

The empirical effects of government spending

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Propositions accompanying the thesis on

The Empirical Effects of Government Spending

by
Thomas van Gemert

1. In order to estimate the causal effect of government spending on the macro-economy, it is necessary to identify exogenous government spending shocks, since government spending is inherently endogenous to the business cycle. (*Chapter 1*)
2. Macroeconomic theories that predict large expansionary effects of government spending on GDP, private consumption and investment, are consistent with empirical findings regarding the effects of government spending news with long anticipation horizons. (*Chapter 2*)
3. Empirical studies that focus on defense spending when evaluating the macroeconomic effects of government spending underestimate the true overall fiscal multiplier. (*Chapter 3*)
4. If policymakers ignore sectoral substitution and spillover effects when deciding on government spending policies that aim to stimulate regional economies, possible negative consequences might be ignored. (*Chapter 4*)
5. Policymakers should be aware that conclusions from empirical macroeconomic studies are not necessarily valid in other countries than the ones used in the analysis, because of differences in underlying factors that are relevant for the effectiveness of government spending policies (*Valorisation Addendum*)
6. Empirical studies in macroeconomics can only verify or falsify macroeconomic theories by estimating structural model parameters or statistics that can be compared across economic models, such as fiscal multipliers.
7. Even though macroeconomists often describe a wide range of possibly intended and unintended effects in a policy advice, this may not always prevent that policymakers intentionally or unintentionally select a subset of the described effects while ignoring the other effects.
8. Macroeconomists typically attempt to answer relevant questions to society, but struggle to obtain causal identification in empirical studies, while microeconomists often achieve causal identification, but struggle to answer questions that are relevant to society.
9. “If you put two economists in a room, you get two opinions, unless one of them is Lord Keynes, in which case you get three opinions.” – *Winston Churchill*
10. “If you put the federal government in charge of the Sahara Desert, in five years there would be a shortage of sand.” – *Milton Friedman*