

Combined Impacts of USA Zoom on Fiscal and Monetary Response

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The government of the United States of America, like any other country, has faced challenging and momentous task that is supposed to strategically plan for the impacts that are expected to face its economy, starting from unemployment and inflation (Demid, 2018). The United States is faced with a combined recession of both expansionary fiscal and monetary policy. From the budgetary point of view, the government is expected to spend and at the same time consider tax-cutting in order to prevent the adverse deterioration of its economy. However, from the monetary point of view, the government has reserved and tackled most of the economic weakness using all of its traditional and unconventional regulations.

There has been increased capital at the IMF and also at the multilateral development bank. With hard economic times ahead, this situation is likely to take more time for the negotiation to take place for the multilateral development bank (MDBs) to review and adjust their financial policies so as to bring financial policies that can cater for loan: equity ratio (Istiak & Serletis, 2018). In return, these procedures will require establishing a regulatory mechanism that must involve the credit rating agencies to assess risk rating. This significantly impacts the lending power and authority of MDBs hence restricting the flow of capital.

Fiscal stimulus mainly aims at increasing the aggregated demand with the economy. However, since this period makes the fiscal stimulus more aggressively applied, there is a high likelihood of destabilizing the huge demand for goods since the economy cannot provide or instead supply (Istiak & Serletis, 2018). Once there is an elevated demand for goods and services than what the economy can supply, the price will always rise. This is a scenario in economic terms is called inflation. Once inflation starts to increase, distortion to the economy is likely to come in, which results in imposing some costs on individuals. The Federal government,

at this point, can go and introduce a contractionary monetary policy hence regulating the inflation rate post-COVID.

In conclusion, the United States of America's zoom should play a critical role in impacting the monetary and fiscal responses to the economy. In the attempt to curb the rate of inflation and unemployment expected in a span of two-year time expected to bring about inflations significantly.

## References

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- Istiak, K., & Serletis, A. (2018). Economic policy uncertainty and actual output: Evidence from the G7 countries. *Applied Economics*, 50(39), 4222-4233.