

An Impact Analysis of American Economic Policy Based on the Global Economic Crisis and the Ukraine War

Hongyuan Bi^{1,a,*}, Mingshuo Yu^{2,b}

¹Faculty of Arts and Science, University of Toronto, Toronto, M5S 1A1, Canada

²Faculty of Humanities and Social Sciences, University of Nottingham Ningbo China, Ningbo, 315000, China

^ahowie.bi@mail.utoronto.ca, ^bhmymy5@nottingham.edu.cn

Keywords: U.S. economic policy; Global economic crisis; Ukrainian War; High-quality development

Abstract: As the global economic crisis and the Ukraine war continue to unfold, U.S. economic policy faces enormous challenges and pressures. It is necessary to propose better measures and programs to meet domestic and international needs. Based on the dynamic evolution of the U.S. economic development and following the internal logic of supply-side structural reforms, a theoretical analysis framework for the impact of U.S. economic policies is constructed. It can explain the U.S. economic growth mechanism jointly generated by the macro-control mechanism involving fiscal policy and monetary policy and the international trade cycle mechanism. And continue to explore the possibility of dealing with the global economic crisis and the Ukraine war from the perspective of historical changing and realistic interpretation of the U.S. economy. American economic policy aims to provide the American people with a standard of living that meets expectations and is committed to continuously improving economic quality and social satisfaction. To this end, it is necessary to achieve high-quality economic development in the United States and promote world peace by strengthening innovation-driven economic transformation, building a mechanism for interaction and coordination between the interests of the United States and other countries in the world to achieve high-quality economic development in the United States, promote world peace and prosperity, and truly meet the common aspirations of human society.

1. Introduction

U.S. economic policy is one of the main responsibilities of the U.S. government and is also the general term for U.S. economic management. It is divided into basic and non-basic economic policies, composed of fiscal and monetary policies, respectively. The U.S. government also entrusted the Federal Reserve Board with quantitative easing monetary stimulus in response to the global economic crisis. Since 2008, U.S. economic policy has become the focus of global attention, and U.S. economic growth has become a judging indicator. Unlike traditional economic policies, U.S. economic policies emphasize supply-side structural reforms, innovation-driven and international coordination. Therefore, while raising the question of U.S. quality economic development, the global economic crisis and the war in Ukraine have brought new challenges and opportunities for U.S. economic policy.

The global economic crisis stems from the Western development model centered on financial capital and consumerism. Its crisis and transformation contain historical changes and are also the choices of human society and civilization. From the perspective of development structure, the Western development model seeks to maximize profits and achieve capitalist modernization through a combination of market competition and free trade. However, this is only in the age of industry. Today, the world has practiced a unique path of diversification. China's comprehensive deepening of reforms not only rewrites Chinese history and embodies Chinese wisdom but also rewrites the world pattern and poses a challenge to the Western development model. Therefore, the global economic crisis discussion must have a global perspective and pattern. Since 2008, with the development and

enhancement of China's strength, the United States has begun to attach importance to the rise of China. However, there are still contradictions of strategic misjudgments and conflicts of interest. Therefore, in 2014, the Asia-Pacific rebalancing strategy proposition was put forward. Generally, the global economic crisis is the external condition and guarantee for the high-quality development of the U.S. economy. Internally, the U.S. economic policy has made some progress, but there are also structural shortcomings. The United States has not yet fully found a practical path for supply-side structural reform and is still working hard to move forward [1]. Therefore, U.S. economic policy has not yet been updated and adjusted, and this is not only related to U.S. interests but also to the need for world peace and prosperity [2].

The major impact of the Ukrainian war on the European security order was aimed at preventing Russian expansion and solving the Ukrainian problem through military intervention and sanctions. The main process was the Crimea crisis and the Donbas war, which effectively responded to the Russian threat and had geopolitical significance.

Based on the background analysis above, this paper proposes a framework for analyzing the impact of U.S. economic policy in light of supply-side structural reforms and considers how U.S. economic policy should respond to this aim.

2. Research Background of American Economic Policy Based on the Global Economic Crisis and Ukraine War

2.1 An Overview of the Occurrence and Impact of the Global Economic Crisis and the Ukraine War

The global economic crisis and the Ukrainian war are two concepts developed parallel with the U.S. economic policy. They are "impregnated" with the concept of the Western development model, highlighting the hegemonic orientation of the United States and reflecting the U.S. foreign strategy since 2008. However, it is still difficult to get a consistent answer when using certain economic criteria to construct the definition and nature of U.S. economic policy. The global economic crisis refers to a global financial crisis triggered by the subprime mortgage crisis in the United States in 2008, which impact has affected the economic, political, social, and cultural fields of countries all over the world, and has caused problems such as the slowdown in global economic growth, shrinking trade, declining employment, and difficulties in people's livelihood [3]. The Ukraine War refers to an armed conflict in Ukraine in 2014 involving countries such as Russia, the European Union, and the United States, the impact of which has affected the security pattern in Europe and the world and triggered issues such as geopolitics and energy security [4]. These two concepts are closely related to U.S. economic policy and are not only the background and motives of U.S. economic policy but also the results and challenges of U.S. economic policy [5].

2.2 The Main Contents and Objectives of U.S. Economic Policy

U.S. economic policy is an important standard of U.S. economic management and a macro expression of U.S. economic development. Economists and political scientists discuss various definitions of U.S. economic policy from theoretical, practical, and impact perspectives. Some scholars believe that U.S. economic policy represents the degree of U.S. government intervention in economic activity or the embodiment of the U.S. economic system. Because the U.S. economic policy is more political to some extent, it is an applied science aimed at realizing national interests. The history of American economic policy development can even be traced back to the War of Independence, and its main activities include fiscal policy, monetary policy, trade policy and so on. The concepts and objectives of American economic policy are closely related to the historical stage of the United States and the international environment. By formulating and implementing economic policies, the U.S. government has become an essential responsibility for U.S. economic growth. The main contribution of Keynesian theory in the early 20th century is to put forward the idea of demand management. Thus, the concept of U.S. economic policy initially focused primarily on macro-measures based on output and employment standard attributes.

3. The Research Foundation and Key Technology of American Economic Policy Based on the Global Economic Crisis and the Ukraine War

3.1 The Theoretical Basis of American Economic Policy Impact Analysis

Unlike traditional economic policy analysis, supply-side structural reform emphasizes the relationship between supply and demand, which is dynamic and systematic. Although some scholars question that supply-side structural reform may not be directly related to economic growth, most scholars advocate that supply-side structural reform can rationally evaluate economic growth. Laspels et al. proposed a classical, supply-side economics production function model with four elements. Since then, the model has become a typical tool for supply-side structural reform, from which the concept of potential output was developed. These scholars believe that potential output is stable and is a "natural output". The economy will be in equilibrium only when the actual output is equal to the potential output. Therefore, supply-side structural reform is a means to increase potential output. Some scholars have also summarized the supply-side structural reform into two models: a market-based liberalization model and a state-led innovation model. The former focuses on tax reduction, deregulation, and competition promotion, while the latter focuses on investment, education, science and technology, and innovation-driven. Although supply-side structural reform has experienced some practical difficulties, it can improve economic quality and efficiency in the long run, and the concept of high-quality development has gradually become a consensus in economic policy research and practice.

3.2 A Methodology for Analyzing the Impact of U.S. Economic Policy

The essence of U.S. economic policy impact analysis focuses on economic growth issues. Economic growth is the application of economic thinking at the macro level. In order to overcome the shortcomings of traditional economic policy analysis, the growth accounting framework has entered the research field as a new alternative model. The basic idea of the framework is that economic policies should ensure the effective implementation of supply-side structural reforms. Setting professional standards for potential output. "capturing" the impact of supply-side structural reforms through techniques such as production functions. Using regression analysis methods to measure the contribution rate of economic growth. The growth accounting framework reconstructs the analysis of the impact of U.S. economic policies, emphasizing the need to enhance the innovation of economic policies while constructing the scientific, objective, systematic, and operable analysis of the impact of U.S. economic policies.

4. An Analysis of American Economic Policy Model Based on the Global Economic Crisis and the Ukraine War

4.1 The Establishment of the Econometric Model of American Economic Policy Impact Analysis

Economic growth is the main goal of American economic policy, which focuses on the effectiveness of American economic policy, and directly reflects the quality of supply-side structural reform and economic growth through potential output. Some elements of supply-side structural reform are gradually taking shape, and potential output and various evaluation systems are gradually being taken seriously. However, from the empirical analysis, some U.S. economic policies still stay in the traditional demand management stage, contrary to the logical framework and generation mechanism of supply-side structural reform, thus deriving the contribution rate of economic growth. This paper builds an econometric model based on the growth accounting framework for analyzing the impact of U.S. economic policy, and the impact and implications of U.S. economic policy on the contribution rate of potential output and economic growth are explored by introducing external variables such as the global economic crisis and the Ukraine war [6]. The econometric model structure of the U.S. economic policy impact analysis is shown in Figure 1.

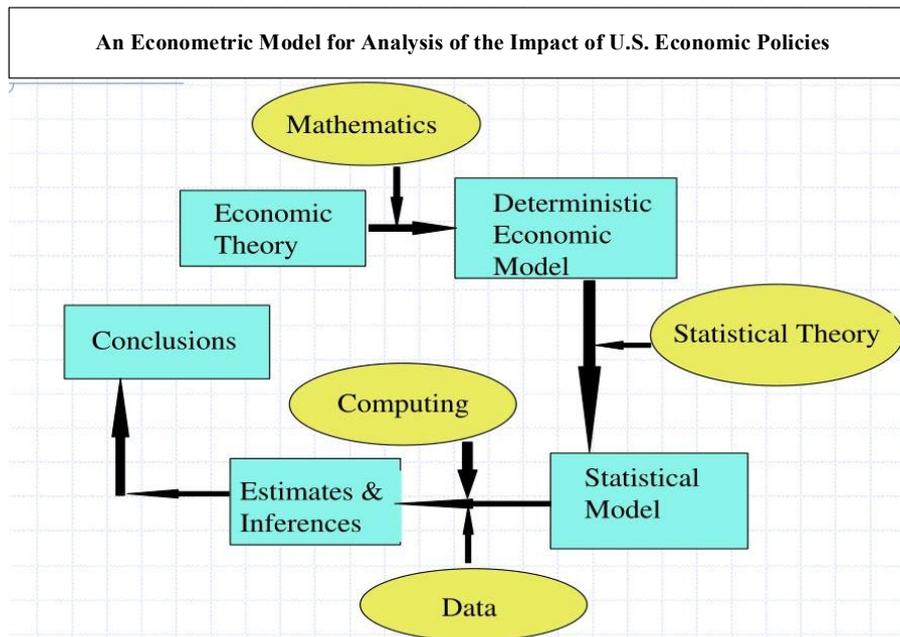


Figure 1 The econometric model for analyzing the impact of U.S. economic policies

4.2 The Evaluation of the Effect of American Economic Policy by Using the Econometric Model

From the perspective of supply-side structural reform, potential output is the basic link of economic growth and the core embodiment of U.S. economic policy. Therefore, the main logic of U.S. economic policy is to increase potential output. Economic growth is the primary goal of U.S. economic policy and the primary responsibility of the U.S. government. Currently, the U.S. government is restraining economic growth from a fiscal and financial perspective. There are three main forms. The first is fiscal stimulus. It is clear that government spending must be balanced between stimulating demand and expanding supply. The second is monetary easing. Standardized management of monetary policy is achieved by setting inflation and interest rate targets and disclosing the money supply to the market [7]. Third is the redesign of the internal process of quantitative easing. In recent years, the Federal Reserve Board and other means to purchase bonds to enhance market liquidity and improve credit levels. However, compared with supply-side structural reforms, the innovation of current U.S. economic policies needs to be further improved

4.3 The Impact Analysis of U.S. Economic Policy on the Global and Regional Economy

The fundamental difference between U.S. economic policy and the global and regional economies lies in leadership attributes. U.S. economic policy leadership standards and global governance norms aim to realize national interests, and U.S. economic development mainly reflects hegemonism and unilateralism. In the external framework of the global economic crisis and the Ukraine war, accurate judgment, response, coordination, and leadership are the core values and highest standards of U.S. economic policy influence. The diversity of global and regional economic types and the difference in development level lead to the complex and changeable trend of American economic policy. While U.S. economic policies have somewhat promoted global and regional economic growth and stability, the U.S. lacks effective control mechanisms as the global governance system remains imperfect. Therefore, this has created a "short board" of U.S. economic policy, affecting its leadership [8].

In order to analyze the impact of U.S. economic policy on the global and regional economies, this paper adopts an econometric model based on the growth accounting framework. Then use the economic growth rate as the dependent variable, the U.S. economic policy index, and other control variables as the independent variables to conduct panel data regression analysis. The U.S. economic policy index is calculated based on data such as the U.S. government's fiscal expenditures, money supply, and trade freedom, reflecting the overall level and direction of U.S. economic policies. This paper selects 30 countries or regions from 2008 to 2020 as samples, including the United States,

China, Japan, Germany, France, Britain, Russia, India, Brazil, Canada, Australia, South Korea, Mexico, Indonesia, Turkey, Saudi Arabia, South Africa, Argentina, Thailand, Malaysia, Singapore, Philippines, Vietnam, Chile, Peru, Colombia, Ukraine, Egypt, Nigeria, and Kenya. All data comes from the official website of the World Bank and the U.S. government.

The regression results show that U.S. economic policy positively impacts the global and regional economies. H. Every time the level of U.S. economic policy rises by one unit, and other conditions remain unchanged, the growth rate of the global and regional economies increases by some amount. This shows that U.S. economic policy contributes to some extent to the growth and stability of the global and regional economies. However, this effect is not balanced and has differences and selectivity. Through grouping regression analysis of different types of countries or regions, this paper finds that there are significant differences in the impact of U.S. economic policies on developed and developing countries, and the impact on developed countries is greater than that on developing countries. At the same time, the impact of U.S. economic policy on countries and regions that have close trade and security alliances with the U.S. is greater than on countries and regions that compete with and conflict with the United States. This shows that the U.S. economic policy is not entirely based on the principles of global public interests and multilateralism, but is influenced by factors such as the U.S.'s own interests and priorities, and ignores the interests and demands of other countries and regions. Therefore, this paper argues that although the U.S. economic policy has played a certain leadership role at the global and regional levels, its leadership still needs to be improved.

4.4 Suggestions and Prospects for Improving the U.S. Economic Policy

From the perspective of high-quality development, U.S. economic policies cannot accurately provide the public goods that the global and regional economies need. A global and regional economic evaluation of U.S. economic policy is mainly in cooperation, but the United States lacks relevant information and coordination mechanisms with other countries. The core of this issue may be the U.S. hegemonic mentality. The United States is often described as a 'leader' in the global and regional economy, and its expectations of American economic policy directly reflect its influence. But much of America's economic policy focuses on its interests and priorities, ignoring the interest and demands of other countries. Typically, global and regional economic needs are difficult to obtain or measure. Information asymmetry and imperfect coordination mechanisms directly lead to obstacles to cooperation. To improve U.S. economic policy, this paper offers the following suggestions and perspectives: The first is to strengthen supply-side structural reforms to improve potential output and the quality of economic growth. The second is to strengthen communication and consultation with other countries to increase the transparency and credibility of U.S. economic policy. The third is to strengthen ties with the global system of governance and work together to increase the rationality and effectiveness of U.S. economic policy.

5. Conclusion

U.S. economic policy has entered a new phase of supply-side structural reform, which poses new challenges and demands for U.S. economic growth. U.S. economic policy is a symbol of the "quality development" of the U.S. economy and an important instrument of the U.S. government. It is also urgent to realize national interests and safeguard world peace, reflecting the demands inherent in U.S. economic development. Under the guidance of the growth accounting framework, the supply-side structural reform constructs the theoretical analysis framework and practical mechanism of the impact analysis of U.S. economic policies. In recent years, modern information technologies such as big data have promoted measuring and evaluating potential output. The supply-side structural reform and the accuracy and scientificity of economic growth are enabled through technology, such as production functions. Its value fits the internal logic of high-quality development. Therefore, the supply-side structural reform provides a new path for U.S. economic policy. In short, continuous U.S. improvement and further development of U.S. economic policy will help to better deal with the challenges and opportunities of the global economic crisis and the war in Ukraine and strengthen the U.S. leadership role.

References

- [1] Pham L, Nguyen C P. How do stock, oil, and economic policy uncertainty influence the green bond market?[J]. *Finance Research Letters*, 2022, 45: 102128.
- [2] Al-Thaqeb S A, Algharabali B G, Alabdulghafour K T. The pandemic and economic policy uncertainty[J]. *International Journal of Finance & Economics*, 2022, 27(3): 2784-2794.
- [3] Okere K I, Muoneke O B, Onuoha F C, et al. Tripartite relationship between FDI, trade openness and economic growth amidst global economic crisis in Nigeria: application of combined cointegration and augmented ARDL analysis[J]. *Future Business Journal*, 2022, 8(1): 5.
- [4] Ozili P K, Arun T. Spillover of COVID-19: impact on the Global Economy[M]//*Managing Inflation and Supply Chain Disruptions in the Global Economy*. IGI Global, 2023: 41-61.
- [5] Andreza N P, Mustaqim A A, Fitriyanti F. The Urgency of Using Syariah Method Facing Economic Crisis: To Compare with Conventional Method[J]. *Law and Justice*, 2022, 6(2): 129-147.
- [6] Piccoli G B, Brunori G, Gesualdo L, et al. The impact of the Russian–Ukrainian war for people with chronic diseases[J]. *Nature Reviews Nephrology*, 2022, 18(7): 411-412.
- [7] Osendarp S, Verburg G, Bhutta Z, et al. Act now before Ukraine war plunges millions into malnutrition[J]. *Nature*, 2022, 604(7907): 620-624.
- [8] Behnassi M, El Haiba M. Implications of the Russia–Ukraine war for global food security[J]. *Nature Human Behaviour*, 2022, 6(6): 754-755.