
The current state of macroeconomic theory and the role of fiscal policy: what have they learned?

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Résumé

The global financial crisis (GFC) led both to a crisis in macroeconomic theory in the mainstream and to a questioning of the economic policies implemented before and after the crisis. Several mainstream economists became aware of some important points that heterodox economists have been trying to put forward for a long time. Nevertheless, what exactly have they learned from this experience? Has the economic theory changed already and to what direction? Have economic policy and institutional settings to economic policy been altered since the GFC? Did policymakers in developing countries followed any of these potential modifications? How is the current policy space, after the GFC, to developing countries?

In terms of economic theory, a wide number of conferences and papers have been questioning the "new consensus" in macroeconomics and its policy implications. Since then, much has been said, but very little change has been implemented. Many scholars recognized that the need for change is as great as in the 1930s, after the Great Depression, and as in the 1970s, during the stagflation period. Both periods led to a paradigm change in macroeconomics, although, both of them, within the mainstream economics.

The GFC, which was neither predicted nor even explained by the mainstream macroeconomic theory, has led some of its authors to acknowledge some important aspects that heterodox economist used to emphasize. In particular, it is now increasing the emphasis on financial frictions, the limits of rational expectations, the necessity to include heterogeneous agents, and to conceive more appropriate microfoundations.

In terms of policy implications, some economists, including from the IMF, have increased their criticisms to the main policy orientation coming from mainstream macroeconomic. Many different studies have pointed that: (1) capital account liberalization and fiscal consolidation have not led to an increase on growth; (2) the increase in inequality might be affecting the level and sustainability of growth; and (3) fiscal policy implemented has usually had significant distributional.

Therefore, the main debate after the crisis was related to the role of fiscal policy. Until the GFC, the prevailing view was a restricted role of the state and the use of fiscal policy only to ensure the sustainability of the public debt. Even those that advocated the necessity to intervene in controlling short run fluctuations attributed to monetary policy this main role. However, there is an increasing literature pointing to the theoretical and empirical divergences marking a shift towards a new paradigm on fiscal policy, including tax system,

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structure of public spending, and fiscal rules, emphasizing its impacts on economic growth, income distribution, and inequality.

As pointed out by Lavoie and Seccareccia (2017), even though many countries, especially in Europe, reverted the initial Keynesian view and did adopt strong austerity measures after the crisis, it is important to notice that the debate about fiscal policy did not go back to the pre-crisis – the doctrine of "expansionary austerity".

However, even though it seems that there are important disputes about both theory and policy around the World, it is important to notice, that this does not reflect in policies *de facto* of some developing countries.

Mots-Clés: macroeconomic theory, global financial crisis, fiscal policy, monetary policy.