Chinese and Us Economic Policies During the Covid-19 Period: Analysis of Fiscal and Monetary Policies in the Two Countries

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Abstract. During the ongoing COVID-19 pandemic, which is widely regarded as one of the most significant crises in human history, both China and the United States, being prominent global economies, implemented fiscal and monetary policies that were tailored to their own national contexts. Due to the substantial scale of their governmental structures and economic systems, conducting a comparative analysis of policy efficacy between these two nations has evolved into a multifaceted subject within the field of economics. The research aims to conduct a comparative analysis of the behavior and effectiveness of macro-stimulative fiscal policies in China and the United States, specifically focusing on their linkage with the monetary policies issued by the respective central banks. The primary objective is to examine how these policies contribute to the enhancement of economic vitality in both nations. In addition to analyzing the effectiveness of these policies, this study will investigate the adverse effects of these policies on the economies of the two countries.

Keywords: COVID-19 pandemic, US and China economy, financial policies, Monetary policies.

1. Introduction

During the fiscal year 2020, both the United States and China witnessed substantial reductions in their economic indicators as a direct consequence of the COVID-19 pandemic. Based on research released by the Organization for Economic Cooperation and Development (OECD), China, being the first nation to openly reveal information regarding the epidemic, had a substantial decline in its Consumer Confidence Index (CCI) during the initial six months of the year. The Consumer Confidence Index (CCI) in Mainland China experienced a decline from its highest point of 104.8 in November 2019 to 101.4 in June 2020 [1]. Simultaneously, the United States economy saw its most severe economic downturn since the year 1930 [2]. The U.S. Consumer Confidence Index (CCI) had a consistent rising trajectory during the preceding year, culminating in a pinnacle of 101.6 in December 2019 [1]. The correlation between the decrease in the Consumer Confidence Index (CCI) and other significant national economic indicators, including gross domestic product (GDP) growth and the unemployment rate, has been noted. These indicators are closely monitored in economic analysis. The data trends undeniably indicate the unfavorable conditions of the whole national economy.

The current academic literature exhibits a noticeable absence of emphasis on comprehensive evaluations of fiscal and monetary policies in the aforementioned countries. Furthermore, due to the swift dissemination of COVID-19, economists have hardly undertaken retrospective evaluations of the enduring impacts of the epidemic in both nations. Hence, the primary objective of this study is to examine the effects of policies on the economic performance of both nations and evaluate their influence on their respective home economies. In order to accomplish this objective, the study will also undertake a comparative examination of the policies implemented by both countries. This study endeavors to furnish a collection of policy instruments that can be employed by future governments to efficiently utilize the knowledge acquired from the study's conclusions in order to tackle comparable significant economic challenges.

2. Literature Review

Numerous experts in previous academic literature have provided comprehensive synopses of the prevailing economic conditions in both China and the United States. To date, a considerable body of academic research has consistently yielded comparable findings, indicating that the economic trajectory of China and US following the pandemic remains uncertain [3,4]. There are several factors that contribute to reaching this particular judgment.

The economic structure of both countries exhibits a notable degree of instability. The COVID-19 pandemic had a significant impact on the real estate sector, which is considered a fundamental component of the economy. Based on pertinent statistical data, it is seen that over the period spanning from 2020 to 2021, there was a notable increase of approximately 4.35% in the overall value of real estate investment in China. Conversely, the corresponding growth in the total volume of properties sold within the real estate sector amounted to a comparatively modest 0.94% [5]. The significant disparity observed not only prompts real estate professionals to raise concerns over the future trajectory of the market, but also poses challenges for macroeconomic forecasting at a broader level. Similarly, in the United States, Federal Reserve Chairman Jerome Powell has noted that the nation is presently encountering an elevated degree of uncertainty [2]. The United States, being the largest global economy, has experienced a significant increase in its unemployment rate, reaching 14.7% following a widespread outbreak of the virus. This reuslts represents the greatest level of unemployment recorded since the commencement of data collection in 1948 [6]. The considerable magnitude of unemployment poses a challenge in gauging the prospects for economic revitalization in the United States going forward [7].

One significant factor to consider is the substantial influence exerted by government policies on both enterprises and individuals who are self-employed. Since the onset of the COVID-19 pandemic in December 2019, the Central People's Government of the Communist Party of China (CPC) and multiple local governments have implemented a centralized and direct approach to managing local businesses, healthcare services, and the daily lives of residents [8]. The issue at hand pertains to the fact that the central government has exhibited a bias towards state-owned corporations by implementing laws that are more advantageous to them, particularly in relation to the manner in which businesses carry out their daily activities. In contrast, the daily activities of small and medium-sized firms (SMEs) and self-employed individuals were compelled to cease entirely. In the context of the United States, subsequent to the commencement of the outbreak, the federal government implemented measures aimed at mitigating the broader dissemination of the virus. These measures included the imposition of restrictions on certain entertainment venues and food establishments, mandating their closure or transition to online marketing and distribution, as stipulated by federal and state ordinances [9]. Scholars in the field have raised apprehension and doubt on the potential permanence and normalization of these "emergency management policies" in their respective research [3].

The implications of the fiscal and monetary policies adopted by the government and central bank in the aftermath of the outbreak are expected to have substantial and uncertain impacts on key economic indicators, including as the inflation rate and the Consumer Price Index (CPI). Prior studies on price levels and inflation rates in the domestic market of China have shown that, with the exception of the food and beverage and transportation sectors, which were greatly affected by the COVID-19 pandemic, pricing indices for all other consumer sectors have demonstrated varying degrees of growth [10]. The inflation rate experienced a notable rise of 1.03% subsequent to the gradual easing of restrictions throughout the period spanning 2021-2022 [11]. In March 2020, the United States federal government enacted a support program worth $2 trillion in order to mitigate the financial burden on the country's revenue [3]. Although this Act offered aid to American citizens in alleviating the economic downturn resulting from the pandemic, it is crucial to recognize the potential impact of significant government spending on inflation indicators within the United States. After the implementation of the legislation in 2021, the inflation rate in the United States witnessed a rise to 4.7%, indicating a significant surge of 3.5% in comparison to the preceding year [12]. Therefore, the

analysis of the outcomes arising from this specific stimulus will be a central focus of inquiry in the research.

3. Research Methodology

The research target of the study is to examine the effects of the expansionary economic measures enacted by the Chinese Government and the US in response to the COVID-19 pandemic. The present study will employ linear regression as a statistical method to examine the impact of policies on inflation indicators. Linear regression models have been utilized in numerous research investigations to effectively capture and depict data abnormalities resulting from unforeseen events in a manner that is both intuitive and succinct. The paper examines the economic effects of two incentive economic policies: the economic impact payment policy in the U.S. CARES Act [13] and the shopping coupon policy enacted by the Chinese government [14]. These policies are chosen as case studies to analyze the influence of incentive economic policies on the economic performance of the United States and China. The objective is to enhance the intuitive understanding and usability of the model.

To start with, in the context of linear regression, it is important to determine the nomenclature of the variables and their corresponding representations. The equation that represents the linear regression model for the United States inflation rate is as follows:

$$\text{Inflation Rate} = \alpha x + \beta \tag{1}$$

Where the α here is the slope and the β is the intercepts. Hence, in order to calculate these two values, the calculation will follow the equations bellow:

$$\alpha = \frac{\sum_{i=1}^{n}(X_i - \bar{X})(Y_i - \bar{Y})}{\sum_{i=1}^{n}(X_i - \bar{X})^2} \tag{2}$$

$$\beta = \bar{Y} - \alpha \times \bar{X} \tag{3}$$

$X_i$and Y_i are the individual data points, $\bar{X}$and $\bar{Y}$ are the means of veribales X which is the Year number and Y which is the inflation rate. As for linear regression model for Chinese GDP, it follows the same format of the model of US inflation.

$$Y = mX + b \tag{4}$$

Within Equation (4), X is the GDP of last quarter, m is the slope and b is the intercept, and Y is the predicted GDP. In order to calculate the predicted GDP, the m and b are calculated as follow:

$$m = \frac{n(\sum xy) - (\sum x)(\sum y)}{n(\sum x^2) - (\sum x)^2} \tag{5}$$

$$b = \frac{\sum y - m(\sum x)}{n} \tag{6}$$

Where *x* is the GDP of last quarter and the y is the GDP of current quarter, n represents the number of observations.

4. Research Outcome and Further Discussion

4.1. US

Fig.1 illustrates the inflation rate in the United States over the years 2010 to 2022. The study will focus on analyzing the data inflation from 2010 to 2022, with the aim of mitigating the influence of non-essential anomalies, such as the global financial crisis of 2008-2009.

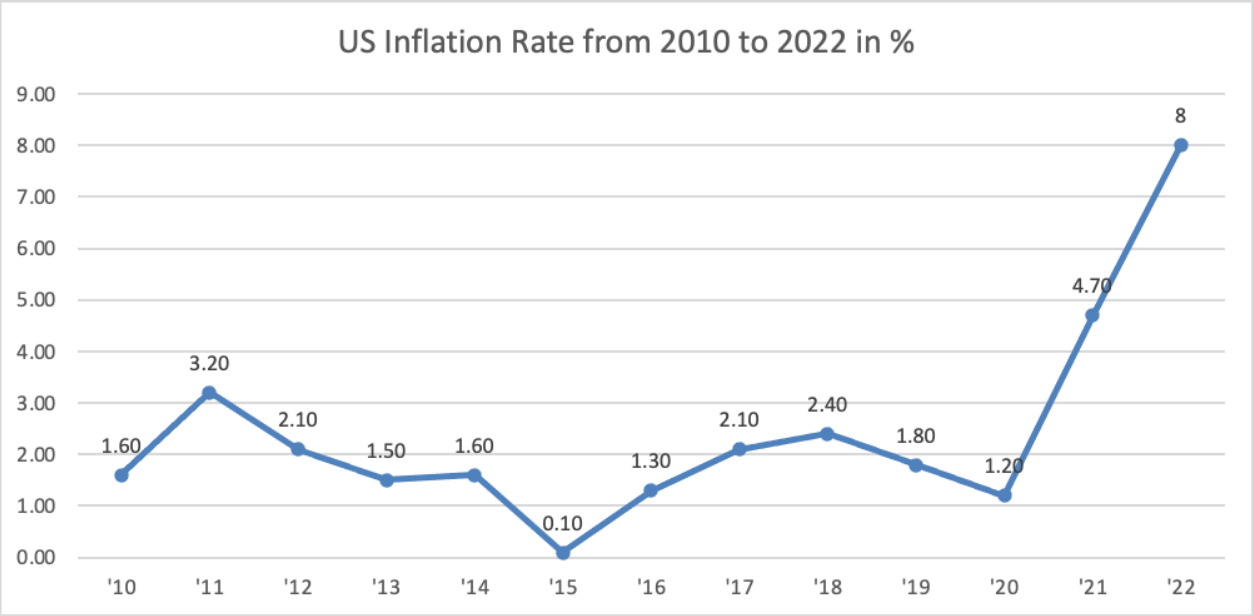


Figure 1. Inflation Rate of US from 2010 to 2022 [12]

By using Equation (2), the value of $\alpha = 1.3621$, and by using the equation (3) the value of $\beta = -0.5533$.

Based on the outcomes of these computations, the predicted values $\hat{Y}$ and residuals can now be determined. Here, the residual means the difference between observed value and the predicted value. Firs of all, by using fucntion (1), the predicted value of US inflation rate in 2021 could be calcualted as follow:

$$\widehat{Y_{2021}} = 1.3621 \times Y_{2020} - 0.5533 = 1.8985\% \quad (7)$$

However, based on the official data obtained, it is evident that the inflation rate in the United States for the year 2021 is at 4.7%. This value significantly exceeds the anticipated figure, hence warranting an in-depth investigation into this atypical outcome.

Prior to delving into the underlying causes for the uncharacteristic nature of the statistical data, it is imperative to acknowledge that the determinants driving a substantial rise in inflation generally fall within the following principal categories. Demand-pull inflation, an economic phenomenon, arises when there is an increase in overall demand, leading to a rise in prices. Cost-push inflation is a form of inflation that arises when there is a reduction in the overall supply of goods and services due to an increase in production costs. This increase in costs leads to inflationary pressures. The third determinant of inflation is characterized by the emergence of inflationary pressures resulting from a significant increase in the monetary base. Among the aforementioned factors that contribute to inflation, the ones that hold particular relevance to the economic impact payments implemented by the federal government of the United States are demand-pull inflation and substantial expansions in the money supply [13,15]. Based on the data furnished by the U.S. Bureau of Economic Analysis, it is apparent that the federal government of the United States enacted a total of three incentives during the period spanning from 2020 to 2021. The primary objective of these payments is to stimulate domestic consumption and uphold the prevailing standard of living among the American populace.

The aggregate sum achieved a valuation of $814 billion, encompassing a total of 4.76 transactions aimed at individuals across various accounts [16]. The distribution of these substantial financial resources exemplifies a remarkable departure from the sporadic nature of comparable disbursements observed in prior decades. The analysis is situated within the economic sphere and will integrate particular assumptions derived from the field of welfare economics. More precisely, it posits that individuals exhibit a persistent inclination to optimize their utility through the efficient allocation of their financial resources. This study posits that individuals in the United States who receive the three aforementioned types of assistance will allocate these resources towards consumption, aiming to enhance their overall standard of living. The aforementioned assumptions are readily apparent in the data concerning the Gross Domestic Product (GDP) of the United States, as depicted in Table 1. The economic indicators for the period encompassing 2020 to 2021 reveal a notable surge in domestic consumption within the United States, particularly evident in the third quarter of 2020 and the second quarter of 2021. The aforementioned two quarters are characterized by the disbursement of fiscal aid by the federal government during Q2 2020 and Q1 2021.

Table 1. US GDP by Sector

	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	21707	19913	21648	22025	22600	23292	23829	24655
Personal consumption expenditures	14473	13169	14456	14727	15218	15951	16285	16718
Commodities	4559.5	4391.9	4923.3	4977.8	5241.5	5536.4	5515.9	5732.8
Durable commodities	1479.8	1467.6	1766	1802.2	1924.3	2058.4	1972.7	2070.2
Nondurable commodities	3079.7	2924.3	3157.4	3175.6	3317.1	3478	3543.2	3662.6
Services	9913.6	8777.1	9532.8	9748.8	9976.2	10415	10769	10985

Meanwhile, in order to attain a substantial level of government expenditure, the United States federal government significantly augmented its monetary base amidst the COVID-19 pandemic. Based on pertinent statistical data and reports, it can be observed that as of March 2021, the Federal Reserve has allocated approximately an additional 5.2 trillion dollars for expenditures associated with the COVID-19 pandemic [15]. The proposed plan entails an expenditure of $814 billion towards Economic Impact Payments (EIP). The unexpected influx of substantial monetary resources into the market inevitably results in a reduction in consumers' real purchasing power, hence causing an escalation in market prices. In addition to the aforementioned consequences, the rise in currency value will give rise to several external challenges, including currency devaluation and escalated import expenses. However, for the present investigation, the focus will be directed towards the internal economic issues.

4.2. China

Similar consumer incentives were observed in mainland China, where numerous local governments distributed consumer vouchers to both local people and international tourists, as directed by the Central People's Government (CPG), with the aim of facilitating post-COVID-19 economic recovery. According to a report from XINHUA News, the official media outlet of China, the Guangdong provincial government had distributed approximately 607 million CNY worth of e-consumption vouchers to its residents by May 2022 [14]. These vouchers were intended for various types of purchases, including food and beverage, travel, and daily expenses. As a result, the province witnessed a total expenditure of over 3.58 billion CNY [6]. According to research conducted at the Peking University, a considerable number of cities, namely 170, across 28 provinces in mainland China have implemented a novel consumer stimulus initiative since March 2020. These cities have received government subsidies, varying in magnitude from millions to billions of Chinese Yuan (CNY) each city. The consumption vochers bears a striking resemblance to the Economic Impact Payments (EIP) outlined in the U.S. CARES Act. Both policies prioritize consumers as the primary

recipients of benefits, rather than relying on local government intervention for macro-control purposes. This approach aims to bolster the economic well-being of the region.

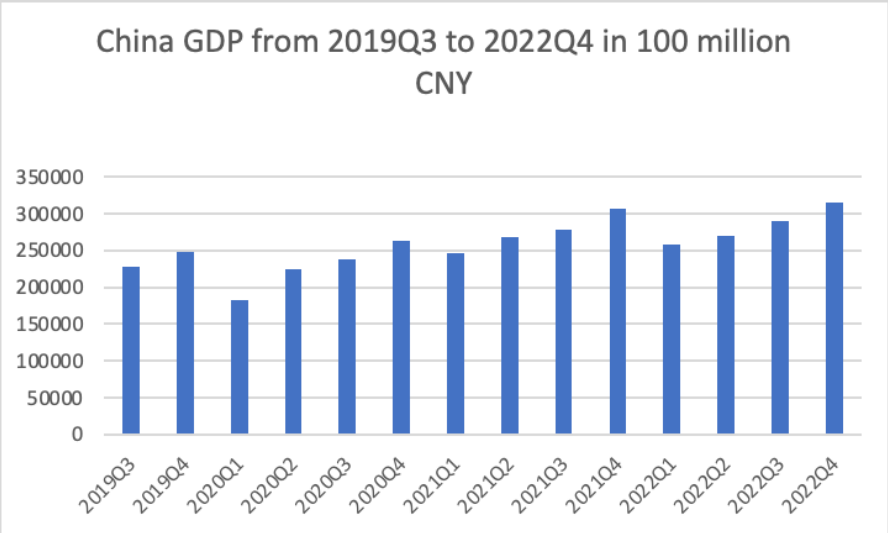


Figure 2. Chinese GDP by Quarter from 2019 Q3 to 2022 Q3

Based on the data presented in Fig. 2, it is evident that the Gross Domestic Product (GDP) in mainland China underwent a significant contraction subsequent to the onset of the COVID-19 pandemic towards the end of 2019. This decline in GDP aligns with the comprehensive embargo measures enforced by the Chinese government at the initial stages of the outbreak. Nevertheless, as a result of the vaccine's development and the progressive enhancement of medical interventions, the government initiated a gradual relaxation of its epidemic control measures, thereby permitting select firms to gradually recommence their routine business operations. In the year 2021, the Gross Domestic Product (GDP) data did not exhibit a significant decrease, which can be attributed to the implementation of the national epidemic control policy. Market activities were normalized due to the guarantee that the virus would not be able to achieve large-scale spread, which was achieved through rigorous compliance with mask restrictions. The aforementioned circumstance persisted until the initial quarter of 2022, at which point, subsequent to the convening of the 20th National Congress, the People's Government of the Central Committee of the Communist Party of China (CPC) made the determination to completely ease its approach to epidemic management. This decision subsequently resulted in a significant resurgence of viral transmission. The continuity of market and commercial operations was not impeded by government policy; nevertheless, individuals infected with the virus were subject to quarantine measures. Consequently, the first quarter GDP numbers for 2022 exhibited a renewed downward trajectory due to the significant number of workers undergoing quarantine. It is important to acknowledge that the GDP data reveals a decline in the first quarter of each fiscal year when compared to the final quarter of the preceding fiscal year. Nevertheless, the general trajectory of mainland China's GDP development has consistently demonstrated a gradual upward tendency.

Through the calculation using equation (5) and equation (6), the linear equation could be written as follow:

$$Y = 0.6117 \times X + 105369.01 \tag{8}$$

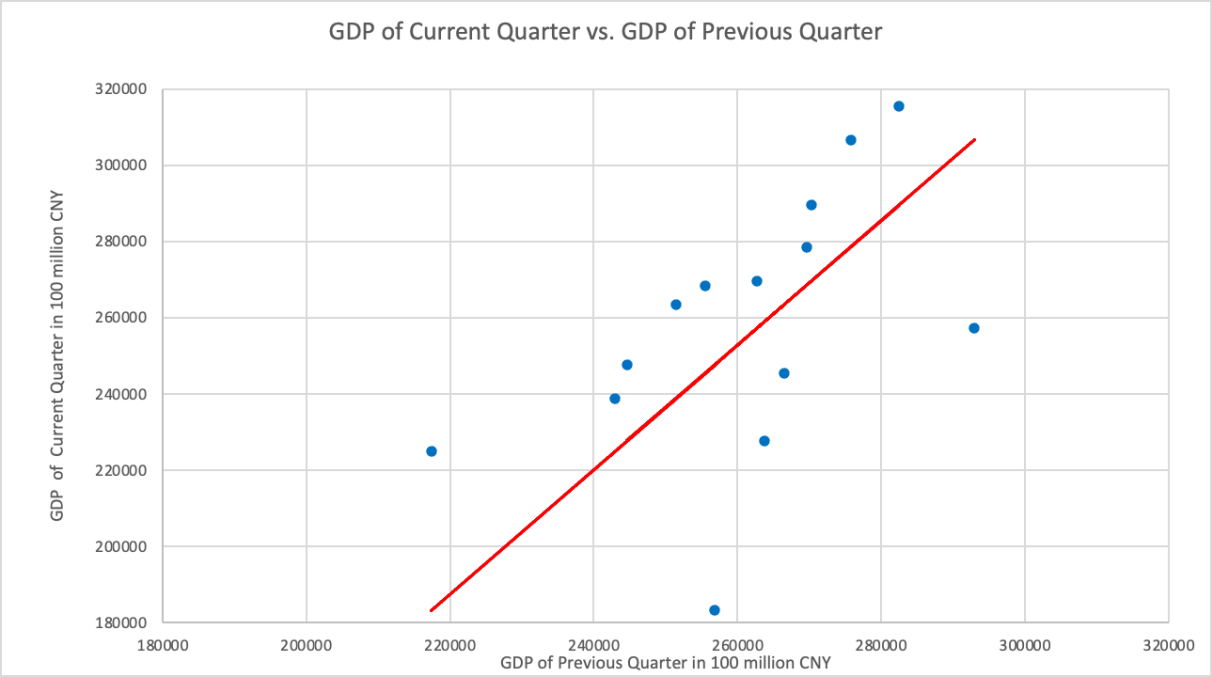


Figure 3. Linear Regression Model of China GDP by quarter

Based on the statistical data depicted in Fig.3, it is evident that mainland China's gross domestic product (GDP) has exhibited a consistent upward trend, notwithstanding the disruptive effects caused by the COVID-19 pandemic. The role played by the Chinese government in fostering this phenomenon was undoubtedly important, primarily through the utilization of consumption coupons. After experiencing a time of isolation, individuals often display a heightened propensity for consumption, a tendency popularly known as "revenge consumption". The provision of consumption coupons enhances customer utility and reduces spending. Furthermore, it is worth noting that consumption vouchers can be seen as a variant of expansionary fiscal policy that exhibits certain resemblances to the Economic Impact Payments (EIP) implemented in the United States. Both policies entail the provision of government payments, in the form of direct subsidies, to consumers. These subsidies can be in the form of cash or other equivalent means. The primary objective of these policies is to stimulate aggregate demand and harness the multiplier effect in order to promote economic growth. Hence, it can be argued that the incentive policy linked to consumption vouchers exhibits a considerable degree of efficacy. However, it is imperative to prioritize the examination of the potential negative repercussions of economic policies, even when assessing their effectiveness and beneficial impact on the economy. One of the major disadvantages associated with the implementation of an expansionary fiscal policy, such as the utilization of consumption vouchers, is the potential for inflation and crowding out effects that may arise due to substantial government expenditures. Therefore, the following section of this study will conduct an examination of the negative outcomes linked to the use of consumption vouchers as an economic stimulus in China.

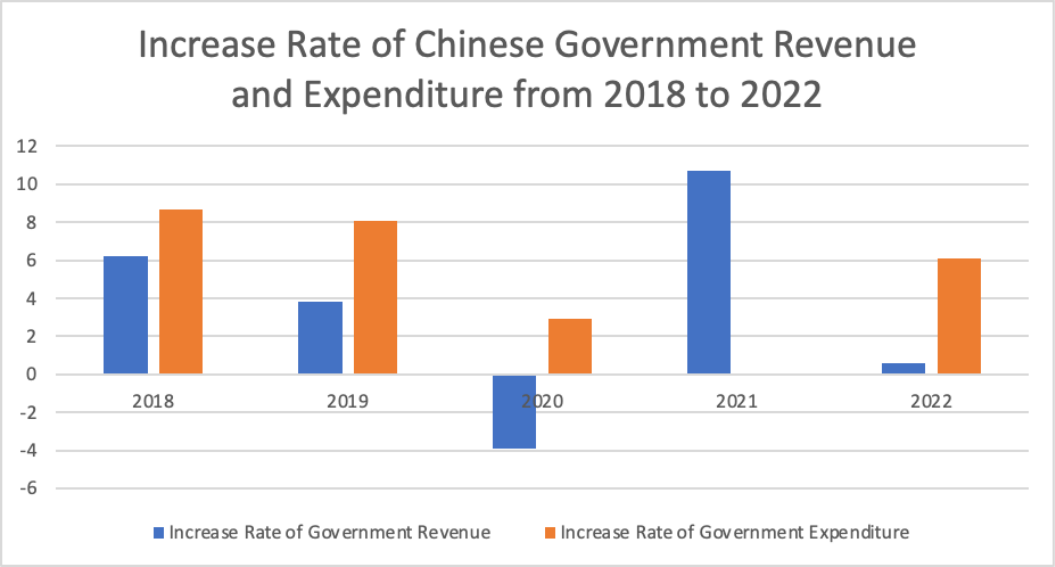


Figure 4. Increase Rate of Chinese Government Revenue and Expenditure from 2018 to 2022

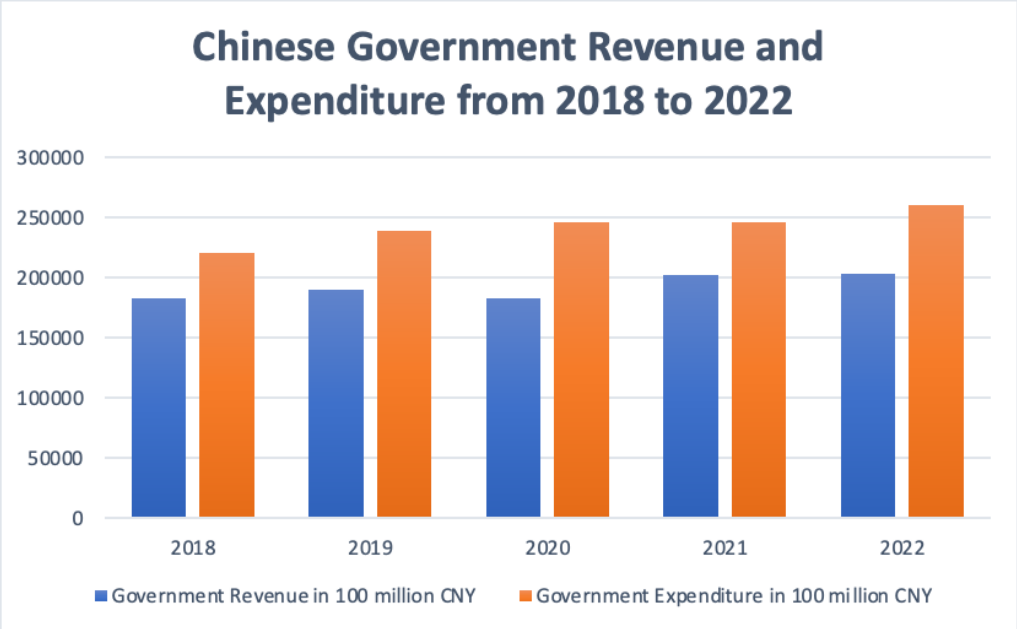


Figure 5. Chinese Government Revenue and Expenditure from 2018 to 2022

Based on the statistical data depicted in Fig.4, it is evident that commencing from 2018, the rate of increase in the Chinese government's expenditure has exceeded that of its revenue. The fiscal revenue of the entity witnessed a decrease, leading to a negative growth rate of around 5% for the fiscal year 2020, primarily due to the onset of the COVID-19 pandemic towards the end of 2019. The analysis of the data depicted in Fig.5 reveals that the government effectively administered its fiscal expenditure and achieved a significant increase in revenue throughout the fiscal year 2021. Nevertheless, it is crucial to acknowledge that the observed increase in revenue primarily pertained to quantitative aspects. In terms of quantitative analysis, the budget deficit for the year 2021 reached a total of 43,118.36 million CNY. After the introduction of consumption vouchers and diverse incentives in the year 2022, the budget deficit experienced a notable rise to around 56,905.69 million CNY, signifying an expansion of almost 32%. It is expected that the existence of a significant budget deficit will lead to a partly crowding out phenomenon, hence presenting difficulties for investors in obtaining financing domestically in the upcoming years.



Figure 6. Inflaiton Rate in China from 2018 to 2022

Simultaneously, the escalation in inflation indicators can be attributed as a direct outcome of an expansionary fiscal policy encompassing consumer voucher initiatives. Based on the data presented in Fig.6, it can be observed that China's inflation rate has experienced a decline of 0.85% subsequent to the onset of the COVID-19 pandemic, starting from the year 2019. Nevertheless, through the adoption of various expansionary measures, such as the distribution of consumption vouchers, there is a notable enhancement in the total economic vitality inside the nation, leading to a swift resurgence of the inflation rate to 1.88% by 2022. An increase of above 1% would exert significant inflationary pressure on the Chinese economy, leading to elevated market pricing and potential challenges for investors. The government's fiscal deficits may exacerbate this situation, potentially resulting in a combination of high inflation and stagnant economic growth, sometimes referred to as stagflation.

4.3. Discussion and Suggestions

Undoubtedly, the most obvious consequence of the COVID-19 pandemic in the Chinese and U.S. economic systems has been a significant decline in domestic consumption and investment [17]. The phenomenon under consideration has a significant and adverse effect on the quality of life for individuals residing in both China and the United States. Given this circumstance, the foremost objective of the government in addressing the crisis should be to safeguard the basic standard of living for residents and subsequently stabilize the macroeconomic indicators of the nation. From this standpoint, the government's extensive utilization of incentives and the unbiased allocation of relief to all inhabitants is deemed appropriate and socially just [18]. Nevertheless, as previously stated, it is imperative for the Government to prioritize the sustenance and welfare of the populace, while concurrently undertaking measures to stabilize macroeconomic indicators. This entails implementing a monetary policy to effectively address the issue of elevated inflation and other economic challenges that have arisen as a consequence of the substantial government expenditure during the epidemic. In this context, based on ongoing observation and research, it has been observed that the U.S. government and the Federal Reserve have effectively managed their inflation rates by using a series of interest rate adjustment measures [19]. Based on the synthesis of the information presented in the paper, along with an examination of the economic performance and policies of China and the United States in the post-epidemic period, several conclusions can be derived. In response to significant and abrupt economic and social disruptions, it is imperative for governments to employ expansionary

fiscal and monetary measures. These policies serve the purpose of restoring and maintaining consumer and producer confidence within their respective nations, hence mitigating the occurrence of substantial economic contractions. Nevertheless, it is imperative for governments to prioritize the maintenance of robust income and credit levels before implementing such programs. This precautionary measure is crucial in mitigating the potential adverse consequences of substantial government expenditures, such as the burden of debt and the crowding-out effect.

Furthermore, it is imperative for governments to prioritize the maintenance of currency liquidity in global currency markets. This measure is crucial in order to prevent domestic markets from being subjected to substantial, and potentially unmitigated, inflationary pressures. This situation may arise as a consequence of central banks injecting substantial quantities of money into the economy to support government expenditures. This holds special significance for developing nations, as their currencies typically possess lower credibility and liquidity within global financial markets [20]. In conclusion, it is imperative for governments to proactively anticipate and make preparations for the consequences that ensue following significant crises, particularly in the realm of economics. The efforts made by the Government of China to revive the economy and maintain a stable level of consumption throughout the period of 2022-2023 are rather insufficient. Despite the government's efforts to stimulate consumption through the implementation of impactful tourism programs, among other measures, the domestic market for tourism and other consumer sectors in China is comparatively unappealing when compared to the United States and Europe. This is primarily due to the Chinese government's decision to delay the restoration of societal and market operations at a legal level until 2022 [21]. In terms of producer confidence, it is observed that the Chinese government has not implemented measures such as tax reduction, streamlining of business procedures, and reduction of business costs in line with the prevailing circumstances. Consequently, business investment and operational activities in China continue to exhibit a relatively sluggish trend even after the subsiding of the epidemic. In conclusion, it is recommended that governments develop a comprehensive strategy to policy execution in order to effectively address sudden-onset crises, rather than solely relying on expansionary measures.

5. Conclusion

Based on an analysis of the preceding discourse concerning the employment of contingent incentives by China and the United States in response to the COVID-19 pandemic, it is reasonable to infer that the measures implemented by both nations have contributed to mitigating the economic downturn and the erosion of consumer trust resulting from the aforementioned crisis. When considering the mitigation of economic contraction, the implementation of substantial government expenditures and their subsequent multiplier effects have the potential to directly and indirectly stimulate the growth of Gross Domestic Product (GDP). Initially, it is noteworthy that government expenditures hold significant importance as a constituent of the Gross Domestic Product (GDP). In the context of the COVID-19 pandemic, both the United States and China allocated substantial financial resources to ensure the protection of the health and fundamental living circumstances of their respective populations. Furthermore, several types of governmental expenditures, such as Economic Impact Payments (EIP) and vouchers, have effectively assisted those with limited or nonexistent incomes due to the COVID-19 pandemic in attaining sufficient disposable income to allocate towards essential consumer goods. In contrast, government expenditures typically exhibit a multiplier impact, whereby they can engender a sense of confidence and propensity to consume among citizens. For instance, while the consumption voucher policy implemented by the Chinese Government does not directly distribute cash to individuals for consumption purposes, the issuance of these vouchers serves as an additional motivation for residents to engage in consumption activities. Consequently, residents are able to avail themselves of the discounts and benefits associated with these vouchers. In line with the principle of utility, the study posits a hypothesis that individuals residing in the United States, upon receiving the Economic Impact Payment (EIP) benefits disbursed

by the government, will opt to allocate the entirety of these benefits towards consumption activities, with the aim of maximizing their personal utility. Both stimulus strategies have demonstrated effectiveness in enhancing consumer confidence, so fostering economic vibrancy and reinstating market functionality.

However, it is important to acknowledge the adverse economic consequences of the program while evaluating its success. The limitations of expansionary fiscal and associated monetary policies have been previously examined in the preceding section. Potential consequences such as increased inflation and crowding out effects are among the identified issues. Using the Economic Impact Payments (EIPs) outlined in the United States CARES Act as a case study, it is evident that the substantial demand for funds and the rapid increase in money circulation within the market have significantly impacted inflation indicators in the United States. In fact, the observed inflation rate has exceeded the projected value by more than twofold. Indeed, given the substantial policy implications, it is plausible that inflation in the United States may have exhibited much greater levels. Nevertheless, the potential impact of the dollar's global liquidity and effect on mitigating the rise in its inflation rate could have been facilitated through the implementation of appropriate monetary policies. Hence, it may be inferred that the utilization of incentive programs, although successful in stimulating economic dynamism, will also engender certain adverse consequences for prospective economic progress. The perspective has been substantiated by empirical evidence, as seen by the Federal Reserve's consistent implementation of interest rate reductions as a means to manage elevated levels of inflation.

In light of significant economic shocks, it is imperative for governments to adopt incentive programs, including expansionary fiscal policy and expansionary monetary policy, as a means of addressing these challenges. Nevertheless, it is imperative for governments and central banks to anticipate and address the potential ramifications associated with the implementation of these policies, including the potential impact on inflation. The absence of successful measures to adequately mitigate inflation and reinstate regular market functioning is anticipated to create conditions conducive to the development of stagflation.

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