Research on the Influence of U.S. Economic Policy Based on the Global Economic Crisis and the War in Ukraine

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Abstract: The US economy faces enormous challenges and uncertainties due to the global economic crisis and the war in Ukraine. This article explains the impact of these two events on the digital economy and the adjustment and response of US economic policy to this. This article argues that the global economic crisis has led to a decline in demand, financial market turmoil, and loss of confidence. Furthermore, the war in Ukraine has exacerbated geopolitical tensions and risks to energy supplies. The United States has adopted economic policy measures to cope with these shocks, including reducing interest rates, increasing fiscal spending, adjusting tax structures, supporting industrial innovation, and promoting trade liberalization. The view of this article is that these policies will promote the recovery and growth of the US economy, strengthen the United States' position in international geopolitics, and promote the future development of the digital economy.

1. Introduction

The global economic crisis is a global financial and economic crisis that occurred between 2007 and 2009, and its impact continues today. The crisis originated from the subprime mortgage crisis in the United States, leading to global financial market instability, a credit crunch, falling asset prices, falling consumer demand, and shrinking international trade. It has caused severe shocks and challenges to the economic development of countries worldwide. A digital economy is a new form based on digitalization, with information networks as the supporting force, innovation as the driving force, efficiency and scale effects as characteristics, and data as the primary resource. The digital economy is a concept that is developed alongside the real economy. It contains innovative ideas, highlights the value orientation of knowledge, and reflects development strategies since the information age. However, when we use some statistical standards to construct the definition and essence of the digital economy, it is still challenging to be consistent.

2. The Impact of the Global Economic Crisis and the War in Ukraine on the Digital Economy

2.1 The Impact of the Global Economic Crisis

The impact of the global economic crisis on the digital economy is mainly manifested in the following aspects:

On the one hand, the global economic crisis has promoted the development of the digital economy. As the real economy has been severely hit, many companies and individuals have turned to digital, networked, and intelligent ways to promote cost reduction, efficiency improvement, market expansion, and value creation. The widespread application and innovation of digital technology have promoted the rise of emerging industries, such as e-commerce, cloud computing, big data, artificial intelligence, etc. The digital economy has become an essential engine for global economic recovery and growth [1].

On the other hand, the global economic crisis has also brought challenges and risks to the digital economy. Due to the instability of financial markets and credit crunch, investment and financing in the digital economy are limited. As demand declines and competition intensifies, profits in the digital economy are also under pressure. Because of the decline in asset prices and people's low confidence,

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entrepreneurship and innovation in the digital economy have also experienced difficulties. In addition, the global economic crisis has exacerbated the digital divide, data security, and network governance issues, posing a threat to the sustainable development of the digital economy [2].

2.2 The Geopolitical Impact of the Russia-Ukraine War

The Russia-Ukraine war refers to an armed conflict in eastern Ukraine from 2014 to now. The main participants are the Ukrainian government, pro-Russian separatists, and Russian forces. [3] The root cause of the war was the political crisis in Ukraine and Russia's geopolitical ambitions, which affected the security and stability of Europe and the world. The impact of war in Ukraine on the digital economy is mainly manifested in the following aspects:

On the one hand, the war in Ukraine has stimulated the innovation and development of the digital economy. Due to the threat and pressure of war, Ukraine and other countries have increased investment and application of digital technology to enhance military, political, economic, and social competitiveness. Digital technology has played an important role in wars, such as cyber warfare, information warfare, drones, and satellite navigation. The digital economy has, therefore, become a new force in the war.

On the other hand, the war in Ukraine brings challenges and risks to the digital economy. The instability and tension of war have hampered and impeded cooperation and exchange in the digital economy. Due to the devastation and brutality of war, the infrastructure and human resources of the digital economy are also damaged. Due to war's complex and volatile nature, laws and ethics related to the digital economy face many challenges. In addition, the war in Ukraine has increased the relevance and urgency of the digital economy with issues such as energy security, environmental protection, and human rights protection [4].

3. Adjustments to U.S. Economic Policy

3.1 Adjustment of Monetary Policy

Monetary policy refers to a macroeconomic policy in which the central bank or monetary authority influences economic activities by adjusting the money supply and interest rate levels and changing exchange rates. Compared with fiscal policy, monetary policy emphasizes the relationship between money and prices, is flexible, hidden, and has a time lag [5]. Although some scholars have questioned that there may be no direct relationship between money and economic growth, most scholars advocate that monetary policy can stabilize and regulate economic fluctuations. Friedman and others proposed a classical model of the quantity theory of money that includes four elements: money demand, money supply, price level, and interest rate level. This model has become a typical monetary policy tool, thereby developing the concept of monetary neutrality and super neutrality [6]. Researchers believe that money is neutral, a "veil". The money supply affects production only when the price level is wholly adjusted. Therefore, monetary policy is a short-term result. Scholars summarize monetary policy into the IS-LM model, the Keynesian model based on income-interest rate, and the Hansen model based on liquidity-interest rate. The former focuses on aggregate demand, and the latter focuses on aggregate supply. Monetary policy has experienced some practical failures, but from a neoclassical perspective, it can influence economic behavior through expectations management and signaling. As a result, the concept of rational expectations has gradually become the consensus of monetary policy research and practice.

The United States is the world's largest economy and it is the most powerful country. And its monetary policy has a significant influence and role on the global economy. Faced with the global economic crisis and the war in Ukraine, the United States has adopted a series of monetary policy measures to address financial market instability, the depression of economic growth, and the decline in inflation expectations. U.S. monetary policy is mainly formulated and implemented by the Federal Reserve System. Its main goal is to maximize employment and stabilize prices and medium- and long-term interest rates. U.S. monetary policy mainly includes the following aspects [7].

First, reduce the federal funds rate. The federal funds rate refers to the interest rate paid or charged by banks when they borrow or lend federal funds from other banks in the interbank short-term lending market. The federal funds rate is one of the most important monetary policy tools of the Federal Reserve. It affects economic activities, including investment, consumption, and savings, by affecting other short-term and long-term interest rates. Since December 2008, the Federal Reserve has maintained the target range for the federal funds rate at 0.00%-0.25%. In March 2020, it was further reduced to 0.00 % -0.10 % to cope with the economic crisis caused by the novel coronavirus.

Second, implement quantitative easing. Quantitative easing is an unconventional monetary policy. The Federal Reserve purchases many long-term assets (such as treasury bonds, institutional bonds, mortgage-backed securities, etc.) to increase the money supply, reduce long-term interest rates, and stimulate economic activity. Since November 2008, the Federal Reserve has implemented four rounds of quantitative easing, namely QE1, QE2, QE3, and QE4, with a total scale of about $ 4.5 trillion. In March 2020, the Federal Reserve announced it would purchase Treasury and institutional bonds indefinitely in response to financial market tensions caused by COVID-19.

Third, the implementation of forward guidance. Forward guidance refers to an unconventional monetary policy in which the Fed conveys the expectations and intentions of its future monetary policy to the public and the markets through public statements or signals to influence the expectations and behaviors of market participants. Since December 2008, the Federal Reserve has begun to use forward guidance as a supplementary tool for monetary policy. The primary forms include calendar-based guidance, condition-based guidance, and goal-based guidance. In August 2020, the Federal Reserve announced that it would adopt Average Inflation Targeting, which allows inflation to exceed the 2% target level to make up for the previous period lower than the target level.

3.2 Changes in Fiscal Policy

3.2.1 Expenditure and Tax Adjustments in Fiscal Policy

Fiscal policy is a macroeconomic policy, which means that the government or financial authorities affect economic activities by regulating public expenditure and taxation. The essence of the concept of fiscal policy focuses on the relationship between the government and the market. Fiscal policy is the application of Keynesian thinking in macroeconomics. To overcome the defects of classical economics, it enters the research field as an alternative model: Keynesian framework. The basic idea of the framework is as follows. First, the government should ensure that aggregate demand is effectively realized. Second, the government sets professional standards for producing social public goods. Third, externalities are captured through techniques such as budgeting. Fourth, the cost-benefit analysis method is used to measure social welfare. The Keynesian framework reconstructs fiscal policy, emphasizing fiscal stability, thereby improving fiscal policy's effectiveness, sustainability, fairness, and transparency [8].

3.2.2 Government Measures to Support the Industry

The government's measures to support industries refer to the various concessions and subsidies provided by the government or financial authorities to promote the development of specific industries and improve competitiveness, such as tax relief, loan guarantees, scientific and technological innovation, and personnel training. Taking measures to support industries is one of the main contents of fiscal policy, emphasizing the government's guidance and intervention in the market. Industrial structure directly reflects a country's strategy and advantages. Some government measures to support the industry are gradually taking shape, such as industrial policy and evaluation systems. However, from the perspective of international comparison, some government-supported industries' practice still needs to be put in the protectionism stage, contrary to the logical framework and generation mechanism of marketization. As a result, efficiency loss, resource waste, and trade friction are derived.

The United States is one of the world's most innovative and competitive countries, and government efforts to support industry have yielded a wealth of experience and results. In the face of challenges such as the global economic crisis and the war in Ukraine, the United States has launched various state-led industrial initiatives to address issues such as industrial transformation and modernization, technological innovation, and international competitive pressures.

3.2.3 Adjustment of Trade Policy

Trade policy refers to various measures governments or authorities take to regulate international trade and protect domestic interests, such as tariffs, quotas, subsidies, embargoes, and sanctions. Trade policy is part of macroeconomic policy and a central embodiment of a country's opening up and participation in globalization. In addition, comparative advantage is the main logic of trade policy. Comparative advantage refers to the cost or efficiency advantage that one country or region has in producing a particular good or service compared to another country or region. It is the basis of trade policy and the driving force of international trade. At this stage, the United States strengthens trade policy control from the perspective of its own interests, and there are three primary forms. One is to implement tariff protection. The United States achieves a balance of trade between imports and exports of goods and services. Second, the implementation of non-tariff barriers. Through developing environmental and human rights standards and disclosing them to other countries, the U.S. achieves standardized control of foreign trade. The third is to implement an internal process reengineering of free trade agreements. In recent years, the United States, Canada, Mexico, and the European Union have expanded the content and scope of free trade agreements through negotiations to improve their interests. However, compared with the multilateral trading system, the rationality of the U.S. trade policy needs to be further improved. The adjustment model of trade policy is shown in Figure 1.

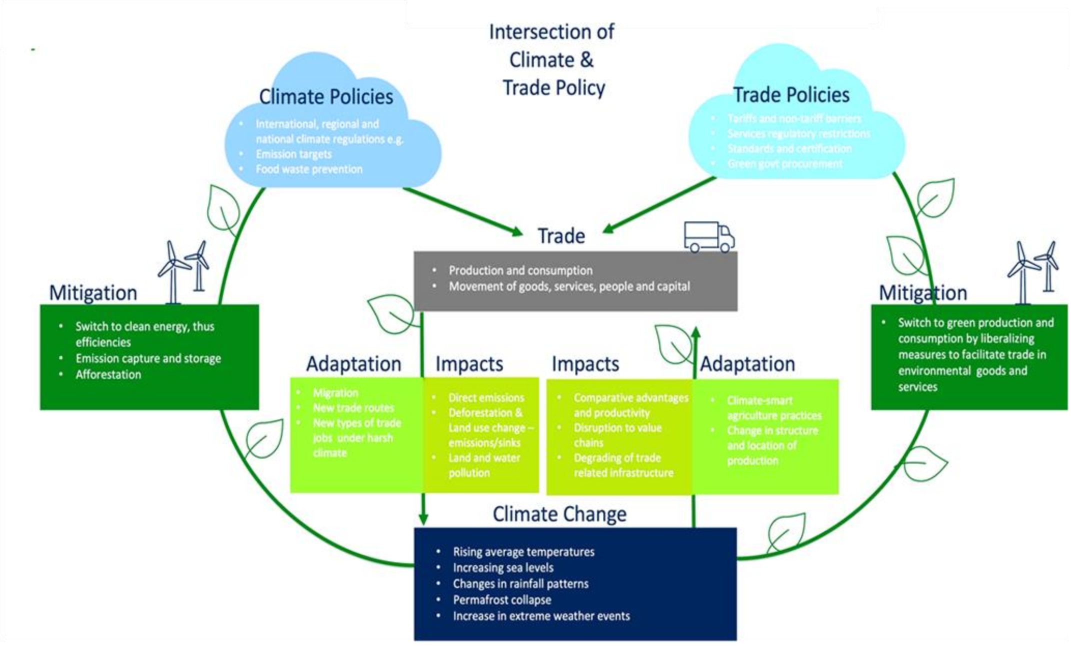

Figure 1 The adjustment model of trade policy

4. The Impact and Prospect of U.S. Economic Policy

4.1 Economic Revival and Growth

U.S. economic policy refers to a series of measures the U.S. government takes to achieve economic goals, including monetary, fiscal, and trade policies. The essence of American economic policy lies in its market-oriented nature. Economic policy formulation standards and implementation guidelines emphasize efficiency and competitiveness. The economic development of the United States primarily embodies freedom and innovation. In global markets, accurately sensing, adapting, managing, and shaping markets is a core value and gold standard for American economic development. The American economic situation is currently complex and changing due to the diversity of economic forms and differences in structure. The U.S. economy occupies a dominant position in the world. Still, in the face of the global economic crisis and war in Ukraine, the government must also implement a better coordination mechanism. Therefore, there is a gap in economic policy, which harms the recovery and growth of the U.S. economy.

4.2 International Geopolitics and the Status of the United States

International geopolitics refers to a strategy and behavior mode formed by countries or regions in international relations according to their geographical location, resources, history, and culture to maintain or expand their interests and influence [9]. The relationship between international geopolitics and the position of the United States is essential. From a globalization perspective, the United States cannot provide the leadership the world needs. The United States considers satisfaction assessment the primary form but needs more relevant information and communication mechanisms. The core of the problem lies in US unilateralism. In the context of globalization, the United States is often described as the World Policeman, and its intervention in international affairs directly reflects its interests and values. However, most of the intervention is about security, human rights, democracy, etc., less involved in social and cultural. Sometimes, the needs and feedback of the world take time to assess. Information asymmetries and imperfect cooperation directly lead to impairing leadership.

4.3 The Future Development of Digital Economy

The digital economy is a new form of economy. It is based on digitalization, with information networks as the support, innovation as the driving force, efficiency and scale effects as the characteristics, and data as the critical resource. To analyze the relationship between the digital economy and the status of the United States from the perspective of innovation, the United States has long been a leader in digital technology and industry. Since the 21st century, the digital economy, which integrates the Internet, mobile communication, cloud computing, big data, and artificial intelligence, has reshaped the economy and society by changing the mode of production, consumption, organizational form, and social relations. However, the drawbacks of traditional systems and rules still need to be revised to allow the development of the digital economy. Due to the digital divide, data security, problems in network governance, and the impact of global competition and cooperation, the digital economy of the United States has yet to be improved. In globalization, the US is considered the leading country promoting the digital economy. However, the actual role of the US market-based model in the digital economy remains controversial. At the same time, the difficulties in technology and talent have led to the lack of innovation power and vitality in this country. Therefore, the digital economy in the United States does not always achieve target efficiency. The digital economy of the United States is not just a technical issue but also faces strategic and institutional issues.

5. Conclusion

The global economic crisis and war in Ukraine have changed the pattern and order of the world, which poses new challenges and requirements for the U.S. economy. The U.S. economic policy symbolizes the market orientation and an essential means. In addition, it meets the needs of achieving economic recovery and growth, maintaining international geopolitics and the status of the United States, and reflects the inherent requirements of the country. Under the guidance of innovation, the digital economy has changed the theoretical analysis framework and practical mechanism of American economic policy. In recent years, modern information technologies such as the Internet, mobile communications, cloud computing, big data, and artificial intelligence have promoted the development of the digital economy, empowering U.S. economic policies by changing production methods, consumption patterns, organizational forms, and social relations, and improving the accuracy of U.S. economic policies. Its value fits the internal logic of marketization. Digitalization therefore offers a new approach to US economic policy. To sum up, the sustainable improvement of American economic policy will help to better cope with the economic crisis and war in Ukraine and maintain the global influence and competitiveness of the United States.

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