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Navigating Economic Crises: A Comparative Analysis of Budgetary Responses in ASEAN Countries

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ABSTRACT

This scoping review examines the budgetary responses of several ASEAN countries to economic crises, focussing on the contrasting strategies of expansionary fiscal policies and austerity measures. While expansionary policies aim to stimulate economic recovery through increased spending and tax cuts, they raise concerns about long-term fiscal sustainability. Conversely, austerity measures can stabilise public finances but often lead to economic contraction and social unrest. The study highlights the complexities and trade-offs involved in these strategies, emphasising the need for a nuanced understanding of their effectiveness in diverse contexts. By analysing existing literature and government measures implemented during crises, this review aims to inform future policymaking and enhance economic resilience in the ASEAN region, contributing to the goals of the ASEAN Community Vision 2025.

Keywords: Budgetary responses, economic crisis, government strategies

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INTRODUCTION

Economic crises, such as the 2008 global financial crisis and COVID-19 pandemic, have prompted governments worldwide to adopt various budgetary responses. These responses can be broadly categorised into two strategies: expansionary fiscal policies (increasing spending or cutting taxes) and austerity measures (reducing spending or

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increasing taxes). Effective fiscal policies are crucial in stabilising economic activity, supporting employment, and promoting social equity during downturns.

The Expansionary Fiscal Policies involve increasing government spending and cutting taxes to stimulate economic activity. Research indicates that such measures can lead to faster recoveries during recessions (Blanchard & Leigh, 2013; Romer & Romer, 2010).

The Austerity Measures focus on reducing deficits through spending cuts and tax increases. While aimed at restoring fiscal balance, austerity often leads to economic contraction and social unrest, particularly in high-debt contexts like Greece and Brazil (Alesina et al., 2019).

PROBLEM STATEMENT

Budgetary responses play a crucial role in managing economic crises, yet their effectiveness varies significantly across countries and contexts. Austerity measures can stabilise public finances but often lead to economic contraction and social unrest, while expansionary policies may support recovery at the cost of fiscal sustainability. Understanding these nuances is essential for guiding future government actions and enhancing economic resilience.

RESEARCH QUESTIONS

What existing literature maps the government budgetary responses to economic crises in several ASEAN countries? The results of the scoping review, by utilising secondary data collection through library research, are shown in Table 1.

Table 1
Comparative analysis of economic strategies in several ASEAN countries

Country	Fiscal Strategy	Government Key Measures
Malaysia	Expansionary Policy	Prihatin Rakyat Economic Stimulus Package during the COVID-19 pandemic, cash transfers and support for SMEs to stimulate recovery and maintain consumer confidence (Ministry of Finance Malaysia, 2020)
Indonesia	Expansionary Policy with Austerity	National Economic Recovery Program (PEN) involved a mix of fiscal stimulus and social assistance programmes to alleviate the economic burden on vulnerable populations (World Bank, 2020)
Thailand	Expansionary Policy with Austerity	Economic and Social Relief package, wage subsidies and cash handouts for low-income families (International Monetary Fund, 2021)
Philippines	Expansionary Policy with Austerity	Bayanihan to Heal as one Act, Bayanihan 2 Act (Bureau of the Treasury, 2020a, 2020b) and Cash assistance through the Social Amelioration Programme (SAP) (Department of Finance, 2020)
Singapore	Expansionary Policy	Job Support Scheme (JSS), direct cash transfers and digital transformation (Ministry of Finance Singapore, 2020)

Source: Authors' own work

CONCLUSION

This review underscores the trade-offs governments encounter in choosing budgetary strategies during economic crises, highlighting that while expansionary fiscal policies can foster recovery, they may jeopardise long-term sustainability. Conversely, austerity measures can stabilse public debt but often result in economic contraction and social distress. Addressing these complexities is essential for enhancing the understanding of effective budgetary strategies in ASEAN, ultimately contributing to the regional stability and ASEAN Community Vision 2025.

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