ABSTRACT

Financial crises are damaging and contagious. Many researches have been developed on finding best ways to resolve the financial crises and accelerate the economic recovery. However, no concrete agreement has been achieved. The chief reason being that most governments are skeptical of taking drastic measures, fearing that they might bring further downturn. Several studies had examined the effectiveness of the “Stimulus Package” or fondly called the “Recovery Budget” during the financial crisis. How effective was the Stimulus Package? Has it been able to help in the economy recoveries, both in short and long term? Or was it more of an immediate crisis response to the recession? To address these questions, I will look into the past studies from the crisis era of the 1930s Great Depression to the more current global financial crisis of 2008 and evaluate the policy response that involved of public spending. The paper offers an overview of the following aspects: brief descriptions about the crisis element, the size of the stimulus, the impact of such packages on aggregate demand and growth or any cause of economic imbalances such as large budget deficits. Finally, I will share some conclusions and lessons on whether the stimulus is indeed effective or helpful during a financial crisis.
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