

IMPROVING THE THEORETICAL FRAMEWORK OF STATE FISCAL (BUDGET AND TAX) POLICY

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Abstract

Changes in the world economy, the transformation of the economies of countries, the situation in the world capital market, and unexpected global crises require research to study the theoretical foundations of state fiscal (budgetary-tax) policy, which is one of the state economic policies regulated by the state. In particular, it is urgent to scientifically observe the levers and tools of budgetary and tax policy, which are mentioned in a number of scientific publications as the driving force of the economy in the present era, and to draw conclusions on its practical application. The article also presents the evolution of school doctrines and modern views in the history of economic science on state fiscal (budgetary-tax) policy.

Keywords: Government fiscal policy, budget-tax policy, mercantilism, classical economic school, marginalism, Keynesianism, monetarism, supply theory, modern economic school, state budget expenditures and revenues, budget deficit, taxes, tax rate, tax burden.

Introduction

The analysis of the views presented by foreign and domestic scholars regarding the essence of the fiscal policy concept demonstrates that there is no single universally accepted approach to its definition. Some schools of economic thought interpret fiscal policy as a form of state intervention in the economy, others view it primarily as a source of replenishing the state budget, while a third group considers it a mechanism for stimulating economic activity.

Representatives of the Keynesian school regard fiscal policy as an instrument of state regulation that influences both aggregate demand and aggregate supply and is aimed at smoothing fluctuations in the economic cycle. Unlike the Keynesian interpretation, the approach proposed in this study defines fiscal policy as a set of measures directed toward achieving full employment, maintaining balance-of-payments equilibrium, and ensuring non-inflationary economic growth through changes in government expenditures and taxation.

In modern economic theory, fiscal policy is considered an integral component of state financial policy and is viewed as a reflection of financial processes occurring within the national economy. Earlier approaches developed during the administrative-command economic system also attempted to explain the essence of fiscal policy within the broader framework of state financial policy.

Monetarist theory interprets fiscal policy as a mechanism for regulating economic activity through the control of the money supply and the provision of tax incentives. Keynesian



economic thought emphasizes its role as a state instrument for influencing economic growth and mitigating cyclical fluctuations. Marginalist approaches focus on the impact of taxation on social welfare and the necessary role of the state in the economy. Marxist theory considers taxes as the primary form of state revenue and an essential attribute of state existence. Classical economists generally advocated limited state intervention, while fiscal policy was primarily associated with financing government functions through taxation. Mercantilist thinkers, in contrast, viewed fiscal policy as a means of state intervention and regarded taxes, particularly those imposed on landowners, as an important economic instrument for ensuring the performance of state functions.

Thus, the historical evolution of theoretical views on fiscal policy demonstrates that its content and functions have been interpreted differently across economic schools, reflecting changing views on the role of the state in economic development.

Literature Review

The role of fiscal policy in ensuring macroeconomic stability has been extensively examined in the international economic literature. Numerous scholars have analyzed fiscal instruments as an essential mechanism for promoting sustainable economic growth, maintaining fiscal sustainability, and mitigating the adverse effects of economic crises.

In particular, L. Petrova provides a comprehensive analysis of the impact of fiscal policy on economic development, emphasizing its significant contribution to post-pandemic economic recovery. Her study demonstrates that fiscal stimulus measures implemented after the COVID-19 pandemic played a decisive role in supporting aggregate demand, restoring business activity, and accelerating economic recovery.

Similarly, the interaction between fiscal and monetary policy under contemporary economic conditions has attracted considerable scholarly attention. P. Jia and G. R. Steele investigate the evolving relationship between these two macroeconomic policy instruments and conclude that their effective coordination enhances macroeconomic stability and improves the efficiency of economic management.

The fiscal and taxation measures adopted during the COVID-19 pandemic have also been comprehensively examined by R. Van Dender, P. O'Reilly, and S. Perret. Their comparative analysis of different countries demonstrates that tax incentives, targeted fiscal support, and temporary tax relief significantly reduced the negative economic consequences of the global health crisis. The authors conclude that well-designed fiscal interventions are among the most effective instruments for stabilizing economic activity during periods of severe uncertainty.

The findings of the reviewed studies indicate that taxation remains one of the most efficient fiscal instruments for influencing economic development. Tax policy not only generates public revenue but also stimulates investment, encourages entrepreneurship, supports employment, and contributes to overall macroeconomic stability.

At the same time, the post-pandemic period has revealed the necessity of reconsidering the strategic priorities of fiscal policy. Modern fiscal policy should not be limited to ensuring budget revenues alone but should also support sustainable economic growth, strengthen social protection mechanisms, promote innovation, and enhance national competitiveness.



In this regard, fiscal policy should be viewed as a comprehensive system that integrates taxation, public expenditure, budget management, and public debt regulation into a coherent framework. Such an integrated approach enables governments to respond more effectively to economic shocks while maintaining fiscal sustainability in the long run.

International experience further indicates that many countries have strengthened fiscal discipline following recent economic crises by improving tax administration, optimizing public expenditures, controlling public debt, and implementing privatization programs where appropriate. These measures have contributed to restoring fiscal balance and improving the efficiency of public financial management.

Furthermore, emergency monetary expansion implemented during the early stages of the COVID-19 crisis served as a temporary instrument for supporting economic activity. However, subsequent inflationary pressures highlighted the importance of maintaining an appropriate balance between fiscal expansion and macroeconomic stability.

Therefore, international experience confirms that successful fiscal policy requires a balanced combination of efficient taxation, prudent public expenditure management, sound debt policy, and targeted social support. Such an integrated policy framework provides a solid foundation for achieving sustainable economic growth and strengthening resilience against future economic shocks.

Analysis and Discussion

The empirical analysis demonstrates that fiscal policy plays a decisive role in maintaining macroeconomic stability and ensuring sustainable economic development. The effectiveness of fiscal policy depends not only on the volume of government revenues and expenditures but also on the efficiency with which fiscal instruments are designed and implemented.

The findings indicate that taxation remains the principal source of public revenue and serves as one of the most influential instruments for regulating economic activity. An appropriately structured tax system encourages entrepreneurship, stimulates investment, promotes employment, and enhances the competitiveness of domestic producers. Conversely, excessive tax burdens may discourage private investment, reduce business activity, and constrain long-term economic growth.

The analysis further reveals that public expenditures constitute another fundamental component of fiscal policy. Efficient allocation of budgetary resources to priority sectors—including education, healthcare, infrastructure, scientific research, and innovation—strengthens human capital formation and improves the productive capacity of the national economy. Therefore, fiscal policy should emphasize not only the expansion of public spending but also the improvement of expenditure efficiency and accountability.

Another important finding concerns the relationship between fiscal policy and macroeconomic stability. During periods of economic recession, expansionary fiscal measures—including increased public investment, targeted social expenditures, and temporary tax reductions—can stimulate aggregate demand and accelerate economic recovery. Conversely, during periods of excessive inflation, contractionary fiscal measures may help reduce aggregate demand and restore macroeconomic equilibrium.



The analysis also demonstrates that effective fiscal policy requires close coordination with monetary policy. The simultaneous implementation of expansionary fiscal policy and restrictive monetary policy may generate policy inconsistencies, reducing the overall effectiveness of macroeconomic management. Consequently, harmonization between fiscal and monetary authorities is essential for achieving sustainable economic growth and price stability.

International experience suggests that countries with strong fiscal institutions generally exhibit higher levels of economic resilience during periods of financial instability. Transparent budget management, prudent public debt policies, efficient tax administration, and effective public expenditure control significantly improve fiscal sustainability and strengthen investor confidence.

Particular attention should be given to the digital transformation of fiscal administration. The implementation of digital tax administration systems, electronic invoicing, integrated financial information systems, and data-driven fiscal monitoring substantially reduces tax evasion, enhances transparency, and improves public sector efficiency. Digital technologies also contribute to expanding the tax base while reducing administrative costs for both governments and taxpayers.

The experience of Uzbekistan illustrates that ongoing fiscal reforms have substantially improved public financial management. Recent reforms aimed at increasing budget transparency, modernizing tax administration, simplifying tax procedures, strengthening fiscal discipline, and introducing digital public finance management systems have contributed to enhancing fiscal sustainability and improving the investment climate.

Furthermore, fiscal policy increasingly performs a social function by reducing income inequality and strengthening social protection. Well-targeted public expenditures, progressive taxation where appropriate, and effective transfer programs contribute to poverty reduction and support inclusive economic growth. Consequently, modern fiscal policy should pursue not only economic efficiency but also social equity.

Overall, the analysis confirms that fiscal policy has evolved from a traditional revenue-generation mechanism into a comprehensive instrument for macroeconomic regulation. Its effectiveness depends on the government's institutional capacity, fiscal discipline, transparency, and the ability to adapt policy measures to changing domestic and international economic conditions. Sustainable economic development can therefore be achieved only through a balanced fiscal framework that simultaneously promotes economic growth, fiscal responsibility, and social welfare.

Conclusion

This study examined the theoretical foundations, economic significance, and practical implications of fiscal policy in promoting sustainable economic development. The findings demonstrate that fiscal policy has evolved from a traditional mechanism for financing government expenditures into a comprehensive macroeconomic instrument capable of influencing economic growth, employment, price stability, income distribution, and overall social welfare.



The review of international literature confirms that the effectiveness of fiscal policy depends largely on the appropriate combination of taxation, public expenditure management, budgetary discipline, and public debt regulation. Countries that maintain transparent fiscal institutions, efficient tax administration, and prudent budgetary policies generally achieve higher levels of macroeconomic stability and resilience to external economic shocks.

The empirical analysis further indicates that well-designed fiscal policy contributes significantly to improving the investment climate, encouraging entrepreneurship, strengthening public finances, and promoting sustainable economic growth. Fiscal policy also performs an essential social function by supporting vulnerable groups, reducing regional disparities, and improving access to public services such as education and healthcare.

Recent fiscal reforms implemented in Uzbekistan demonstrate substantial progress in enhancing budget transparency, modernizing tax administration, digitalizing public financial management, and strengthening fiscal discipline. These reforms have created favorable conditions for improving public sector efficiency and increasing the competitiveness of the national economy.

Overall, the study confirms that effective fiscal policy should pursue multiple objectives simultaneously, including economic growth, fiscal sustainability, macroeconomic stability, and social equity. Achieving these objectives requires continuous institutional reforms, evidence-based policymaking, and close coordination between fiscal and monetary authorities.

Policy Recommendations

Based on the findings of this research, the following policy recommendations are proposed:

1. **Strengthen fiscal discipline** through medium- and long-term budget planning while ensuring transparency and accountability in public financial management.
2. **Improve tax administration** by expanding digital tax services, simplifying tax procedures, reducing compliance costs, and strengthening mechanisms to combat tax evasion and the shadow economy.
3. **Increase the efficiency of public expenditures** by prioritizing investments in education, healthcare, scientific research, innovation, digital infrastructure, and green economic development.
4. **Enhance fiscal sustainability** through prudent public debt management, diversification of budget revenue sources, and effective expenditure control mechanisms.
5. **Promote investment-friendly fiscal policies** by providing transparent and predictable tax regulations, encouraging private sector participation, and supporting small and medium-sized enterprises.
6. **Strengthen social protection mechanisms** through better-targeted fiscal transfers aimed at reducing poverty, income inequality, and regional development disparities.
7. **Expand the digital transformation of public finance** by implementing integrated financial information systems, electronic procurement platforms, digital budgeting tools, and real-time fiscal monitoring.
8. **Improve coordination between fiscal and monetary policies** to maintain macroeconomic stability, control inflation, and support sustainable long-term economic growth.



9. **Adopt international best practices** in fiscal governance by incorporating OECD and IMF recommendations into national fiscal policy frameworks while considering country-specific economic conditions.

10. **Encourage continuous evaluation of fiscal policy outcomes** through evidence-based research, performance indicators, and regular policy assessments to ensure adaptive and effective fiscal management.

In conclusion, modern fiscal policy should be regarded not merely as an instrument for generating public revenue but as a strategic framework for achieving sustainable development, strengthening national competitiveness, improving living standards, and ensuring long-term economic resilience. Future fiscal reforms should therefore emphasize institutional quality, transparency, innovation, and policy coordination to maximize both economic efficiency and social welfare.

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