

CHAPTER 3:

RESEARCH METHODOLOGY

For the last eight decades since the Great Depression, there have been more than ten large financial crises and subsequently, numerous stimulus packages formed and implemented as each government's responded to each crisis. As such, there are ample materials that can be used to study and analyze the effectiveness of stimulus packages during an economic crisis. This is an Archival Research based on the secondary data obtained from various sources and by readings of past journal articles, economic reviews and published data on previous cases of economic stimulus packages. Eg ADB Working Paper Series, IMF Working Paper, Bank Negara website, etc. An analysis had been carried out after reviewing more than 100 academic journals published in the period of 1930-2011.

The secondary information is analyzed and later applied to a research analysis that primarily explored the effectiveness of a stimulus package or "Recovery Budget" in promoting economy recovery during a financial crisis. The search for the articles was performed electronically over University Malaya's Electronic Journals Database and other web search engines using the key words: "fiscal policy and stimulus package" combined with "financial crisis / economic crisis".

Stimulus packages had been introduced by many governments but most of the review was focused on certain periods of the crises. Very minimal effort had been made to study past financial crises and evaluate the impact of the stimulus effort across the centuries. In this paper, I had provided the results that exist in the literature and also cited key paper findings.

Generally, the analysis is structured around six major crises from the 1930s' Great Depression to the recent 2008 financial crisis. It started with the Great Depression in the 1930 after the equity crash, followed by the Oil Crisis in 1973 when the Organization of the Petroleum Exporting Countries (OPEC) quadrupled oil prices; the Japanese "Bubble" in the 1990s; the Mexican financial crisis in the 1994 caused by the peso's peg to the dollar during the excessive inflation; the Asian Financial crisis in the 1997 caused by the stock market and real estate speculation that negatively affected the exchange rate and banking industry; and finally the 2008 crisis punctuated by credit crunch and a frozen interbank market.

The research during the Asian 1997 and 2008 financial crisis involved Thailand, Malaysia, Korea, Hong Kong and China. Each crisis section consists of a brief elaboration about the crisis; the information about the stimulus packages and followed by an impact analysis on the stimulus money towards the economic recovery. Over a period of time, usually within 2 to 3 years, we begin to see the first impact from the stimulus activities and can evaluate the rate of economic growth as affected, by adding to or subtracting from the aggregate demand. The measures of the fiscal stimulus start with the difference between total general

government revenues and expenditure net of interest payments on consolidated general government liabilities, or described as the fiscal balance. The fiscal balance will be affected by the rise and fall of the economic activity and also changes in the government tax and spending policy. The final part of the research will discuss and summarize the impact of the stimulus packages across the centuries during the economic crises.