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**MACROECONOMIC
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Beyond Austerity vs. Stimulus: Evaluating the Efficacy of Automatic Fiscal Stabilizers for Long Term Deficit Management

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Abstract

The perennial debate on fiscal policy remains starkly binary, oscillating between the perils of austerity and the risks of prolonged stimulus. This polarized discourse, plagued by political delays and pro-cyclical biases, fails to provide a sustainable pathway for long-term deficit management. While automatic fiscal stabilizers (AS)—built-in features like progressive taxes and unemployment benefits—are well-established as effective short-term macroeconomic stabilizers, their efficacy as a core institution for long-term fiscal health remains a critical and unaddressed gap in the literature. This research proposes a paradigm shift, moving beyond the austerity versus stimulus dichotomy to rigorously evaluate whether robust AS regimes lead to superior long-term deficit management outcomes. Employing a mixed-methods approach, the study combines a quantitative panel regression analysis of 30 OECD countries (1990-2020) with qualitative comparative case studies (e.g., Germany vs. Italy). It hypothesizes that stronger automatic stabilizers causally improve long-term fiscal health by reducing structural deficits, stabilizing debt-to-GDP ratios, and mitigating pro-cyclical austerity through a "legitimacy effect." The findings are expected to provide a validated policy toolkit, arguing that institutionalizing automatic stabilizers is not merely a social policy but a foundational strategy for achieving sustainable and resilient fiscal governance in an era of persistent economic shocks.

Keywords: Automatic Stabilizers, Fiscal Policy OECD Countries Public Debt.

Introduction

The global financial crisis of 2008-09 and the subsequent COVID-19 pandemic of 2020-21 forced governments to deploy unprecedented levels of fiscal support, catapulting public debt to historic highs (IMF, 2023). In the aftermath of these crises, policymakers worldwide face the perennial challenge of long-term deficit management. The traditional debate has been starkly binary, oscillating between the perils of austerity—which can stifle growth and prolong unemployment—and the risks of prolonged stimulus—which can overheat economies and exacerbate debt burdens (Alesina et al., 2017; Furman & Summers, 2020). This polarized discourse, however, is increasingly seen as inadequate, plagued by political delays, pro-cyclical biases, and a failure to provide sustainable fiscal pathways (Bénassy-Quéré et al., 2019). It is within this context of policy fatigue and escalating fiscal challenges that this research proposes a paradigm shift: moving beyond the austerity versus stimulus dichotomy to rigorously evaluate the efficacy of automatic fiscal stabilizers (AS) as a superior mechanism for long-term deficit management.

Automatic stabilizers are built-in features of the tax and transfer system that automatically expand budget deficits during economic downturns and contract them during booms, without requiring new legislative action. Examples include progressive income taxes, which collect less revenue as incomes fall, and unemployment benefits, which increase payouts as joblessness rises. The foundational work of scholars like Dolls, Doerr, and Peichl (2015) quantitatively established the significant role these stabilizers play, finding that they offset nearly 40% of an income shock in the European Union, with their strength varying based on the progressivity of taxes and the generosity of welfare benefits.

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Despite their recognized short-term counter-cyclical benefits, a critical gap remains in the literature regarding the long-term efficacy of automatic stabilizers specifically for deficit management outcomes. While their role in damping business cycle volatility is well-documented (Anderson et al., 2020), the question of whether economies with robust AS regimes achieve structurally lower and less volatile debt-to-GDP ratios over the long run remains insufficiently explored. The political economy of fiscal policy suggests a potential pathway: automatic stabilizers may enhance the legitimacy of counter-cyclical deficits. A deficit that rises "automatically" due to a pre-legislated rule may be more politically palatable and less likely to trigger panicked, pro-cyclical austerity measures compared to a deficit resulting from a large, discretionary spending bill (Boushey et al., 2021). This can prevent the kind of deep, debt-inducing recessions that necessitate drastic and often growth-harming fiscal corrections later.

Therefore, this research seeks to address the central question: **Do economies with more robust automatic stabilizer regimes experience superior long-term deficit management outcomes, characterized by lower structural deficits and less volatile debt-to-GDP ratios, compared to those reliant on discretionary fiscal actions?** By synthesizing quantitative panel data analysis across OECD countries over three decades with in-depth comparative case studies, this study aims to move the debate beyond the short-term stabilizing role of AS.

Review of Literature

- **Dolls, Doerr, and Peichl (2015)** provided a foundational quantitative assessment of automatic stabilizers (AS) in the EU and US during the Great Recession. They developed a stabilization coefficient, finding that AS offset nearly 40% of a income shock in the EU, with significant variation driven by tax progressivity and benefit systems. Their work established a key metric for AS strength, arguing that these built-in mechanisms were crucial first-line defenders against economic downturns, thereby mitigating the depth of recessions and their subsequent impact on public deficits.
- **McKay and Reis (2016)** explored the optimal design of automatic stabilizers from a macroeconomic perspective. They argued that transferring resources to households with a high marginal propensity to consume is the most effective stabilization policy. Their model suggested that a progressive income tax and a universal transfer payment system could serve as powerful automatic stabilizers, smoothing consumption and stabilizing output more effectively than discretionary interventions, which often suffer from implementation lags and political constraints.
- **Blanchard and Summers (2018)** reframed the discussion around fiscal policy in a low-interest-rate environment. They posited that with $r < g$, fears of high public debt may be overstated, creating more fiscal space. This perspective directly supports the case for stronger automatic stabilizers, as the costs of allowing them to operate during downturns (i.e., higher deficits) are lower than previously thought, enhancing their attractiveness as a tool for long-term macroeconomic and deficit management.
- **Anderson et al. (2020)** at the OECD provided empirical evidence on the stabilizing power of tax-benefit systems across member countries. They confirmed that AS significantly reduce output volatility, with the strength of the effect varying by policy design. Their work quantitatively linked macroeconomic stability, providing a direct evidence base for the variables proposed in the research design.
- **Jorda and Taylor (2021)** provided a long-run historical analysis of fiscal austerity. They found that austerity based on tax hikes is far more damaging than spending cuts. This finding indirectly strengthens the case for expenditure-based automatic stabilizers. It suggests that a fiscal framework

which automatically allows spending to rise in recessions (and contract in booms) may lead to less damaging consolidation phases than a system reliant on discretionary tax increases during fiscal crises.

- **The International Monetary Fund (2023)**, in its Fiscal Monitor, dedicated significant attention to the role of fiscal institutions. It emphasized that rebuilding fiscal buffers post-COVID requires high-quality fiscal adjustments. The report advocated for strengthening automatic stabilizers as a key institutional feature that can help smooth the economic cycle and support a more predictable and growth-friendly fiscal consolidation, thereby improving long-term debt dynamics.
- **Basso et al. (2023)** investigated the labour market effects of automatic stabilizers, specifically unemployment benefits. While confirming their stabilizing role for aggregate demand, they also found potential trade-offs with labour market fluidity. This literature is crucial for addressing the secondary research question on trade-offs, highlighting that the design of AS must balance macroeconomic stability with potential microeconomic inefficiencies, such as impacts on job-search intensity.
- **Eyraud et al. (2024)**, used a cross-country panel dataset to analyse the impact of fiscal rules on macroeconomic volatility. They found that well-designed rules that allow automatic stabilizers to function can reduce output volatility without harming debt sustainability. This study directly links the research on fiscal rules with the automatic stabilizer agenda, providing empirical support for the hypothesis that rules-based frameworks incorporating AS lead to superior long-term deficit management.
- **Born et al. (2024)**, provided a contemporary comparative case study of fiscal policy responses in Germany and Italy during the energy crisis. Their analysis showed that Germany's existing, trigger-based stabilizer mechanisms allowed for a quicker and more rule-based response, while Italy relied more heavily on complex discretionary measures. This recent work offers a real-world, qualitative example of the core research question, illustrating how strong AS regimes can function in practice compared to discretionary reliance.
- Looking forward, the OECD's ongoing work on "Fiscal Resilience" (2025) is expected to synthesize post-pandemic data, further quantifying the link between automatic stabilizers and long-term fiscal health. It is anticipated to strongly advocate for embedding progressive tax systems and robust social safety nets into fiscal frameworks, arguing that these are not merely social policies but critical macroeconomic stabilization tools that enhance a country's ability to manage future shocks without exacerbating debt volatility.

Statement of the Problem and Research Gap

The existing economic literature has firmly established the short-term, counter-cyclical efficacy of automatic fiscal stabilizers (AS) in smoothing business cycle fluctuations. Seminal and contemporary works have quantified their ability to stabilize household disposable income and aggregate demand (Dolls et al., 2015; Anderson et al., 2020), analysed their optimal design from a macroeconomic perspective (McKay & Reis, 2016), and advocated for their modernization as a first line of defence against economic downturns (Boushey et al., 2021).

However, a critical and largely unaddressed gap exists in the transition from recognizing the short-term stabilizing function of AS to empirically validating their role in achieving long-term deficit management objectives.

1. **The Long-Term Causal Link:** There is a lack of robust evidence from cross-country panel data that examines the causal influence of AS on long-term fiscal trajectories, even though it is

acknowledged that AS reduce quarterly or annual production volatility. Regardless of their use of discretionary fiscal policy, the question of whether countries with stronger AS regimes consistently witness lower cumulative debt accumulation over numerous business cycles remains quantitatively unanswered.

2. The Political Economy of Fiscal Legitimacy: A strong but unproven theory is that discretionary deficits are more politically acceptable than automatically triggered ones, and that the former are less likely to lead to pro-cyclical austerity measures. When it comes to the political debate and consolidation attempts that follow a crisis, there are no qualitative process-tracing studies that compare nations with strong AS to those that rely on discretionary acts.

3. The Design-Efficacy Nexus for Sustainability: Various aspects of AS, such as progressive taxes and unemployment benefits, are currently being studied to determine which ones are best at preventing income volatility. While AS has the potential to reduce fiscal volatility and anchor debt expectations for the long term, no one has yet separated and studied the precise design aspects (such as triggers, duration limitations, and integration with fiscal regulations) that make it so beneficial for deficit control. Despite discussions of possible short-term effects on labour markets (Basso et al., 2023), the long-term fiscal benefits are not considered when weighing the trade-offs.

Strategic question: Is investing in the institutional strength of automatic stabilizers a viable and superior strategy for securing the long-term health of public finances, effectively moving "Beyond Austerity vs. Stimulus"?

Research Objectives

This study aims to move beyond the established short-term analysis of automatic stabilizers and rigorously evaluate their role as a core institution for long-term fiscal sustainability. To address the critical research gap, the investigation will be guided by the following three primary objectives:

1. To Quantify the Causal Impact of Automatic Stabilizer Regime Strength on Long-Term Deficit and Debt Outcomes.

This objective directly addresses the core of the research gap by moving from correlation to causation. It seeks to empirically determine whether stronger automatic stabilizers *cause* an improvement in long-term fiscal health. This will be achieved by employing advanced panel data econometrics on a sample of OECD countries (1990-2020) to analyse the effect of AS strength—proxied by the OECD's Stabilization Coefficient and component variables—on key outcome metrics such as the cyclically-adjusted primary balance, the volatility of the fiscal balance, and the cumulative change in the public debt-to-GDP ratio over 5- and 10-year periods.

2. To Identify the Specific Design Features of Automatic Stabilizers Most Strongly Associated with Enhanced Fiscal Sustainability.

This objective delves deeper than aggregate measures of AS strength to uncover the specific policy levers available to lawmakers. It aims to dissect the "black box" of automatic stabilizers by testing which specific design elements—such as the progressivity of the income tax system, the generosity and duration of unemployment benefits, and the use of formal triggers—are most powerfully linked to lower structural deficits and more stable debt paths. The findings will provide a practical "toolkit" for policymakers seeking to design or reform fiscal institutions for long-term resilience.

3. To Analyse the Political-Economy Mechanism Through Which Robust Automatic Stabilizers Facilitate Superior Deficit Management.

This objective moves beyond quantitative correlations to explore the causal process and contextual factors that underpin the long-term efficacy of AS. Through a comparative case study analysis of contrasting country pairs (e.g., Germany vs. Italy, Chile vs. a peer), it will investigate the hypothesized "legitimacy effect." The research will trace whether deficits generated by automatic stabilizers are perceived as more legitimate by policymakers and the public, and whether this legitimacy translates into more gradual, less growth-harmful fiscal consolidations during recoveries, thereby preventing sharp, pro-cyclical austerity that can worsen long-term debt dynamics.

Research Questions

Primary Research Question

Do economies with more robust automatic stabilizer regimes experience superior long-term deficit management outcomes, characterized by lower structural deficits and less volatile debt-to-GDP ratios, compared to those reliant on discretionary fiscal actions?

Secondary Research Questions

1. **What is the quantitative, causal relationship between the strength of a country's automatic stabilizers and its long-term fiscal performance?**

❖ To what extent does a one-standard-deviation increase in the OECD's Stabilization Coefficient predict a reduction in the cumulative change of the public debt-to-GDP ratio over a 10-year horizon, after controlling for economic and political factors?

❖ How does the strength of automatic stabilizers affect the pro-cyclicality of a country's fiscal policy? Specifically, do stronger stabilizers significantly reduce fiscal stimulus during economic booms and fiscal austerity during busts?

2. **Which specific design features of automatic stabilizers are most critical for achieving sustainable long-term deficit outcomes?**

❖ Is the progressivity of the income tax system or the generosity of unemployment benefits a more significant predictor of reduced fiscal volatility and lower structural deficits?

❖ Are automatic stabilizers that are formally embedded in fiscal rules (e.g., structural balance rules with explicit escape clauses) more effective at containing long-term debt growth than those that operate informally?

3. **Through what political-economy mechanisms do robust automatic stabilizer regimes facilitate more sustainable long-term fiscal paths?**

❖ In comparative case studies, is there evidence that deficits arising from automatic stabilizers are perceived with greater political legitimacy and are therefore less likely to trigger immediate, pro-cyclical austerity measures compared to deficits from discretionary stimulus?

❖ How does the presence of strong automatic stabilizers influence the pace, composition, and economic impact of post-crisis fiscal consolidation, and does this lead to a more favourable trade-off between debt reduction and economic growth?

Research Methodology

To comprehensively address the research questions, this study will employ a mixed-methods approach, combining a quantitative **Cross-Country Panel Regression Analysis** with a qualitative **Comparative Case Study Analysis**.

Part A: Quantitative Panel Regression Analysis

The primary objective of this component is to quantitatively test the relationship between automatic stabilizer strength and long-term deficit outcomes across a broad set of countries and time periods.

1. Data and Sample

- **Sample:** A balanced panel of **30 OECD countries** over a **30-year period (1990-2020)**. This long timeframe captures multiple full business cycles and allows for the analysis of long-term debt trends, while excluding the unique, extreme nature of the pandemic period for initial robustness.
- **Data Sources:** OECD Economic Outlook, IMF Fiscal Affairs Database, World Bank Development Indicators, and the OECD's tax-benefit models.

2. Variable Construction

• Dependent Variables (Measures of Deficit Management):

- **Cyclically-Adjusted Primary Balance (CAPB):** To measure the structural, discretionary fiscal stance.

- **Change in Public Debt-to-GDP Ratio:** Calculated over rolling 5- and 10-year periods to capture medium to long-term debt dynamics.

- **Fiscal Volatility:** The standard deviation of the overall fiscal balance (% of GDP) over a rolling 10-year window.

• Independent Variable (Strength of Automatic Stabilizers):

- **Primary Proxy:** The OECD's "Stabilization Coefficient", a standardized metric estimating the percentage of a GDP shock absorbed by the tax and transfer system.

• Alternative/Component Proxies:

- Progressivity of the income tax system (Kakwani index).
- Generosity of unemployment benefits (average replacement rate and duration).
- Size of the social safety net (social spending as % of GDP, excluding pensions).

• Control Variables:

- Real GDP Growth and Output Gap.
- Monetary Policy Stance (short-term policy rate).

- Long-term Government Bond Yields.
- Political Variables (government ideology, election year dummy).
- Global Economic Conditions (e.g., global output gap).

3. Empirical Strategy

- **The Pro-cyclicality Test:** Interacting **AS Strength** with the **Output Gap**. A negative and significant coefficient on the interaction term would indicate that stronger AS reduce pro-cyclicality.
- **Instrumental Variables (IV) Approach:** To address endogeneity (e.g., an underlying culture of fiscal prudence leading to both strong AS and sound deficits), the model will be re-estimated using an IV approach. Potential instruments include the legal origin of the social security system and historical/lagged institutional variables.

Part B: Qualitative Comparative Case Study Analysis

This component aims to uncover the political-economy mechanisms and contextual factors that the quantitative model cannot capture.

1. Case section

A "most-different-systems" and "crucial case" logic will be used to select 2-3 country pairs from the extremes of the regression results:

- **Pair 1: Strong AS vs. Weak AS with Similar Economic Structures.**
 - *Proposed Cases:* **Germany** (with its strong, trigger-based stabilizers and "debt brake") vs. **Italy** (historically more reliant on discretionary measures and with a less potent automatic response).
- **Pair 2: A "Reformer" Country.**
 - *Proposed Cases:* **Chile** (which implemented a formal structural balance rule with a de facto stabilizer) vs. a similar commodity-exporting country without such a rule (e.g., **Peru**).

2. Data Collection and Method

- **Method:** Process-tracing, a qualitative method suited for testing causal mechanisms within a single case.
- **Data Sources:** Primary documents including budget speeches, central bank reports, parliamentary debates, IMF Article IV consultations, and historical fiscal rules legislation from the selected countries.
- **Analytical Focus:** The analysis will focus on specific crisis and post-crisis periods (e.g., 2008-2013 for Pair 1). It will seek to answer:
 - How were deficits discussed politically? Was the automatic rise in the deficit seen as more "legitimate"?
 - Were automatic stabilizers allowed to operate fully, or were they overridden by discretionary actions?

- How did the pace and composition of fiscal consolidation differ between the cases in the recovery phase?

Results and Contributions (The Study's Hypothesis)

The entire study is built on the hypothesis that robust automatic stabilizer regimes are a foundational institution for achieving superior long-term fiscal health.

1. **Causal Link to Long-Term Health (Primary Research Question):** Economies with more robust automatic stabilizer regimes will experience superior long-term deficit management outcomes, characterized by lower structural deficits and less volatile debt-to-GDP ratios.
2. **Reduction of Pro-cyclicality:** Stronger automatic stabilizers will be shown to significantly reduce the pro-cyclicality of a country's fiscal policy, specifically by mitigating fiscal austerity during busts.
3. **The "Legitimacy Effect":** Deficits arising from automatic stabilizers will be found to be perceived with greater political legitimacy, which translates into more gradual, less growth-harmful fiscal consolidations during recoveries.
4. **Specific Design Features:** The findings are intended to isolate the specific design elements (e.g., progressivity vs. generosity, or formal triggers) that are most critical for anchoring debt expectations and minimizing fiscal volatility, providing a practical "toolkit" for policymakers.

Summary of Statistical Analysis

Automatic stabilizers (AS) and long-term fiscal outcomes using a dynamic panel regression analysis on a sample of 30 OECD countries (1990-2020).

The planned statistical tests include:

1. Causal Impact on Long-Term Fiscal Health

- Model: $\text{Deficit Outcome}_{i,t} = \beta_0 + \beta_1(\text{AS_Strength}_{i,t-1}) + \beta_2(\text{Controls}_{i,t}) + \mu_i + \lambda_t + \epsilon_{i,t}$
- Key Independent Variable: The OECD's "Stabilization Coefficient" (lagged).
- Key Dependent Variables:
 - Cyclically-Adjusted Primary Balance (CAPB).
 - Change in Public Debt-to-GDP Ratio over rolling 5- and 10-year periods.
 - Fiscal Volatility (standard deviation of the overall fiscal balance over a rolling 10-year window).
- Intended Finding: A statistically significant result for β_1 is expected to support the hypothesis that stronger automatic stabilizers cause an improvement in long-term fiscal health.

2. The Pro-cyclicality Test

- Model Feature: Interacting the AS Strength with the Output Gap.

- **Test Interpretation:** A negative and significant coefficient on the interaction term is sought, as this would statistically demonstrate that stronger AS reduce pro-cyclicality(i.e., prevent a reduction in the fiscal balance during a bust and an expansion during a boom).

3. Isolation of Specific Design Features

- The regression will be re-estimated using Alternative/Component Proxies to determine which specific design features have the strongest statistical association with superior long-term outcomes:
 - Progressivity of the income tax system (Kakwani index).
 - Generosity and duration of unemployment benefits.
 - Size of the social safety net (social spending as a % of GDP, excluding pensions).

Summary of Statistical Analysis and Results

I can only reiterate the **hypothesized results** that the proposed statistical tests are designed to confirm. The study's core hypothesis is that **stronger automatic stabilizers lead to superior long-term deficit management.**

1. The Core Quantitative Test (Dynamic Panel Regression)

Variable	Planned Statistical Test	Expected Result	Interpretation of Expected Result
AS Strength	Regression Coefficient (β_1) on Cyclically Adjusted Primary Balance (CAPB) (Structural Deficit)	Positive and Statistically Significant.	Stronger automatic stabilizers are expected to lead to a lower structural deficit or a larger structural surplus over the long run, confirming their role in fiscal sustainability.
AS Strength	Regression Coefficient (β_1) on Change in Public Debt-to-GDP Ratio (Long-term Stability)	Negative and Statistically Significant.	Stronger automatic stabilizers are expected to reduce the rate of debt accumulation over 5- and 10-year periods, showing they stabilize debt paths.

2. The Pro-cyclicality Test

Variable	Planned Statistical Test	Expected Result	Interpretation of Expected Result
Interaction Term:	Regression Coefficient on interaction term when estimating Discretionary Fiscal Stance	Negative and Statistically Significant.	This result would confirm that in economies with strong AS, the government's subsequent discretionary reaction to a negative output gap (recession) is less severe, indicating that AS effectively reduce pro-cyclical austerity.

The proposal mentions the work of **Dolls, Doerr, and Peichl (2015)**, whose paper provided a "foundational quantitative assessment" and calculated stabilization coefficients. While the proposal uses this external work as a building block for its own methodology, the *results* of the **Dolls, Doerr, and Peichl (2015)** study (not the "paper") show that:

- Automatic stabilizers absorb about **38% of a proportional income shock in the EU**, compared to 32% in the US.
- This cushioning of disposable income leads to a demand stabilization of up to **30% in the EU** and up to **20% in the US**.

Policy Suggestions and Recommendations

Based on the expected positive results, the research proposal implies the following key recommendations for policymakers:

1. **Prioritize AS Design over Discretion:** Fiscal policy should shift its focus from debating large, ad-hoc stimulus packages to **institutional reform** that strengthens the automatic stabilizers.
2. **Focus on Tax Progressivity:** Recommendations will likely focus on enhancing the **progressivity of income tax systems** as a statistically validated mechanism for both income stabilization and long-term debt containment.
3. **Reform Unemployment/Transfer Benefits:** Governments should be advised to make **unemployment benefits and other welfare transfers more generous, timely, and responsive** to the economic cycle to maximize the stabilizing effect on consumption (high Marginal Propensity to Consume) and, consequently, on the output gap.
4. **Integrate AS into Fiscal Rules:** New fiscal rules (e.g., in the Eurozone or OECD nations) should not focus solely on arbitrary headline deficit targets, but should instead mandate a **minimum threshold for the strength of automatic stabilizers** (using metrics like the OECD's stabilization coefficient) to ensure long-run fiscal resilience.

Conclusion (Based on Research Hypothesis)

The research is designed to confirm the hypothesis that strengthening automatic stabilizers (AS) is superior to reliance on discretionary measures for long-term fiscal management.

- **AS for Long-Term Sustainability:** The final analysis is expected to conclude that economies with stronger, institutionally embedded automatic stabilizers experience **superior long-term fiscal outcomes**, specifically characterized by **lower average structural deficits** and **less volatile public debt-to-GDP ratios** over decadal periods.
- **Mitigation of Political Risk:** The qualitative findings are anticipated to confirm the "**legitimacy effect**," concluding that automatically-triggered deficits are politically more acceptable than discretionary ones. This political legitimacy allows for **more gradual and growth-friendly fiscal consolidation** after a crisis, thereby avoiding the common policy mistake of pro-cyclical austerity.
- **Fiscal Resilience:** The study will conclude that robust AS systems are a **foundational institution for fiscal resilience**, moving the fiscal debate away from constant partisan arguments over stimulus versus austerity by building in a credible, non-discretionary policy response.

Further Research

- 1. Micro-Macro Linkage:** Additional research is required to enhance the stability coefficient through micro-data analysis. This entails analysing which households, categorized by income and wealth, derive the most significant stabilizing advantages from various AS components, and subsequently correlating that impact with macroeconomic outcomes like as inflation and long-term growth potential.
- 2. AS in Emerging Markets (EM):** This study concentrates on OECD nations. Future research ought to employ dynamic panel analysis across a diverse array of Emerging Market and Developing Economies (EMDEs), where inadequate tax bases and social safety nets result in usually weaker AS, to assess their viability and requisite design modifications within that framework.
- 3. Interaction with Monetary Policy:** Research should explore the interaction effects between strong automatic stabilizers and Monetary Policy. For example, does a robust AS regime allow central banks greater scope to maintain lower interest rates or manage inflation, potentially due to reduced reliance on discretionary fiscal action?

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