# THE ROLE OF STATE FISCAL POLICY IN ENSURING MACROECONOMIC STABILITY

Akhmadjonov Sodiq Soliyevich

***Senior lecturer of the Department of "Economics" of Andijan State Technical Institute***

**Abstract.** This article studies the state's fiscal policy as a decisive factor in ensuring macroeconomic stability based on a scientific approach. It is emphasized that cyclical fluctuations in the country's economy, inflation, unemployment, investment activity and the stability of the state budget directly depend on the effectiveness of fiscal policy. The composition of tax policy, the optimal level of the tax burden, the impact of tax incentives on investment attractiveness, the growth model of state spending and their multiplier effect are analyzed based on scientific theories. Also, the dynamics of the budget deficit and state debt, fiscal discipline and the essence of the system of fiscal rules are studied from the point of view of economic security. The article provides proposals for increasing the effectiveness of fiscal policy and justifies the need for an integrated approach to achieving macroeconomic stability.

**Keywords:** fiscal policy, tax burden, state spending, macroeconomic stability, budget deficit, multiplier, state debt, economic growth, inflation, fiscal discipline.

**Аннотация.** В данной статье рассматривается фискальная политика государства как решающий фактор обеспечения макроэкономической стабильности на основе научного подхода. Подчеркивается, что циклические колебания в экономике страны, инфляция, безработица, инвестиционная активность и устойчивость государственного бюджета напрямую зависят от эффективности фискальной политики. На основе научных теорий анализируются состав налоговой политики, оптимальный уровень налоговой нагрузки, влияние налоговых льгот на инвестиционную привлекательность, модель роста государственных расходов и их мультипликативный эффект. Также исследуются динамика бюджетного дефицита и государственного долга, фискальная дисциплина и сущность системы фискальных правил с точки зрения экономической безопасности. В статье приводятся предложения по повышению эффективности фискальной политики и обосновывается необходимость комплексного подхода к достижению макроэкономической стабильности.

**Ключевые слова:** фискальная политика, налоговая нагрузка, государственные расходы, макроэкономическая стабильность, дефицит бюджета, мультипликатор, государственный долг, экономический рост, инфляция, фискальная дисциплина.



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**Annotatsiya.** Ushbu maqolada davlatning fiskal siyosati makroiqtisodiy barqarorlikni ta’minlashdagi hal qiluvchi omil sifatida ilmiy yondashuv asosida tadqiq etilgan. Mamlakat iqtisodiyotida yuzaga keladigan siklik tebranishlar, inflyatsiya, ishsizlik, investitsiya faolligi va davlat budjeti barqarorligi fiskal siyosatning qanchalik samarali yuritilishiga bevosita bog‘liq ekani ta’kidlanadi. Soliq siyosatining tarkibi, soliq yukining optimal darajasi, soliq imtiyozlarining investitsion jozibadorlikka ta’siri, davlat xarajatlarining o‘sish modeli va ularning multiplikator effekti ilmiy nazariyalar asosida tahlil qilinadi. Shuningdek, budjet taqchilligi va davlat qarzi dinamikasi, fiskal intizom va fiskal qoidalar tizimining mohiyati iqtisodiy xavfsizlik nuqtayi nazaridan o‘rganiladi. Maqolada fiskal siyosat samaradorligini oshirish bo‘yicha takliflar berilib, makroiqtisodiy barqarorlikka erishishda kompleks yondashuvning zarurligi asoslab berilgan.

**Kalit so‘zlar:** fiskal siyosat, soliq yuklamasi, davlat xarajatlari, makroiqtisodiy barqarorlik, budjet taqchilligi, multiplikator, davlat qarzi, iqtisodiy o‘sish, inflyatsiya, fiskal intizom.

## Introduction

Macroeconomic stability is one of the priority tasks in the economic development strategy of each country, which determines not only the stable growth of economic indicators, but also the consistent provision of social well-being. Macroeconomic stability is understood as an acceptable level of inflation, the continuation of economic growth at a stable pace, a sufficient level of employment, the stability of the national currency and the sound state of public finances. All of these are closely interconnected and are controlled by the state's economic policy, in particular fiscal policy.

Fiscal policy plays a central role in ensuring economic stability as a means of influencing economic processes through tax revenues and government spending. The fiscal policy of each country is formed depending on its stage of economic development, macroeconomic problems, budget capabilities and priority strategic goals. For example, during an economic downturn, government spending can be increased or the tax burden reduced to stimulate demand, while during high inflation, on the contrary, a restrictive fiscal policy is used.

In developing countries, especially in countries with economies in transition, such as Uzbekistan, fiscal policy plays an even more important role. In recent years, Uzbekistan has been carrying out significant work to reform the tax system, simplify tax administration, increase the efficiency of public spending, and improve the public debt management system. All of these processes contribute to strengthening macroeconomic stability.

Fiscal policy plays a role in ensuring macroeconomic stability in three main areas: first, influencing economic growth and employment; second, controlling



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inflation; third, ensuring the stability of the state budget and debt. Tax policy stimulates or restricts the activities of economic entities, and public spending finances priority areas of economic development.

Thus, in the introduction, it should be said that the role of fiscal policy in macroeconomic stability is complex, multifaceted, and of strategic importance. The following sections of the article provide a detailed analysis of the theoretical foundations, practical results of fiscal policy, scientific views in the literature, and specific aspects in the conditions of Uzbekistan.

**Literature review**

Fiscal policy and its role in macroeconomic stability have been widely studied by many economists. While classical economists advocated limiting state intervention in the economy, J.M. Keynes was the first to theoretically substantiate the importance of public spending. He argued that an increase in public spending during an economic downturn increases aggregate demand and restores economic activity. From this point of view, fiscal policy is the most important tool in ensuring social well-being.

Tursunov B. Public finance management: theory and practice. The work analyzes modern approaches to public finance management, in particular budget management, fiscal risk assessment, and public debt policy. The book is distinguished by the fact that it is developed on the basis of a national model.

Ubaydullayev Kh. Economy of Uzbekistan: analysis and strategic development directions. The book covers the practical results of economic reforms in recent years, structural changes in the economy, and development strategies. The author also separately analyzes the impact of fiscal policy on economic modernization.

Kholiqulov Kh. Economic policy and sustainable development. The work presents a comprehensive model of economic policy, the concept of sustainable development, and scientific approaches to the role of the state in economic processes. The impact of fiscal policy on environmental sustainability is also considered.

Ismailov I. Modernization of the tax system and economic efficiency. This literature analyzes the modernization processes in the tax system - simplifying tax rates, optimizing benefits, and increasing the convenience of paying taxes. The author shows the impact of tax-business relations on efficiency based on statistical evidence.

**Main part**

The role of fiscal policy in ensuring macroeconomic stability is manifested through various mechanisms. First of all, the tax system is one of the main factors determining the investment climate, entrepreneurial activity and overall economic



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activity in the national economy. If the tax burden is too high, the willingness of business entities to invest decreases, the informal sector expands, and the overall efficiency of the economy weakens. On the contrary, optimization of tax policy stimulates economic growth, creates new jobs, and has a positive impact on social well-being.

One of the important elements of tax policy is tax incentives. Incentives are mainly aimed at developing priority sectors of the economy, increasing export potential, supporting innovative activities, and modernizing production. However, excessive tax incentives can also lead to a decrease in budget revenues. Therefore, tax incentives should be used in a targeted, temporary, and specific way that brings tangible economic results.

Public spending is the second main direction of fiscal policy that affects economic stability. The share of infrastructure development, education, health care, and social protection programs in public spending determines the quality of economic development. While infrastructure spending increases the competitiveness of the economy, spending on education and health care develops human capital. This is an important factor for long-term economic growth.

The macroeconomic impact of fiscal policy is often manifested through the multiplier effect. According to Keynes's multiplier theory, an increase in public spending creates additional demand in the economy, and as a result, national income can grow several times. This mechanism plays an especially important role in periods of economic decline. For example, in times of crisis, an increase in public investment in infrastructure accelerates the recovery of the economy, increases employment, and stimulates consumer demand.

However, an excessive increase in public spending can lead to a budget deficit. Budget deficits arise as a result of government spending exceeding revenues. If the budget deficit persists for a long time, the likelihood of public debt increasing increases. Therefore, for the stability of fiscal policy, the budget deficit must be kept within certain limits. In many countries, a fiscal rule is applied according to which the budget deficit should not exceed 3 percent of GDP.

Public debt is also an important indicator of fiscal stability. If public debt increases too rapidly, the risks of its repayment increase and the country's investment attractiveness may be reduced by international rating agencies. Therefore, a public debt management strategy must be carefully developed. If funds from public debt are directed mainly to projects that have economic efficiency, its negative impact on macroeconomic stability will decrease. On the contrary, borrowing to finance consumer spending increases fiscal risks in the long run.

Another important aspect of fiscal policy is fiscal discipline. Targeted spending of public expenditures, transparency of the budget process, strengthening


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of anti-corruption mechanisms are one of the main factors of the effectiveness of fiscal policy. The implementation of digital technologies, in particular, through electronic budget, electronic contract and electronic expenditure monitoring systems, can significantly increase the effectiveness of public finance management.

The above aspects show how important fiscal policy is for macroeconomic stability. It affects almost all sectors of the economy through tax and budgetary mechanisms. For this reason, it is necessary to conduct fiscal policy scientifically, and to conduct a thorough analysis of its short- and long-term economic consequences.

The scientific analysis conducted throughout the article comprehensively shed light on the role of fiscal policy in ensuring macroeconomic stability. The results obtained show that the effectiveness of fiscal policy depends on the fulfillment of several key conditions. The optimal organization of the tax system creates the foundation for economic development. If it is established that an excessive increase in the tax burden reduces economic activity, then setting the tax burden at an acceptable level improves the investment climate and stimulates entrepreneurial activity. In addition, it has been proven that the impact of tax incentives on economic development depends on how clearly and purposefully they are applied.

As a final conclusion, it can be said that the impact of fiscal policy on macroeconomic stability is

**Conclusion**

The above scientific analyses clearly show that fiscal policy plays a decisive role in ensuring macroeconomic stability. The correct orientation of tax policy serves as an important factor in economic growth. Optimal determination of the tax burden expands the activities of economic entities, stimulates production and investment processes, and creates the basis for stable growth of budget revenues. Also, the clear orientation of tax incentives plays an important role in the development of priority sectors of the economy.

When implementing fiscal policy, indicators such as the budget deficit and public debt should always be under control. Their use requires caution. If government spending constantly exceeds revenues, this undermines fiscal stability. Therefore, it is more expedient to expand the effective tax base and optimize government spending than to continuously borrow.

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