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Monetary and Fiscal Response to Covid 19 vs. Russia Ukrainian War

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Abstract

The Covid-19 pandemic has drastically affected both the U.S. and the global economy. In April 2020, the U.S. unemployment reached 14.7 percent and GDP declined 32% - a record for U.S. economy. The Covid-19 health crisis has been a substantial shock to the U.S. and world economy. The Fed's monetary policy response and the fiscal policy response during the initial phase of the crisis were swift, significant and unprecedent. The FED was instrumental with the Q.E program doubling its balance sheet and bring rapid stability to the economy. These policies were successful in helping the nation's economy respond effectively to the first wave of the pandemic.

Whereas the Covid 19 crisis was swift, it appears that Russia invasion of Ukraine could have economic repercussions lasting a long time. In the U.S. exist much uncertainty and inflation – running record 8% last year according the CPI. Europe's GDP and to less extend U.S. GDP could be revised lower and the threat of war and relation with Russia could dampen economic growth. If the slowdown were to become severe, it could make it harder for the Federal Reserve to increase interest rates to fight inflation. Thus, the war and relation with Russia has added extended uncertainty to the FED policy, U.S. and global economy. Could this war impact globalization forces permanently? This paper explores how the monetary and fiscal response facing Covid 19 could differ substantially to the Russia Ukraine war economy.

Keywords: Federal Reserve System (FED), Fiscal Policy, GDP, Unemployment, Inflation, CPI, Monetary Policy Q.E. Quantitative, Easing.