

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.

ACKNOWLEDGEMENT

First and foremost, I would like to give my greatest appreciation to my family members, who had rendered me all the unlimited supports, spiritually and mentally throughout my life.

I would like to express my gratitude to Prof Dr Mohd Nazari Ismail for his sharp insights and generous guidance throughout this project. His kind patience, constructive ideas as well as boundless encouragement have enabled my completion of this project on time.

I would also like to extend my warm appreciation to friends and fellow MBA course-mates who had extended continuous helping hands and shared this journey with motivating words and sound advices. Their support is greatly appreciated.

Without all their support and guidance, this study would not have been completed.