

Critical Literature Survey of the Macroeconomic Effects of Fiscal Policy in Light of Recent Empirical Evidence

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Abstract : The present paper offers a fundamental critique of the macroeconomic effects of fiscal policy after it surveys the theoretical and empirical literature on the macroeconomic effects of fiscal policy. It emphasizes the importance of the fiscal policy after reviewing the revolution of almost all economic schools and bringing them in one summarized figure; the paper links the developmental role of the fiscal policy with the objectives and measures of the economic transformation. Thus, the importance of this study can be seen from several perspectives: First, it reviews the theoretical harvest of fiscal policy and provides a comparison between the main revolutionary Economic thoughts; the classical school, Keynesian school, and monetarist school. Then it turns to conclude the fiscal policy from the new consensus mainstream economic schools. Finally, the study presents grouped and classified empirical pieces of evidence as it divides those empirical studies into two groups; the first for developed economies and the second for developing ones. So the study is important also for the policymakers as well as scholars as it gives its recommendations upon the last analysis in the form of 'policy implications'. The paper also presents a deeper look into the evaluation approaches of the macroeconomic effects of fiscal policy at the empirical level. Thus it is useful for both researchers and decision makers.

Keywords : economic transformation, fiscal policy, macroeconomic effects, public spending

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