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12. Selected Euro Area Countries Variance Decomposition of Household Consumption; V. A Fresh Look at the Link between Government Size and Volatility; A. Specification and Econometric Issues; B. Results; Tables; 1. Government Size and Volatility: Basic Results; 2. Government Size and the; 3. Government Size and Volatility: Interactions and Non-linearities (Pooled OLS, 1961- 2007); 13. Estimated Impact on Volatility of an Increase in Government Expenditure by percentage point of GDP  
4. Output Volatility and Alternative Measures of Government Size (pooled OLS)VI. Conclusions; References; Appendix; Appendix Tables; A1. Government Size and Volatility: Basic Results with Output Gap Volatility; A2. Government Size and Volatility: Additional Controls; A3. Government and Volatility: Instrumental Variables (Pooled TSLS, period fixed effects, 1961-2007); A4. Government Size and the Great Moderation (Pooled OLS, 1961-2007); A5. Government and Volatility: Instrumental Variables (Pooled TSLS, period fixed effects, 1961-2007)  
A6. Government Size and Volatility: Interactions and Non-linearities (Pooled OLS, 1961- 2007)

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Sommario/riassunto

The paper takes stock of the debate on the positive link between output volatility and the size of government-which reflects automatic stabilizers. After a survey of the literature, we show that the contribution of automatic stabilizers to output stability may have disappeared since the 1990's. However, econometric analysis suggests that the breakdown in the government size-volatility relationship largely reflects temporary developments (better monetary management and financial intermediation). Once these factors are taken into account, the stabilizing role of government size remains important

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