

## Summary

The effects of the COVID-19 does not stop to catch the world off-guard especially the U.S in the health sector as well as the economic sector of countries. Although the premises of a potential pandemic by sophisticated modelling, none could have predicted the huge consequences which the COVID-19 brought. Actually, the effects of the COVID-19 have been catastrophic despite the efforts of the different governments and policy makers to alleviate the effects of the pandemic. The interventions of the U.S government and the Fed on the different aggregates of the economy shows some limits and raise some fears about whether or not the economy will be able to unfreeze very fast after the COVID-19. In addition, the long term effects of the COVID-19 on the economy remain somehow unknown.

Thus, the U.S authorities and the Fed tried to address these issues as far as they could with some uncertainties about the long term outcomes of this crisis.

## Policies/Issues

- COVID-19
- Lockdowns
- Unemployment benefits
- Quantitative easing by the Fed
- Open Market Operations
- Integration of China in the World Trading System

## Motives

- The Lockdown was undertaken to reduce the spread of the disease
- The reason for government to give unemployment benefits was to backstop or protect the market of Americans corporate debt
- The Fed by the quantitative easing policy wanted to absorb the government debt and increase government spending.

- The acceptance or integration of China in the World Trading System was mainly due to some globalization matter.

### Consequences

- Unemployment soars
- Unemployment benefits exceeded wages/ Public borrowing soars
- Inflation
- Trade deficit

### Analysis

- Lockdown

Actually, the lockdown has for first effect to reduce consumption due to the uncertainty it creates on the consumers. In the same line, it also reduced investments as the direct effect was the reduction in the supply of labor and skilled workers. For instance, a lot of people died, and a lot of schools were closed at the peak of the disease.

- Overreaction to the unemployment

The use of unemployment benefits straighten up the economy and to help the firms to have more revenue and reemploy people in the short run at least. However, the length of the pandemic created a situation where the unemployment benefits exceeded the wages.

- Right reaction to avoid recession

The unconventional monetary policies undertaken by the Fed allowed the U.S to plunge into a recession and alleviate the outcome of that crisis by absorbing the government debt and by intervening in the credit market to provide more liquidity to the banks for borrowing activities.

- The integration of China in the World Trading System increased the U.S trade deficit.

The main consequence of this fact is the increase of the U.S trade deficit as a lot of goods were going from China to the U.S while the assets were taking the opposite direction.

### Evaluation

- The lockdown was the right decision but some measures should have been taken to allow some of the economic activities to keep running by giving some health pass to the vulnerable sectors of activities which can sustain a long time without any activity. This would have absorb the unemployment shock caused by the lockdown.
- The use of unemployment benefits was an automatic stabilizer and recommended in this kind of situations. However, it should have been limited and should have not exceeded the wage. The disagreeable aspect of this policy is that the benefits received by the households do not necessarily increase their consumption (autonomous consumption) and moreover during a crisis as people have the incentive to save due to the uncertainty than increasing their consumption.
- The Open Market Operation was welcome as the consumption was low due to the COVID-19.

By the open market operations policies, the Fed increased the availability of credits for the households and this stimulate the investment.

- The quantitative easing policy which is often used during recessions was also the right policy.

This unconventional monetary policy undertaken by the Fed allowed the government to reduce its debt to be able again to spend more and emulate the economy by the same time.

## CONCLUSION

The advent of the COVID-19 surprised a lot of countries and most of the countries choose as a strategy to freeze their economy during this pandemic. Some of the countries succeeded in doing so while others found some difficulties in dealing with the unforeseen effects of that pandemic.

The U.S in contrast was taking and is still taking the right decisions in term of economic policies to alleviate as it can, the effect of the COVID-19 on its economy. Some of the economic policies are short-term policies with an immediate effect while the others are supposed to staggered over time. The U.S tries as far as it can to balance its economy against long and short terms constraints and it is doing it quite well. However, as we are dealing with a pandemic, only the future will tell us if the U.S implemented the right policies and took the right decisions at the right time.

"I have neither given or received, nor have I tolerated others' use of unauthorized aid."

Zongo Ivan