending and revenue collection - way the government will expand or contract the economy
  + Economy expands too quickly --- fiscal policy is contractionary
  + Economy contracts --- fiscal policy is expansionary (lower interest rate)
* **Federal budget** **–** a plan for the government’s revenues and spending for the coming year
* **Fiscal year** **–** 12 month period that can begin on any day
* **Office of Management and Budget (OMB) –** government office that manages the federal budget
* **Congressional Budget Office (CBO) –** government agency that provides economic data to Congress
* **Appropriations bill –** bill that sets money aside for specific spending
* **Expansionary policies –** fiscal policies like higher spending, tax cuts that encourage economic growth
* **Contractionary policies –** fiscal policies like lower spending, higher taxes that reduce economic growth
* **Classical economics –** the idea that free markets can regulate themselves
* **Productive capacity-** maximum output that an economy can produce without big increases in inflation
* **Demand-side economics –** idea that government spending and tax cuts help an economy by raising demand
* **Keynesian economics –** a form of demand-side economics that encourages government action to increase or decrease demand output
* **Multiplier effect –** the idea that everyone dollar of government spending creates more than one dollar in economic activity
* **Automatic stabilizer –** a government program that changes automatically depending on GDP and a person’s income
* **Supply-side economics** – a school of economics that believes tax cuts can help and economy by raising supply
* **Council of Economic Advisers (CEA)** – a group of three respected economist that advise the President on economic policy
* **Balanced budget** – a budget in which revenues are equal to spending
* **Budget surplus** – a situation in which the government takes in more than it spends
* **Budget deficit** – a situation in which the government spends more than it takes in
* **Hyperinflation** – very high inflation
* **Treasury bill** – a government bond that is repaid within three months to a year
* **Treasury note** – a government bond that is repaid within 2-10 years
* **Treasury bond** – government bond that can be issued as long as 30 years
* **National debt** – all the money the federal government owes to bondholders
* **Crowding-out effect –** loss of funds for private investment due to government borrowing