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## **WHICH WAY TO GO? THE EFFECTS OF THE GREAT RECESSION ON ECONOMIC THOUGHT**

### **Abstract:**

Crises have become one of the central concepts in macroeconomic policy issues for almost one century. Because it is crystal clear that the crises' effects last at least a few years, then the recovery period lags behind. On the other hand, since the existing policies do not respond to the crisis, a new branch of economic school of thought arises or the existing one rises up again. After the Great Depression, Keynesian policies came forward causing the post-World War II era to be known as the 'Golden Age of Capitalism'. But soon were tides to change. After the oil-price shocks, Monetarist school arose. The 1970s experienced the rise of the neo-liberal transformation, liberalization and rise of financial markets. Financial activity spread eventually everywhere as never before after this liberation movement. In addition to this, technological development occurred in financial services and more sophisticated and new financial instruments were produced in the financial sector. Gains in the financial sector increased and it captured power of industry sector. Neo-classical synthesis and the Efficient Market Hypothesis came to prominence. With all these, however, the global economy experienced another crisis named 'The Great Recession'. Then, appropriate macroeconomic policy issues came to mind. Therefore, the paper argues that which directions of the economic schools of thought arose or came forward after the Great Recession.

### **Keywords:**

Crises, the great recession, economic schools of thought

**JEL Classification:** A10, B22, G01